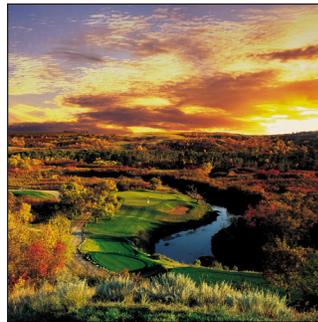


Ministry of Advanced Education

Student Aid Fund



Annual Report for 2018-19

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Letter of Transmittal



*The Honourable Tina Beaudry-Mellor,
Minister of Advanced Education*

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2019. The financial statements included in the report were prepared by the Ministry of Advanced Education and audited by the Provincial Auditor of Saskatchewan.

Tina Beaudry-Mellor

Minister of Advanced Education

The Honourable Tina Beaudry-Mellor,

Minister of Advanced Education

Dear Minister Beaudry-Mellor:

We, the Trustees of the Student Aid Fund, have the honour of presenting the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2019.

During the year under review, the programs provided through the Fund contributed to a high degree of accessibility to post-secondary education and provided services to meet the needs of individuals and communities in Saskatchewan.

Financial assistance provided through the Fund aligns with the strategies and key actions identified in the 2018-19 Plan for the Ministry of Advanced Education to support Government's goal of sustaining growth and opportunities for Saskatchewan people.

Respectfully submitted,

Mark McLoughlin

Trustee

Rupen Pandya

Trustee

Rob Currie

Trustee

Introduction

The 2018-19 Annual Report of the Saskatchewan Student Aid Fund (the Fund) provides an overview of the Fund's organization and financial assistance provided in the form of loans, bursaries and grants. The report also includes the Fund's March 31, 2019 financial statements.

Highlights

Highlights of the Saskatchewan Student Aid Fund in 2018-19:

- ⇒ Saskatchewan Student Loans totalling \$67,432,021 were disbursed to 17,442 full-time students;
- ⇒ A total of 15,327 students were provided with \$13,587,162 in up-front grants;
- ⇒ The Repayment Assistance Plan provided \$1,310,925 in benefits to 5,354 students who were having difficulty repaying their loans;
- ⇒ Saskatchewan Student Grants of \$135,132 were disbursed to 169 students with permanent disabilities and part-time students;
- ⇒ The Federal Student Grant for Services and Equipment for Persons with Permanent Disabilities disbursed \$1,869,270 through the Fund; and,
- ⇒ Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners provided \$178,553 to 108 nurses and nurse practitioners.

Alignment with Government's Direction

The Ministry supports the strategic priority from the Saskatchewan Plan for Growth: improving education outcomes. Our activities in 2018-19 align with Government's vision and four goals:

Saskatchewan's Vision

"... to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Sustaining growth and opportunities for Saskatchewan people

Meeting the challenges of growth

Securing a better quality of life for all Saskatchewan people

Delivering responsive and responsible government

The Saskatchewan Student Aid Fund supports Government's goal of sustaining growth and opportunities for Saskatchewan people and the Ministry's strategy of increasing post-secondary education attainment.

Program Overview

Mandate Statement

The Ministry of Advanced Education is responsible for the post-secondary education sector that supports a growing Saskatchewan and that leads to a higher quality of life. The Ministry places a high priority on meeting the needs of students by ensuring that our post-secondary sector is accessible, responsive, sustainable, accountable and provides quality education. Working with our post-secondary institutions, the Ministry is focused on providing opportunities for all students, especially First Nations and Métis people, to prepare them to live, work and learn in Saskatchewan.

The Saskatchewan Student Aid Fund

The Saskatchewan Student Aid Fund was created in 1949 by the Government of Saskatchewan to ensure that students would not be denied access to post-secondary education or training due to lack of financial resources. The Fund administers programs that provide repayable and non-repayable financial assistance to qualified Saskatchewan residents enrolling in approved post-secondary programs.

Students who receive financial support through the Student Aid Fund are able to pay for tuition, books, accommodations and other necessities, allowing them to enrol in post-secondary studies and gain skills that will lead to improved employment and income earning opportunities. For many of these students, pursuing a post-secondary education would have been difficult or impossible without that support.

Authority for administration of the Saskatchewan Student Aid Fund is provided by *The Student Assistance and Student Aid Fund Act, 1985*, and related regulations. This legislation calls for:

- ⇒ Three trustees to administer the Fund;
- ⇒ A Scholarship, Bursary and Loan Committee to make recommendations to the Minister responsible for post-secondary education; and,
- ⇒ The Ministry, over which that Minister presides, to operate the Fund.

The Saskatchewan Student Loans Program has evolved over the years with the goal of continuing to improve financial accessibility for Saskatchewan students. Throughout this process, many changes have been implemented to streamline the assessment, approval and repayment of student loans.

The Canada-Saskatchewan Integrated Student Loans Program is delivered jointly by the Governments of Canada and Saskatchewan. Financial assistance provided by both levels of government is aligned, where possible, to provide maximum benefit to the student.

The 2018-19 Saskatchewan Student Aid Fund Annual Report represents only Saskatchewan loans and grants. The exception is federal programs (i.e., Federal Student Grant for Services and Equipment for Persons with Permanent Disabilities) that are issued or administered through the Fund. Borrowers are also likely to have received federal loans and grants and may have received funding from other sources as well. Annual report information on the federal portion of loans and grants can be found online at www.esdc.gc.ca/en/reports/cslp_cesp/index.page.

Student Financial Assistance Programs

Full-Time Student Loans and Grants

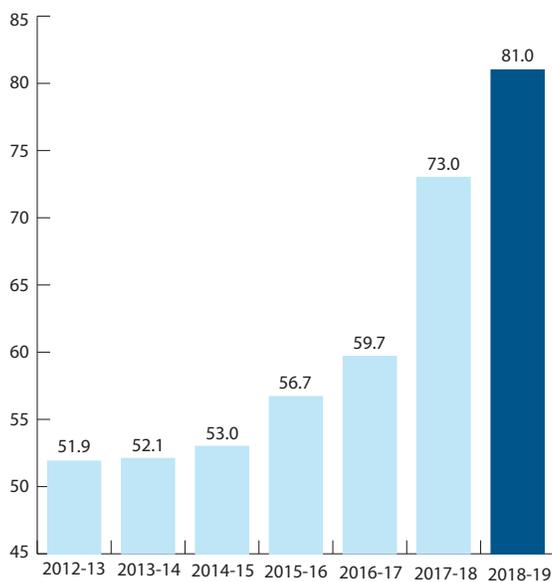
Financial assistance for full-time students is provided through the Canada-Saskatchewan Integrated Student Loans Program. All applications are assessed to determine financial need where applicants are automatically considered for both student loans and grants. Loan amounts are determined by subtracting the contributions expected from the student and the student's family from the educational and living costs allowed under the program. Grant amounts are calculated based on the number of weeks of study, family size, and the previous year's family income.

Grants target low-income students and provide up to \$30 per week (\$1,000 per year). The grants progressively decline as annual income increases. The average up-front grant increased 3% over last year to \$886. Nearly 88% of students received both a grant and a loan.

Saskatchewan Student Loans can be authorized up to \$227 per week of study. The exception is medical students, who can be approved for a Saskatchewan Student Loan of up to \$365 per week. There are also a number of provisions to accommodate students with permanent disabilities.

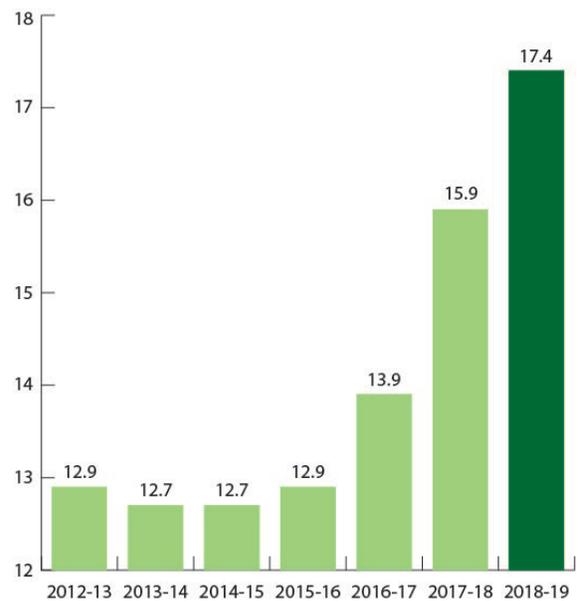
The simplified, online application process has made it easier for students to access student aid. In 2018-19, the Fund disbursed over \$81M, of which \$13.6M was non-repayable, to more than 17,400 students (Charts 1 and 2). Since 2012-13, the number of full-time students accessing student aid grew by 36% while the amount of financial assistance increased by 56%.

Chart 1
Financial Assistance (\$M)



Source: Advanced Education Student Services and Program Development records

Chart 2
Full-Time Students Receiving Financial Assistance (000s)



Source: Advanced Education Student Services and Program Development records

Interest-Free Status

The provincial government pays the interest on student loans for full-time students while they are attending a designated educational institution. Students are responsible for the interest on student loans from the first day of the first month after they cease full-time study.

Students are not responsible for interest that accrues on their student loans between academic periods if the break is six months or less, and appropriate documentation is submitted.

Students may keep any federal and provincial student loans in interest-free status by submitting appropriate documentation if they are not receiving financial assistance for that year or semester and are a full-time student attending a designated educational institution.

Repayment of Student Loans

Students with Canada-Saskatchewan Integrated Student Loans make payment arrangements with the National Student Loans Service Centre.

The Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners program provides up to \$4,000 per year in Saskatchewan Student Loan forgiveness to a maximum of \$20,000 over five years to a nurse or nurse practitioner working in a Saskatchewan community of 10,000 people or fewer.

Repayment options are available to students who are unable to meet the repayment terms of their loan agreements. Repayment terms may be revised or interest and repayment relief may be provided through debt management tools.

Debt Management Tools

There are a variety of debt management tools available for borrowers with a Canada-Saskatchewan Integrated Student Loan who are unable to meet the repayment terms.

The **Repayment Assistance Plan – Stage 1** provides repayment deferral to eligible borrowers for a maximum of 60 months. Borrowers make affordable payments that are applied first to principal and then to interest when their income is above the minimum threshold but insufficient to cover the entire required payment. Borrowers do not make monthly payments when their income is below the minimum threshold.

The **Repayment Assistance Plan – Stage 2** provides loan forgiveness to borrowers demonstrating prolonged financial hardship who have either exhausted Repayment Assistance – Stage 1 benefits or who have been in repayment for 10 years. Borrowers make affordable payments that are applied first to principal and then to interest when their income is above the minimum threshold but insufficient to cover the entire required payment. Borrowers do not make monthly payments when their income is below the minimum threshold. The province covers the balance of the required payment to ensure that the borrower's debt is completely paid by the end of 15 years from loan consolidation.

The **Permanent Disability Benefit** is available to all borrowers whose disability prohibits employment or retraining, regardless of when their loan was issued. For borrowers with less severe disabilities where the potential for employment or retraining are impaired, an **Accelerated Repayment Assistance Plan** provides for loan forgiveness over a maximum 10-year period. Under the Accelerated Repayment Assistance Plan, borrowers make affordable payments when their income is above the minimum thresholds but insufficient to cover the entire required payment.

Other Saskatchewan Student Grants

The **Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities** provides a maximum of \$2,000 per year to Saskatchewan students to cover exceptional education-related expenses directly related to the student's permanent disability.

The **Saskatchewan Student Grant for Part-Time Studies** provides for direct educational costs up to a maximum of \$800 per year to high-need students who are enrolled in part-time studies.

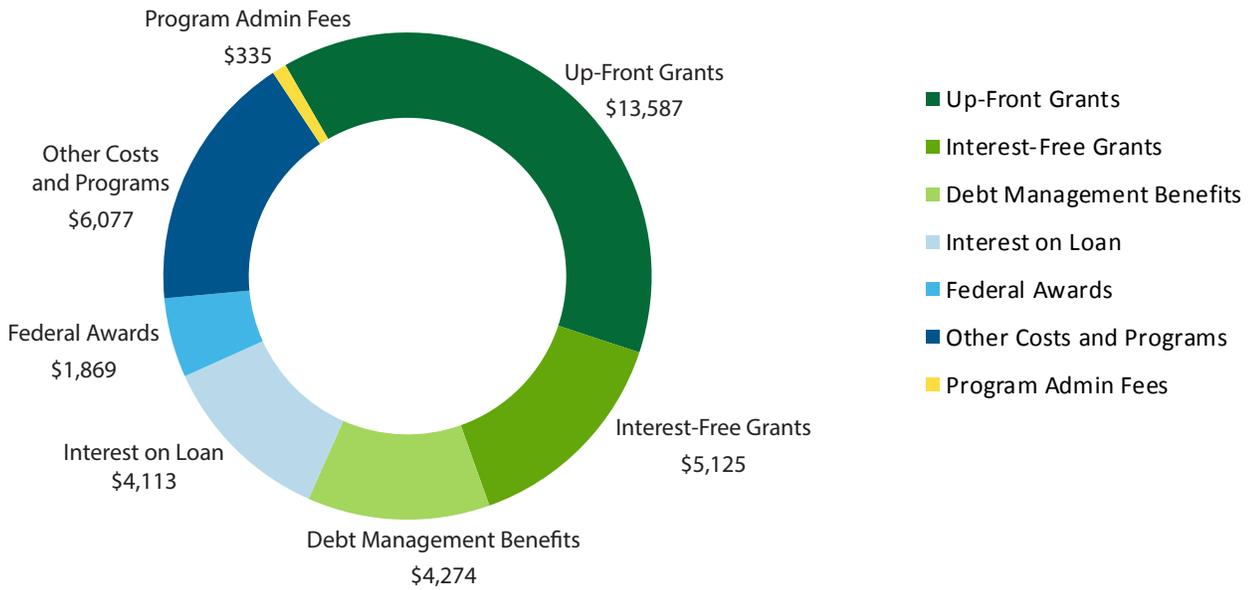
Federal Awards Issued or Administered through the Student Aid Fund

The Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities provides a maximum of \$8,000 per year to students to cover exceptional education-related expenses directly related to the student's permanent disability. The grant is administered by the Ministry of Advanced Education. Payments and tax receipts are issued through the Saskatchewan Student Aid Fund.

Program Expenses

Chart 3 summarizes all the 2018-19 Student Aid Fund program expenses to support students, including student grants and bursaries, interest-free grants, debt management expenses, administration costs, and loan forgiveness expenses.

Chart 3
2018-19 Student Aid Costs and Benefits (\$000s)



Source: Advanced Education Student Services and Program Development records

Summary of Awards and Benefits: 2018-19

Highlighted below is a summary of awards and benefits to assist students in the pursuit of post-secondary education.

Summary of Awards and Benefits: 2018-19		
	Number of Students	Total Amount
Full-Time Loans		
Saskatchewan Student Loans Disbursed	17,442	\$67,432,021
Debt Management Tools		
Repayment Assistance Plan – Stage 1	4,085	\$560,329
Repayment Assistance Plan – Stage 2	591	\$319,482
Accelerated Repayment Assistance Plan for Borrowers with a Permanent Disability	678	\$431,114
Permanent Disability Benefit	9	\$43,388
Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners	108	\$178,553
Saskatchewan Student Grants		
Saskatchewan Student Grant	15,327	\$13,587,162
Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities	48	\$51,864
Saskatchewan Student Grant for Part-Time Studies	121	\$83,268
Federal Awards		
Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities	579	\$1,869,270

Data Source: Advanced Education Student Services and Program Development Records

2018-19 Financial Overview

Management's Responsibility for Financial Statements

The accompanying financial statements are the responsibility of the management of the Ministry of Advanced Education. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgements where applicable.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Trustees of the Student Aid Fund are responsible for ensuring that management fulfills its responsibilities for financial reporting, internal control and administering the Fund in accordance with *The Student Assistance and Student Aid Fund Act, 1985*, and related regulations. The Trustees meet with management to satisfy themselves that management's responsibilities are properly discharged and to review the financial statements. The accompanying financial statements for the year ended March 31, 2019, have been approved by the Trustees of the Student Aid Fund.

The Provincial Auditor of Saskatchewan has audited the financial statements of the Student Aid Fund in accordance with Canadian generally accepted auditing standards and her report follows.

Regina, Saskatchewan

May 25, 2019



Scott Giroux

Executive Director, Corporate Finance

Ministry of Advanced Education

Provincial Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Saskatchewan Student Aid Fund, which comprise the statement of financial position as at March 31, 2019, and the statement of operations and changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Saskatchewan Student Aid Fund as at March 31, 2019, and the results of its operations and changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Saskatchewan Student Aid Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Saskatchewan Student Aid Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Saskatchewan Student Aid Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Saskatchewan Student Aid Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
➤ www.auditor.sk.ca



PROVINCIAL AUDITOR
of Saskatchewan

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Saskatchewan Student Aid Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Saskatchewan Student Aid Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Saskatchewan Student Aid Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
May 15, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

Financial Statements

Saskatchewan Student Aid Fund

Statement of Financial Position

As at March 31	(thousands of dollars)	
	2019	2018
Financial Assets		
Due from General Revenue Fund (Note 6)	\$1,349	\$968
Appropriation Due from General Revenue Fund	3,000	2,500
Accrued Interest	29	19
Other Receivables	1,336	1,084
Student Loans Receivable (Note 4)	172,733	134,484
Total Financial Assets	\$178,447	\$139,055
Liabilities and Net Financial Assets		
Liabilities		
General Revenue Fund Loan (Note 7)	\$174,004	\$135,004
General Revenue Fund Interest Payable (Note 7)	1,154	845
Due to Royal Bank of Canada	62	121
Other Accounts Payable	328	316
Total Liabilities	\$175,548	\$136,286
Net Financial Assets	\$2,899	\$2,769
	\$178,447	\$139,055

See accompanying notes to financial statements

Saskatchewan Student Aid Fund

Statement of Operations and Changes in Net Financial Assets

For the Year Ended March 31	(thousands of dollars)		
	Budget (Note 9)	Actual 2019	Actual 2018
Revenue			
Appropriation from the General Revenue Fund	\$21,534	\$27,034	\$27,700
Grant - Federal Canada Student	1,800	1,869	1,867
Interest Revenue from the General Revenue Fund (Note 6)	34	77	50
Interest on Student Loans	2,615	3,617	2,437
Loan Discount Amortization	2,500	2,883	1,807
Recovery of Bad Debt	75	15	576
Other Income	-	15	21
	\$28,558	\$ 35,510	\$34,458
Expense			
Saskatchewan Student Grant	\$10,950	\$13,587	\$11,003
Saskatchewan Student Bursaries	-	16	7,150
Low-Income and Middle-Income Student Grants	-	11	935
Student Grants for Borrowers with Dependents Age 12-18	-	(1)	209
Provincial Student Grants - Other	100	135	63
Student Disability Grants	534	589	-
Canada Student Grants	1,700	1,869	1,542
Interest Grants to Students	3,900	5,125	3,734
Royal Bank Interest Differential	-	-	9
Repayment Assistance Plan	3,158	4,274	3,186
Nurses Loan Forgiveness	270	543	269
Permanent Disability/Death Benefit	280	172	276
Bad Debt	5,400	4,612	3,882
Interest on General Revenue Fund Loan (Note 7)	3,840	4,113	2,815
Service Provider Costs	190	181	344
Collection Costs	190	154	130
	\$30,512	\$35,380	\$35,547
(Decrease) Increase in Net Financial Assets for the year	\$(1,954)	\$130	\$(1,089)
Net Financial Assets, beginning of year	2,769	2,769	3,858
Net Financial Assets, end of year	\$815	\$2,899	\$2,769

See accompanying notes to financial statements

Saskatchewan Student Aid Fund

Statement of Cash Flows

For the Year Ended March 31	(thousands of dollars)	
	2019	2018
Cash Receipts provided by (used in) Operating Activities		
Receipts from General Revenue Fund	\$26,534	\$26,900
Receipts from Federal Government	1,639	1,415
Receipts from Student Loan Repayments Including Interest	20,991	19,395
Receipts of Bank Interest	67	52
Payment of Student Loan Disbursements	(67,424)	(61,949)
Payments to Royal Bank	(94)	(84)
Payments for Bursaries, Grants and Other Student Support	(16,193)	(12,494)
Payments of Interest on General Revenue Fund Loan	(3,804)	(2,690)
Payments of Service Provider and Collection Costs	(335)	(626)
Total Operating	\$(38,619)	\$(30,081)
Cash Receipts provided by (used in) Financing Activities		
Receipts from General Revenue Fund Loan	\$73,000	\$70,000
Repayments of General Revenue Fund Loan	(34,000)	(39,000)
Total Financing	\$39,000	\$31,000
Net Increase in Due from General Revenue Fund	\$381	\$919
Due from General Revenue Fund, beginning of year	968	49
Due from General Revenue Fund, end of year	\$1,349	\$968

See accompanying notes to financial statements

Saskatchewan Student Aid Fund

Notes to the Financial Statements

March 31, 2019

1. Authority

The Saskatchewan Student Aid Fund (the Fund) operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. The primary purpose of the Fund is to support the Saskatchewan Student Loan Program. The Trustees of the Fund administer the Fund.

2. Description of the Program

Under the terms of the Saskatchewan Student Loan Program, student loans are provided to qualifying individuals based on a determination of need. Loans are interest-free while the student is in full time studies and for a maximum of six months between periods of study. They become repayable on the first day of the seventh month following discontinuance of studies or graduation; however, interest begins to accrue on the first day of the first month following discontinuance of studies or graduation.

Program benefits, including maintenance of loans in interest-free status during periods of study, provision of grants, bursary and grant debt reduction benefits and debt management benefits, are tied to loan years, which commence August 1 and end July 31 of each year.

Provincial student loans managed through the Fund consist of:

- ⇒ loans financed by the Province issued prior to August 1, 1996;
- ⇒ loans financed by Royal Bank during the period August 1, 1996 to July 31, 2001; and,
- ⇒ loans financed by the Province effective August 1, 2001, under the Canada-Saskatchewan Integration Agreement for the Administration of Federal and Provincial Student Loans.

Benefits of the Saskatchewan Student Loan Program are available to borrowers under all three program regimes.

For Canada-Saskatchewan integrated student loans issued under the Canada-Saskatchewan Integration Agreement for the Administration of Federal and Provincial Student Loans:

- ⇒ the Ministry of Advanced Education (the Ministry) provides loan authorization for both Saskatchewan and Canada loans;
- ⇒ an external agency (service provider) manages loan disbursement, administration and repayment; and,
- ⇒ the Government of Canada is responsible for the collection of bankrupt and defaulted loans.

3. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian public sector accounting standards issued by the Public Sector Accounting Board. A statement of re-measurement gains and losses has been omitted as there were no relevant transactions to report.

The following accounting policies are considered significant:

a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

b) Student Loans Receivable

Student Loans Receivable are recorded at cost less allowances. Cost includes the amount advanced, accrued interest and other charges, less repayments, bursaries and grants. Simple interest is charged on loans following the interest-free in school period. Payments on loans are first applied to interest, then to outstanding principal.

For loans held by the Fund, allowances are deducted from loans receivable for the following:

- i) estimated uncollectible loans due to default on repayment, based on past collection experience;
- ii) the cost of holding student loans in interest-free status; and,
- iii) estimated debt reduction and debt management benefits.

c) Revenue

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Interest on Student Loans and Interest Revenue from the General Revenue Fund are recorded when receivable.

Recovery of Bad Debt is recorded when received.

d) Expense

Saskatchewan Student Grants, Saskatchewan Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Borrowers with Dependents Age 12 to 18 are recorded when the transfer is authorized and as eligibility criteria are met by students over their period of study.

The Royal Bank Interest Differential, Repayment Assistance Plan, Nurses Loan Forgiveness, Permanent Disability/Death Benefit, and Bad Debt Expense are recorded based on estimates of expected utilization.

Interest Grants to Students reflect the cost of holding student loans in interest-free status during periods of study. The cost is recorded at the time of loan disbursement and amortized to revenue over the estimated interest-free term (Loan Discount Amortization).

Interest on General Revenue Fund Loan is recorded over the term of the loan.

Collection Costs and Service Provider Costs are recorded in the period that the service was provided.

Canada Student Grants, Student Disability Grants and Provincial Student Grants – Other are expensed when approved and eligibility criteria are met.

e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Measurement uncertainty impacts Student Loans Receivable (Note 4).

f) Financial Instruments

The Fund's significant financial instruments consist of Due from General Revenue Fund, Appropriation Due from General Revenue Fund, Accrued Interest, Other Receivables, Student Loans Receivable, General Revenue Fund Loan, General Revenue Fund Interest Payable, Due to Royal Bank of Canada and Other Accounts Payable. All financial instruments are measured at cost or amortized cost.

g) New Accounting Standards

In Effect

On April 1, 2018, the Fund adopted the following new Canadian public sector accounting standard:

- i) *PS 3430 Restructuring Transactions*, a new standard on how to account for and report restructuring transactions by transferors and recipients of assets and/or liabilities. The adoption of Section 3430 has not had a material impact on these financial statements.

The new standard has been adopted on a prospective basis, without restatement of prior period comparative amounts.

Not Yet in Effect

A number of new standards and amendments to standards have not been applied in preparing these financial statements. The following standards will become effective as follows:

- ii) *PS 3280 Asset Retirement Obligations* (effective April 1, 2021), replaces PS 3270 with revised guidance on accounting for, and presentation and disclosure of, solid waste landfill closure and post-closure liability.
- iii) *PS 3400 Revenue* (effective April 1, 2022), a new standard establishing guidance on how to account for and report on revenue. Specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

The Fund plans to adopt these new and amended standards on the effective date and is currently analyzing the impact this will have on these financial statements.

4. Student Loans Receivable

	(thousands of dollars)	
	2019	2018
Gross Student Loans Receivable, beginning of year	\$181,868	\$169,021
Add:		
New loans during the year	67,447	61,949
Legal fees	36	24
Interest earned on student loans	3,889	2,650
Deduct:		
Loan repayments	(20,975)	(17,883)
Amounts authorized to reduce loans	(2,098)	(31,455)
Loans written off	(34)	(2,438)
Gross Student Loans Receivable, end of year	\$230,133	\$181,868
Gross Student Loans Receivable	\$230,133	\$181,868
Allowance for Repayment Assistance Plan	(14,090)	(11,138)
Allowance for Nurses Loan Forgiveness	(1,115)	(750)
Allowance for Permanent Disability/Death Benefit	(723)	(657)
Interest Grants to Students	(6,582)	(4,342)
Student Bursaries Payable	(2)	(391)
Low-Income and Middle-Income Grants Payable	-	(87)
Student Grants for Borrowers with Dependents Age 12-18	-	(5)
Allowance for Uncollectible Loans	(34,888)	(30,014)
Student Loans Receivable	\$172,733	\$134,484

Student Loans Receivable consist of amounts owing by borrowers for loans granted prior to the Canada-Saskatchewan Integration Agreement (2019 - \$0; 2018 - \$8 thousand), and subsequent to the Integration Agreement (2019 - \$230,133 thousand; 2018 - \$181,860 thousand), offset by debt reduction benefits payable, debt management benefits payable and the allowance for uncollectible loans.

Included in the amounts authorized to reduce loans are Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Persons with Dependents Age 12 – 18.

Variability in Student Loans Receivable

Estimation is a factor in the following offsets to Gross Student Loans Receivable:

- ⇒ **Allowance for Repayment Assistance Plan** is an estimate of future costs based on projected prime rates of interest, projected months of repayment assistance utilization and estimates for program uptake.
- ⇒ **Allowance for Nurses Loan Forgiveness** is an estimate of future costs based on projected average debt levels and estimates of program uptake.
- ⇒ **Allowance for Permanent Disability/Death Benefit** is an estimate of future costs based on estimates of program utilization in relation to projections of future average value of loans in study, loans in repayment and defaulted loans.
- ⇒ **Interest Grants to Students** is calculated assuming that students remain in school for an average of three years, and applying the Fund's borrowing rate.
- ⇒ **Allowance for Uncollectible Accounts**

The Fund is exposed to losses in the event that borrowers default on repayment of their student loans. The Fund's maximum risk is represented by Gross Student Loans Receivable.

Management estimates are used to determine the dollar value of loans expected to be uncollectible. Interest income continues to be earned on all loans to the point of write-off. The recorded Allowance for Uncollectible Loans includes provision for interest income earned on impaired loans.

The allowances could reasonably be expected to fluctuate in the next 12 months as follows:

	(thousands of dollars)		
	2019 Actual	2019 Range of Accruals	2018 Actual
Allowance for Repayment Assistance Plan	\$14,090	\$9,443 to \$19,927	\$11,138
Allowance for Nurses Loan Forgiveness	\$1,115	\$921 to \$1,326	\$750
Allowance for Permanent Disability/Death	\$723	\$585 to \$875	\$657
Interest Grants to Students	\$6,582	n/a	\$4,342
Allowance for Uncollectible Loans	\$34,888	\$32,438 to \$37,424	\$30,014

5. Financial Instruments and Risk Management

Through its financial assets and liabilities, the Fund is exposed to various risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge their responsibilities with respect to the financial instrument, and in so doing, cause a loss for the other party. For the Fund, credit risk is significant with respect to potential non-repayment of student loans.

Mitigation processes aimed at minimizing credit losses begin with procedures that support the granting of loans and are ongoing throughout the loan life cycle such as conducting credit checks, providing repayment support to low-income borrowers, and undertaking well defined procedures for addressing loan delinquencies.

Loans are interest-free during periods of study and become repayable on the first day of the seventh month after graduation or discontinuation of study. The Fund's maximum risk is represented by Gross Student Loans Receivable detailed in Note 4.

The following table sets details of Gross Student Loans Receivable and Allowance for Uncollectible Loans:

	(thousands of dollars)	
	2019	2018
Loans in Study (no payments due)	\$129,938	\$99,732
Loans in Repayment:		
Current or Receiving Debt Management Benefits	77,067	61,671
Up to 270 Days Past Due (Delinquent)	5,118	3,639
Over 270 Days Past Due (Default)	18,010	16,826
Loans in Repayment, Principal and Accrued Interest	\$100,195	\$82,136
Total Gross Student Loans Receivable	\$230,133	\$181,868
Allowance for Uncollectible Loans	(34,888)	(30,014)
Debt reduction and debt management benefits payable	(22,512)	(17,370)
Student Loans Receivable	\$172,733	\$134,484

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Loans in Repayment and General Revenue Fund Loan are subject to interest rate risk related to repayment terms.

For Loans in Repayment, the current portfolios have effective interest rates of 3.9% to 6.5% (2018 – 3.5% to 6.5%). Interest rates are charged pursuant to *The Student Assistance and Student Aid Fund Regulations, 2001* and *The Saskatchewan Student Direct Loans Regulations*.

For the majority of loans held by the Fund, interest rates are set at the option of the student either at a floating rate or a fixed rate at the time of loan consolidation. The floating rate is equal to prime and the fixed rate equal to prime plus 2.5%.

Interest Rates for Loans in Repayment are as follows:

	(thousands of dollars)	
	2019	2018
Interest Rate		
3% - 3.9%	\$97,797	\$80,077
4% - 4.9%	1	2
5% - 5.9%	58	68
6% - 6.9%	30	8
Loans in Repayment, Principal	\$97,886	\$80,155

The total interest revenue earned on loans in repayment is a small portion of the Fund's total revenue. Changes in interest rates and the resultant increase or decrease in Interest on Student Loans revenue are managed within the Fund's finances or, if necessary, through changes in the appropriation from the General Revenue Fund.

Interest rates for the General Revenue Fund loan are adjusted quarterly and reflect the Province's eight year cost of borrowing. Resources to manage the cost of borrowing are provided to the Fund through an annual appropriation. Variations in interest rates are managed within the Fund's finances or, if necessary, through changes in the appropriation from the General Revenue Fund.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations as they fall due. Management undertakes regular cash flow analyses to ensure that there are sufficient cash resources to meet all obligations. Further, the Fund's liquidity risk is minimal as the Fund's bank accounts are supported by the Province of Saskatchewan.

6. Due from General Revenue Fund

The Fund's bank accounts, with a balance of \$1,349 thousand (2018 - \$968 thousand) are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Under the terms of the Consolidated Offset Bank Concentration arrangement, interest rates are based on the General Revenue Fund's 30-day borrowing rate and the Fund's average daily bank account balances. Interest is calculated and paid quarterly by the General Revenue Fund.

The General Revenue Fund's 30-day borrowing rate for 2019 ranged from 1.3% to 1.8% (2018 - 0.5% to 1.3%), which resulted in interest revenue of \$77 thousand (2018 - \$50 thousand).

7. General Revenue Fund Loan

Effective August 1, 2001, the Province assumed responsibility for the financing of student loans. Loans from the General Revenue Fund totalling \$174.0 million (2018 - \$135.0 million) have been provided to the Fund to support this role.

Under the terms of the loan agreement with the General Revenue Fund, interest rates are based on the General Revenue Fund's eight year cost of borrowing and principal loan payments are calculated as the sum of debt reduction benefits applied against student loans, the principal portion of student payments received by the Fund and accounts written off.

The General Revenue Fund's average eight year cost of borrowing rate for 2019 was 2.8% (2018 - 2.5%), which resulted in interest expenses of \$4.1 million (2018 - \$2.8 million) and interest owing of \$1.2 million (2018 - \$845 thousand).

8. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to its Trustees, who are the key management personnel of the Fund, and all Government of Saskatchewan ministries, agencies, boards, school divisions, health authority, regional colleges and crown corporations under the common control by the Government of Saskatchewan (collectively referred to as “related parties”).

The Fund has a number of related party transactions with the General Revenue Fund included in these financial statements.

Routine operating transactions with the General Revenue Fund settled at normal trade terms include \$27.0 million of transfer revenue (2018 - \$27.7 million) and \$3.0 million (2018 - \$2.5 million) of transfers receivable.

Other related party transactions with the General Revenue Fund are disclosed separately in Note 6 – Due from General Revenue Fund and Note 7 – General Revenue Fund Loan.

In accordance with established government practice, the Fund’s administrative and occupancy costs were paid by the Ministry. Accordingly, no provision for these costs is reflected in these financial statements.

8. Budget

The operating budget was approved by the Trustees of the Fund on May 7, 2018.

For More Information

If you have any questions or comments we invite you to call 1-800-597-8278 or contact:

Ministry of Advanced Education
1120 - 2010 12th Avenue
Regina, Saskatchewan S4P 0M3

The Ministry of Advanced Education produces three annual reports:

- ⇒ The Ministry of Advanced Education Annual Report 2018-19
- ⇒ Student Aid Fund Annual Report 2018-19
- ⇒ Training Completion Fund Financial Statements 2018-19

To obtain more information about the programs and services contained in this Annual Report or to view other annual reports visit our website at saskatchewan.ca.

