Financial Statements of

PROVIDENT10

And Auditors' Report thereon

For the year ended 31 December 2022

KPMG LLP
TD Place
140 Water St., Suite 1001
St. John's NL A1C 6H6
Canada
Tel 709-733-5000
Fax 709-733-5050

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Provident[10]

Opinion

We have audited the financial statements of Provident[10] (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, and changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 auditor's report.

We are independent of the Entity 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.

- 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 Entity'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 Entity'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 Entity 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.
- 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 that we identify during our audit.

KPMG LLP

Chartered Professional Accountants
St. John's, Canada
June 27, 2023

Provident10

Statement of Financial Position
31 December 2022
with comparative information for 31 December 2021

	2022 (000s)	2021 (000s)
Assets		
Current assets		
Cash	$ 2,368	$ 1,382
Receivable from Province of Newfoundland and Labrador	67	45
Harmonized Sales Tax receivable	168	103
Prepaid expenses	748	615
Current portion of promissory note receivable (note 2)	53,331	50,312
	56,682	52,457
Capital assets (note 3)	778	891
Intangible asset (note 3)	334	-
Promissory note receivable (note 2)	2,260,804	2,314,135
Total assets	**$ 2,318,598**	**$ 2,367,483**
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,055	$ 1,911
Payable to Public Service Pension Plan (note 4)	1,522	92
Payable to Province of Newfoundland and Labrador (note 5)	48	184
Deferred tenant inducement	263	325
Straight-line rent	86	96
Current portion of promissory note payable (note 2)	53,331	50,312
	57,305	52,920
Employee future benefits (note 6)	489	428
Promissory note payable (note 2)	2,260,804	2,314,135
Total liabilities	2,318,598	2,367,483
Commitments (note 12)		
Net assets	-	-
Net assets and total liabilities	**$ 2,318,598**	**$ 2,367,483**

The accompanying notes to financial statements are an integral part of this financial statement.

On behalf of the Board:

Director ____________________________ Director ____________________________

Provident10

Statement of Operations and Changes in Net Assets
For the year ended 31 December
with comparative information for the year ended 31 December 2021

	2022	2021
	(000s)	**(000s)**
Revenue		
Management fees (note 9)	$ 12,018	$ 11,427
Interest	137,688	140,536
	149,706	151,963
Expenses		
Salaries and benefits	7,256	6,771
Professional services	999	1,108
Information systems	814	621
Premises	615	612
Directors and committees	114	126
Postage and service charges	116	241
Interest	137,688	140,536
Amortization	189	250
Other operating expenses	1,827	1,698
Total expenses	149,618	151,963
Excess of revenue over expenses	$ 88	$ -
Unrestricted net assets, beginning of year	-	-
Remeasurement of employee future benefits liability	(88)	-
Unrestricted net assets, end of year	$ -	$ -

The accompanying notes to financial statements are an integral part of this financial statement.

Provident10

Statement of Cash Flows

For the year ended 31 December 2022

with comparative information for the year ended 31 December 2021

	2022	2021
	(000s)	**(000s)**
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	$ 88	$ -
Items not involving cash:		
Amortization of capital assets	251	313
Amortization of tenant inducement	(62)	(63)
Decrease in straight-line rent	(10)	(9)
Employee future benefits expense	71	(57)
Employee future benefits contributions	(98)	(2)
	240	182
Change in non-cash operating working capital:		
Increase in receivable from Province of Newfoundland and	(22)	-
Increase in Harmonized Sales Tax receivable	(65)	(11)
Increase in prepaid expenses	(133)	(309)
Increase in accounts payable and accrued liabilities	144	215
Increase (decrease) in payable to Public Service Pension Plan	1,430	(398)
Decrease in payable to Province of Newfoundland and Labrador	(136)	(174)
	1,458	(495)
Investing activities:		
Capital assets additions	(138)	(88)
Intangible asset addition	(334)	-
Proceeds on promissory note receivable	50,312	47,464
	49,840	47,376
Financing activities:		
Repayment of promissory note payable	(50,312)	(47,464)
	(50,312)	(47,464)
Increase (decrease) in cash	986	(583)
Cash, beginning of year	1,382	1,965
Cash, end of year	$ 2,368	$ 1,382

The accompanying notes to financial statements are an integral part of this financial statement.

Provident10, (the “Corporation”), is a not-for-profit organization incorporated on 31 March 2015 under the authority of Section 36.1 of the *Public Service Pensions Act 1991* (the “Act”). The Corporation changed its name to Provident[10] from Public Service Pension Plan Corporation, effective 27 August 2017.

The purpose of the Corporation is to act as Trustee of the Public Service Pension Plan (the “Plan”) and to serve as administrator of the Plan. The Corporation is bound, with the Board of Directors, to act in accordance with the Joint Sponsorship Agreement between Her Majesty in Right of Newfoundland and Labrador and the Association of Allied Health Professionals, the Canadian Union of Public Employees, the International Brotherhood of Electrical Workers, the Newfoundland and Labrador Association of Public and Private Employees, and the Registered Nurses’ Union Newfoundland and Labrador (collectively the “Unions”). A service level agreement (the “Service Level Agreement”) was signed between the Corporation and the Province of Newfoundland and Labrador (the “Province”) to allow the Province to continue to administer the Plan for an interim period of 12 months. The agreement expired on 31 March 2017. The Province continues to provide limited administration services covered by this agreement for the disbursement of pension payments on an interim basis (note 9).

The Corporation operates under a cost recovery basis, as provided for in the Service Level Agreement. The Corporation is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (CPA) Canada Handbook.

(b) Revenue recognition:

Fee revenue is recognized as services are provided and collection is probable.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued)

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include accrued liabilities and other employee future benefits. Actual results could differ from these estimates.

(e) Capital assets:

Capital assets are recorded at cost less accumulated depreciation and include amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets directly attributable to construction and development.

The cost, less residual value, of capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the term of lease
Furniture, fixtures and equipment	5 years
Computer hardware	3 years
Computer software	3 years
Telephone system	3 years

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value.

(f) Intangible assets

Intangible assets consist of third-party costs for implementation of software services related to corporate or pension administration activities. External expenditures on implementation activities that are directly attributable to preparing the software service for its intended use are recognized as an intangible asset when the capitalization criteria have been met. This includes: the ability to demonstrate technical feasibility, the Corporation's intention to complete the implementation; the availability of adequate technical and financial resources to complete the development; the use of the system once implemented; and the ability to demonstrate that the asset will generate future economic benefits. Intangible assets are measured at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful life of five years.

The amortization of intangible asset costs related to corporate, pension and investment systems implementation commences upon completion of the systems.

Expenditures that do not meet the capitalization criteria are expensed as incurred. Similarly, expenditures on internally generated intangible assets are expensed as incurred.

1. Significant accounting policies (continued)

(g) Employee future benefits

i. Post-employment benefits other than pensions:

Under the collective agreement between the Newfoundland and Labrador Association of Public and Private Employees and the Corporation, employees identified on Schedule A of the Joint Sponsorship Agreement are eligible to participate in the Province's other post-employment benefits plan (the "OPEB Plan"). The OPEB Plan provides group life insurance and health care benefits on a cost shared basis to retired employees, should they continue to meet the eligibility requirements. The associated employer portion of the costs for the Corporation's employees will be borne by the Corporation.

The OPEB obligation is measured using an actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's year end. The date of the most recent actuarial valuation of obligation prepared for accounting purposes is 31 December 2022.

ii. Supplemental retirement arrangement

In 2022, the Corporation established a supplementary retirement arrangement for designated officers of the Corporation ("SRA"). The SRA does not constitute a registered pension plan within the meaning of the *Income Tax Act*. The primary purpose of the SRA is to provide retirement benefits to designated employees of the Corporation in respect of their earnings in excess of those on which benefits can be provided under the (registered) Plan.

The SRA obligation is measured using an actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's year end. The date of the most recent actuarial valuation of obligation prepared for accounting purposes is 31 December 2022.

(h) Deferred tenant inducements:

In 2016, the Corporation entered a ten-year lease for its corporate office. Under that agreement, the landlord funded renovations to the space as tenant inducements. These tenant inducements are deferred and amortized on a straight-line basis over the term of the related lease.

(i) Straight-line rent:

Under the Corporation lease for its corporate office, there are increases in base rent over the term of the lease. The base rent cost over the full lease term, including free rent periods, have been determined and are amortized on a straight-line basis over the term of the related lease.

2. Promissory note

The Province issued a $2.685 billion promissory note to the Corporation on 31 March 2015 as part of pension reform. The Plan has a right to receive the proceeds of the promissory note from the Province held by the Corporation. The note is receivable over 30 years in quarterly blended installments of principal and interest of $47 million. The promissory note bears interest of 6%. The payments will be made regardless of the funded status of the Plan. The promissory note is non-marketable.

2. Promissory note (continued)

As at 31 December 2022, the balance receivable is $2.314 billion (2021 - $2.364 billion).

Principal repayments of the promissory note receivable by the Province to the Corporation and by the promissory note payable by the Corporation to the Plan over the next five years (in thousands) are as follows:

2023	$53,331
2024	$56,530
2025	$59,922
2026	$63,518
2027	$67,329

3. Capital and Intangible assets

			2022	2021
	Cost (000s)	Accumulated Amortization (000s)	Net Book Value (000s)	Net Book Value (000s)
Leasehold improvements	$1,436	$824	$612	$751
Furniture, fixtures, and equipment	601	539	62	50
Computer hardware	387	283	104	90
Computer software	113	113	-	-
Telephone system	58	58	-	-
Total capital assets	$2,595	$1,817	$778	$891
Intangible asset	$334	-	$334	-

4. Payable to Public Service Pension Plan

Payable to the Plan represents total charges to the Plan plus HST less operating funding received.

Amounts payable to the Plan are non-interest bearing and due when an invoice is rendered.

5. Payable to Province of Newfoundland and Labrador

Amounts payable to the Province are non-interest bearing and payable on receipt of invoice.

6. Employee future benefits liability

The obligation was calculated as at 31 December 2022 under Sections 3462 and 3463 of the CPA Canada Handbook – Accounting by the Corporation's actuary. In determining the liabilities under Section 3463 of the CPA Handbook, projected unit credit method prorated on service was used for the accounting valuation.

6. Employee future benefits liability (continued)

The significant assumptions used in measuring the OPEB obligation were as follows:

	31 December 2021 accrued benefit liability and 2022 expense	31 December 2022 accrued benefit liability
Discount rate	3.40%	5.20%
General inflation	2.00%	2.00%
Health premium inflation/trend	12.96% in 2021, 5.56% in 2022, decreasing linearly each year to an ultimate rate of 3.60% in 2040	3.30% in 2021, 9.15% in 2022, decreasing linearly each year to an ultimate rate of 3.60% in 2040
Mortality	CPM – 2014 Public Sector with generational projection using scale CPM-B	CPM – 2014 Public Sector with generational projection using scale CPM-B
Termination	2014 Public Sector Experience Study, with annual sample rates: • Age 20: 16.48% • Age 25: 16.48% • Age 30: 9.49% • Age 35: 7.13% • Age 40: 5.56% • Age 45: 4.61% • Age 50: 3.60% • Age 55: 0.00%	2014 Public Sector Experience Study, with annual sample rates: • Age 20: 2.00% • Age 25: 2.00% • Age 30: 2.00% • Age 35: 2.00% • Age 40: 2.00% • Age 45: 1.50% • Age 50: 1.00% • Age 55: 0.00%
Disability	None	None
Retirement	**If eligible to retire before 1 January 2020:** 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of the 35 years' service or age 65. **If not, then:** 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.	**If eligible to retire before 1 January 2020:** 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of the 35 years' service or age 65. **If not, then:** 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.
Members electing coverage benefits at retirement ("Participation Rate")	95%	95%
Coverage elected at retirement	65% Family	65% Family
Spouse age difference	Females three years younger	Females three years younger

6. Employee future benefits liability (continued)

The significant assumptions used in measuring the SRA obligation were as follows:

	31 December 2021 accrued benefit liability and 2022 expense	**31 December 2022 accrued benefit liability**
Discount rate	3.40%	5.20%
General inflation	2.00%	2.00%
Salary increase	3.50%	3.50%
YMPE and ITA DB Limit increase	2.75%	2.75%
Mortality	CPM – RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 0.75 for males and 0.95 for females	CPM – RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 0.75 for males and 0.95 for females
Termination/Disability/Pre-retirement mortality	None	None
Retirement	Age 62	Age 62
Spouse age difference	Females three years younger	Females three years younger
Married %	100% at retirement	100% at retirement

The employee future benefits liability as at 31 December 2022 is calculated as follows:

	2022 SRA (000s)	2022 OPEB (000s)	2022 Total (000s)	2021 Total (000s)
Defined benefit obligation	$350	$332	$682	$428
Fair value of plan assets	193	-	193	-
Employee future benefits liability	$157	$332	$489	$428

7. Pension Plan

Qualifying employees of the Corporation participate in the Plan, a multi-employer defined benefit pension plan, which provides pension benefits based on length of service and earnings.

Contributions to the Plan are required by both the employees and the employer. The Corporation's contributions range from 8.95% to 11.85% of pensionable earnings. Total employer contributions for 2022 were $507 thousand (2021 - $467 thousand) and are recognized in salaries and benefits expense in the statement of operations.

The Corporation is not responsible for any underfunded liability, nor does the Corporation have access to any surplus that may arise in the Plan.

8. Sick leave

Under the collective agreement, employees identified on Schedule A of the Joint Sponsorship Agreement and covered by the collective agreement were entitled to carry over accumulated sick leave balances. The estimated gross value of the sick leave balances is $267 thousand (2021 - $257 thousand). Sick leave balances are non-vesting and further accumulations are prohibited. No amount has been accrued in the financial statements for the potential liability.

9. Related party transactions

(a) The Province:

The Province is related to the Corporation by its ability to appoint 6 of 14 members of the Corporation's Board of Directors.

The Corporation entered into the Service Level Agreement with the Province for management services to be provided on a cost recovery basis for an interim period. The Service Level Agreement with the Province expired on 31 March 2017. The Province continues to provide limited administration services for the disbursement of pension payments on an interim basis until December 2021. The cost of the services in 2022 was $60 thousand (2021 - $80 thousand) and is based on an allocation of salaries and administrative costs.

Management fees earned of nil in 2022 (2021 - $591) from the Province of Newfoundland and Labrador.

(b) The Plan:

The Corporation is related to the Plan as the Board of Directors oversees the Plan and the Corporation. Management fees earned of $12.0 million (2021 - $11.4 million) are from the Plan based on a cost recovery basis.

10. Economic dependence and financial risks

The Corporation is economically dependent on the Plan by virtue of the cost recovery basis under which it operates.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to a concentration of credit risk with respect to the receivable from the Plan. The Corporation has assessed the amount as fully collectible.

The Corporation continuously monitors the impact that the COVID-19 pandemic and geopolitical risks have on the Corporation and the Plan.

The Corporation is not exposed to any other significant financial risks.

11. Comparative information

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

12. Commitments

The Corporation is committed under the terms of its lease for office space and under the terms of contract for licensing of software services to make the following minimum annual payments (in thousands):

2023	$668
2024	668
2025	668
2026	668
Thereafter	136
Total	$2,808