

Council of Atlantic Premiers Consolidated Fund

Financial Statements
March 31, 2014



June 24, 2014

Independent Auditor's Report

To the Honourable Chair and Honourable Members of Council of Atlantic Premiers

We have audited the accompanying consolidated fund financial statements of the **Council of Atlantic Premiers**, which comprise the consolidated fund statement of financial position as at March 31, 2014 and the statements of consolidated fund revenue, expenditures and operating surplus and consolidated fund cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated fund 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated fund financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated fund financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated fund financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated fund financial statements present fairly, in all material respects, the consolidated fund financial position of Council of Atlantic Premiers as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

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Council of Atlantic Premiers
 Consolidated Fund Statement of Financial Position
 As at March 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash	15,824,447	12,540,034
Amounts receivable	117,747	228,076
Prepaid expenses	23,392	47,194
MPHEC grants receivable (note 5)	40,803,106	47,883,997
	<u>56,768,692</u>	<u>60,699,301</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,882,211	1,598,890
Deferred revenue	165,165	210,933
MPHEC operating and capital assistance payable	28,576,361	32,212,902
	<u>30,623,737</u>	<u>34,022,725</u>
MPHEC committed funds (note 7)	<u>25,304,747</u>	<u>25,777,764</u>
	<u>55,928,484</u>	<u>59,800,489</u>
Equity		
Operating surplus	<u>840,208</u>	<u>898,812</u>
	<u>56,768,692</u>	<u>60,699,301</u>
Commitments (note 8)		

Signed on behalf of the Council

_____ Chair _____ Secretary

Council of Atlantic Premiers

Statement of Consolidated Fund Revenue, Expenditures and Operating Surplus

For the year ended March 31, 2014

	2014		2013
	Budget	Actual	Actual
	\$	\$	\$
Revenue (Schedule A)			
Province of New Brunswick	1,150,450	1,150,450	1,145,229
Province of Newfoundland and Labrador	293,946	293,946	295,073
Province of Nova Scotia	1,497,866	1,497,866	1,517,675
Province of Prince Edward Island	310,222	310,222	309,032
Other	881,703	968,034	903,647
	<hr/>	<hr/>	<hr/>
	4,134,187	4,220,518	4,170,656
	<hr/>	<hr/>	<hr/>
Expenditures (Schedule B)			
Council Secretariat	1,381,794	1,437,174	1,396,414
Maritime Provinces Harness Racing Commission (note 10)	745,194	680,278	693,038
Maritime Provinces Higher Education Commission	1,650,776	1,651,694	1,615,804
	<hr/>	<hr/>	<hr/>
	3,777,764	3,769,146	3,705,256
Grants			
Atlantic Provinces Community College Consortium	76,000	76,000	76,800
Council of Atlantic Ministers of Education and Training	191,678	191,678	193,614
	<hr/>	<hr/>	<hr/>
	4,045,442	4,036,824	3,975,670
	<hr/>	<hr/>	<hr/>
Excess of revenue over expenditures for the year	88,745	183,694	194,986
Operating surplus – Beginning of year	898,812	898,812	862,754
	<hr/>	<hr/>	<hr/>
	987,557	1,082,506	1,057,740
	<hr/>	<hr/>	<hr/>
Appropriations and contributions			
To operations	(98,000)	(56,867)	(56,867)
Other	–	(185,431)	(102,061)
	<hr/>	<hr/>	<hr/>
	(98,000)	(242,298)	(158,928)
	<hr/>	<hr/>	<hr/>
Operating surplus – End of year (Schedule C)	889,557	840,208	898,812

Council of Atlantic Premiers
Statement of Consolidated Fund Cash Flows
For the year ended March 31, 2014

	2014	2013
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year, including appropriations and contributions	(58,604)	36,058
Net change in non-cash working capital balances related to operations		
Decrease in amounts receivable	110,329	159,177
Decrease (increase) in prepaid expenses	23,802	(44,084)
Decrease (increase) in MPHEC grants receivable	7,080,891	(436,823)
Increase in accounts payable and accrued liabilities	283,321	545,962
Increase (decrease) in deferred revenue	(45,768)	22,605
Increase (decrease) in MPHEC operating and capital assistance payable	(3,636,541)	4,237,461
	<u>3,757,430</u>	<u>4,520,356</u>
Investing activities		
Increase (decrease) in MPHEC committed funds	(473,017)	(2,247,581)
	<u>3,284,413</u>	<u>2,272,775</u>
Net change in cash during the year	3,284,413	2,272,775
Cash – Beginning of year	<u>12,540,034</u>	<u>10,267,259</u>
Cash – End of year	<u>15,824,447</u>	<u>12,540,034</u>

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2014

1 Operations

The Council of Maritime Premiers has been in operation since 1971. In May 2000, the Council of Atlantic Premiers (the “Council”) was established with the signing of a memorandum of understanding. In fiscal 2003-04, Newfoundland and Labrador became a full and equal funding partner.

Operating agreements

The Council has entered into agreements with the Provinces of New Brunswick, Nova Scotia and Prince Edward Island whereby:

The Maritime Provinces Harness Racing Commission (“MPHRC”) was mandated to govern, supervise, control and regulate harness racing and racetracks. The following objectives were detailed:

- i) to establish uniform rules for conducting harness racing;
- ii) to recruit, train, evaluate and deploy harness racing officials;
- iii) to promote and market harness racing; and
- iv) to promote and encourage the breeding and racing of horses.

2 Maritime Provinces Higher Education Acts

The Maritime Provinces Higher Education Commission (“MPHRC”) has been established on behalf of the Council through complimentary legislation in each of the Maritime Provinces. In accordance with the Maritime Provinces Higher Education Commission Acts (Section 18 New Brunswick and Prince Edward Island; Section 19 Nova Scotia), the provinces have the option of paying grants to the institutions, either directly or through MPHEC.

The consolidated fund accounts of the Council, including the schedule of grant revenue, expenditures and committed funds (Operations and Capital) (Schedule D), and the separate accounts of MPHRC, include only those grants received from the provinces and expended on their behalf by MPHEC and do not include operating and capital grants administered and disbursed directly by the Province of Nova Scotia to institutions within that province.

3 Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) as issued by the Canadian Accounting Standards Board.

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2014

3 Significant accounting policies (continued)

Combination

These consolidated fund financial statements include the combined accounts of the Council Secretariat, MPHRC and MPHEC, together with the grants paid to the Council of Atlantic Ministers of Education and Training (“CAMET”) and the Atlantic Provinces Community Colleges Consortium (“APCCC”). Separate audited financial statements provide more detailed financial information for MPHRC, MPHEC, CAMET and Council of Atlantic Premiers Trust Funds.

Operating surplus appropriations

The Council may appropriate a portion of the accumulated operating surplus as revenue for the succeeding year.

Management estimates

The presentation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments

The Council is exposed to normal credit risk with respect to its amounts receivable. Provisions are maintained for potential credit losses and no such losses have been recognized to date. Management believes the Council is not exposed to any significant credit risk and no provision for doubtful accounts has been recorded in the accounts.

Property, plant and equipment

The Council expenses capital assets in the year of acquisition. Had the Council capitalized and amortized its capital assets, its consolidated fund statement of financial position would reflect office equipment and furniture, computer hardware and software and leasehold improvements with a net book value of approximately \$108,125 (2013 - \$118,559).

Revenue recognition

The Council follows the deferral method of accounting for contributions.

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2014

4 Funding

The provincial contributions for the MPHEC administrative costs and CAMET are based upon the population of each member province. This per capita formula results in the following contribution rates:

	2014	2013
	%	%
Province of New Brunswick	41.4	41.0
Province of Nova Scotia	50.9	51.4
Province of Prince Edward Island	7.7	7.6

Revenue and expenditures of MPHRC are allocated to the provinces based upon the pari-mutuel betting for the penultimate year ended December 31. This results in the following allocation rates:

	2014	2013
	%	%
Province of New Brunswick	22.0	22.0
Province of Nova Scotia	49.0	49.0
Province of Prince Edward Island	29.0	29.0

Provincial contributions for post-secondary education assistance are in accordance with the existing regional funding formula. Each province provides grants to institutions within its borders and makes contributions to the other two provinces in respect of students from that province studying in university programs not offered in the province of residence. Interest earned on funds held for grants to post-secondary institutions is allocated to the province whose funds generated the earnings.

The provincial contributions for funding are based upon the population of each member province. As such, the per capita formula is as follows:

	2014	2013
	%	%
Province of New Brunswick	32.3	32.0
Province of Newfoundland and Labrador	22.1	22.1
Province of Nova Scotia	39.6	40.0
Province of Prince Edward Island	6.0	5.9

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2014

5 MPHEC grants receivable

	2014 \$	2013 \$
Province of New Brunswick	32,718,805	39,439,718
Province of Newfoundland and Labrador	216,000	242,000
Province of Nova Scotia	476,293	–
Province of Prince Edward Island	–	800,000
Government of Canada	7,392,008	7,402,279
	<hr/> 40,803,106	<hr/> 47,883,997

6 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$1,728 (2013 - \$2,028) is included in current liabilities.

7 MPHEC committed funds (Schedule D)

	<hr/> 2014			<hr/> 2013
	Operating \$	Capital \$	Total \$	Total \$
Province of New Brunswick	15,792,574	266,087	16,058,661	18,855,669
Province of Nova Scotia	560,426	–	560,426	515,001
Province of Prince Edward Island	8,666,769	16,350	8,683,119	6,404,553
Other	2,541	–	2,541	2,541
	<hr/> 25,022,310	<hr/> 282,437	<hr/> 25,304,747	<hr/> 25,777,764

8 Commitments

Leases

Future minimum annual lease commitments under long-term leases for office facilities and equipment are as follows:

	\$
Year ending March 31, 2015	201,286
2016	137,251
2017	28,910
2018	14,490

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2014

8 Commitments (continued)

Pension

The Council administers a pension plan, which covers the employees of the Atlantic Lottery Corporation, Council Secretariat, MPHEC and MPHRC. The most recent actuarial valuation of the pension plan as of December 31, 2010, disclosed that benefits relating to current and prior years' service are not fully funded on a going concern basis. The Council has made the minimum contribution required to fund the solvency shortfall deficiency.

9 Provincial equity allocation of operating surplus (deficit)

Operating surplus (deficit) has been allocated as follows:

- a) appropriations have been allocated as determined by Regional Treasury Board; and
- b) the excess of revenue over expenditures, with the exception of MPHRC, has been allocated on a per capita basis as approved in the May 25, 1971 funding agreement. MPHRC has been allocated based on the pari-mutuel betting for the penultimate year.

10 Government assistance

The MPHRC reached an agreement with the Atlantic Canada Opportunities Agency ("ACOA") on October 6, 2011, that commits ACOA to contribute towards photo finish equipment to be purchased and installed at eight Atlantic race tracks. The agreement states that ACOA would contribute the lesser of 79.9% of the estimated costs of \$521,900, or \$416,900, with the remaining of the funding to come from Horse Racing New Brunswick (\$30,000), the Nova Scotia Harness Racing Industry Association (\$30,000), the Government of PEI/PEI Standardbred Horseowners Association (\$30,000) and the St. John's Racing and Entertainment Center (\$15,000). The Commission will control the project for a period of two years, after which the assets will become property of the eight race tracks involved in the project.

For the year ended March 31, 2014, ACOA contributed \$nil (2013 - \$55,342) towards the project. The contributions were recorded as a reduction of the expenses incurred, presented on the statement of consolidated fund revenue, expenditures and operating surplus.

A draft agreement, dated April 1, 2014, allows that this equipment can be used, free of charge, by the regional racetracks. The equipment remains the property of the Commission. The regional racetracks are responsible for maintenance, upkeep, storage and insurance of the equipment. The draft agreement expires on April 30, 2020.

Council of Atlantic Premiers
Schedule of Consolidated Fund Revenue
For the year ended March 31, 2014

Schedule A

	2014		2013
	Budget	Actual	Actual
	\$	\$	\$
Province of New Brunswick			
APCCC	24,548	24,548	24,576
CAMET	79,355	79,355	79,382
Council Secretariat	405,065	405,065	402,679
MPHRC	85,101	85,101	85,776
MPHEC - Administration	556,381	556,381	552,816
	1,150,450	1,150,450	1,145,229
Province of Newfoundland and Labrador			
APCCC	16,796	16,796	16,973
Council Secretariat	277,150	277,150	278,100
	293,946	293,946	295,073
Province of Nova Scotia			
APCCC	30,096	30,096	30,720
CAMET	97,564	97,564	99,517
Council Secretariat	496,612	496,612	503,348
MPHRC	189,542	189,542	191,048
MPHEC - Administration	684,052	684,052	693,042
	1,497,866	1,497,866	1,517,675
Province of Prince Edward Island			
APCCC	4,560	4,560	4,531
CAMET	14,759	14,759	14,715
Council Secretariat	75,244	75,244	74,244
MPHRC	112,178	112,178	113,069
MPHEC - Administration	103,481	103,481	102,473
	310,222	310,222	309,032
Total provincial contributions	3,252,484	3,252,484	3,267,009
Other recoveries			
Interest	100,000	178,411	170,532
Recoveries			
Council Secretariat	45,000	127,724	94,276
MPHRC	358,373	296,052	311,512
MPHEC	90,000	90,000	90,000
Surplus appropriations	98,000	56,867	56,867
Project revenue	190,330	218,980	180,460
	881,703	968,034	903,647
	4,134,187	4,220,518	4,170,656

Council of Atlantic Premiers
 Schedule of Consolidated Fund Expenditures
 For the year ended March 31, 2014

Schedule B

	2014	2013
	Budget	Actual
	\$	\$
Council Secretariat		
Personnel services	947,135	954,596
Other services	229,674	235,945
Materials and supplies	9,300	7,194
Equipment	4,000	1,170
Projects	191,685	238,269
	<u>1,381,794</u>	<u>1,437,174</u>
		<u>1,396,414</u>
Maritime Provinces Harness Racing Commission		
Personnel services	181,768	189,811
Other services	402,728	347,659
Materials and supplies	90,698	80,467
Equipment (note 10)	7,000	9,076
Projects	63,000	53,265
	<u>745,194</u>	<u>680,278</u>
		<u>693,038</u>
Maritime Provinces Higher Education Commission		
Administration		
Personnel services	1,122,620	1,110,120
Other services	294,406	363,857
Materials and supplies	15,840	24,086
Equipment	19,000	35,507
Projects	198,910	118,124
	<u>1,650,776</u>	<u>1,651,694</u>
		<u>1,615,804</u>
	<u>3,777,764</u>	<u>3,769,146</u>
		<u>3,705,256</u>

Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 9)

For the year ended March 31, 2014

Schedule C

					2014	2013
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	472,009	58,667	98,405	269,731	898,812	862,754
Appropriated to operations						
Council Secretariat	(23,315)	–	(29,230)	(4,322)	(56,867)	(56,867)
Other appropriations and contributions						
Appropriated to provinces	(1,042)	–	(1,280)	(254,844)	(257,166)	(102,061)
Contributed by Provinces	21	–	71,710	4	71,735	–
	(1,021)	–	70,430	(254,840)	(185,431)	(102,061)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	88,736	–	13,143	76,532	178,411	170,531
Council Secretariat	481	329	589	89	1,488	13,101
MPHRC	571	–	1,272	752	2,595	8,367
MPHEC	497	–	611	92	1,200	2,987
	90,285	329	15,615	77,465	183,694	194,986
Net increase (decrease) during the year	65,949	329	56,815	(181,697)	(58,604)	36,058
Balance – End of year	537,958	58,996	155,220	88,034	840,208	898,812

Council of Atlantic Premiers
Maritime Provinces Higher Education Commission
 Schedule of Grant Revenue, Expenditures and Committed Funds (Operations)
 For the year ended March 31, 2014

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Operating grants										
Revenue										
Grants										
Unrestricted	261,849,076	266,858,218	476,293	490,000	56,037,897	55,028,199	–	–	318,363,266	322,376,417
Restricted	9,555,097	9,555,097	–	–	13,056,100	12,241,776	–	–	22,611,197	21,796,873
Other	–	–	–	–	–	–	7,307,673	7,401,407	7,307,673	7,401,407
	<u>271,404,173</u>	<u>276,413,315</u>	<u>476,293</u>	<u>490,000</u>	<u>69,093,997</u>	<u>67,269,975</u>	<u>7,307,673</u>	<u>7,401,407</u>	<u>348,282,136</u>	<u>351,574,697</u>
Expenditures										
Grants										
Unrestricted	262,999,636	266,380,510	430,868	337,343	54,493,476	55,294,228	–	–	317,923,980	322,012,081
Restricted	10,662,972	10,996,365	–	–	12,321,955	12,331,066	–	–	22,984,927	23,327,431
Transfer to administration	90,000	90,000	–	–	–	–	–	–	90,000	90,000
Other	–	–	–	–	–	–	–	7,401,407	7,307,673	7,401,407
	<u>273,752,608</u>	<u>277,466,875</u>	<u>430,868</u>	<u>337,343</u>	<u>66,815,431</u>	<u>67,625,294</u>	<u>7,307,673</u>	<u>7,401,407</u>	<u>348,306,580</u>	<u>352,830,919</u>
Excess of revenue over expenditures (expenditures over revenue), for the year	(2,348,435)	(1,053,560)	45,425	152,657	2,278,566	(355,319)	–	–	(24,444)	(1,256,222)
Committed funds – Beginning of year	<u>18,141,009</u>	<u>19,194,569</u>	<u>515,001</u>	<u>362,344</u>	<u>6,388,203</u>	<u>6,743,522</u>	<u>2,541</u>	<u>2,541</u>	<u>25,046,754</u>	<u>26,302,976</u>
Committed funds – End of year	<u>15,792,574</u>	<u>18,141,009</u>	<u>560,426</u>	<u>515,001</u>	<u>8,666,769</u>	<u>6,388,203</u>	<u>2,541</u>	<u>2,541</u>	<u>25,022,310</u>	<u>25,046,754</u>

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

Schedule of Grant Revenue, Expenditures and Committed Funds (Capital)

For the year ended March 31, 2014

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Capital grants										
Revenue	2,000,000	7,500,000	–	–	–	–	–	–	2,000,000	7,500,000
Expenditures	2,448,573	8,491,359	–	–	–	–	–	–	2,448,573	8,491,359
Excess of expenditures over revenue for the year	(448,573)	(991,359)	–	–	–	–	–	–	(448,573)	(991,359)
Committed funds – Beginning of year	714,660	1,706,019	–	–	16,350	16,350	–	–	731,010	1,722,369
Committed funds – End of year	266,087	714,660	–	–	16,350	16,350	–	–	282,437	731,010
Total committed funds – End of year	16,058,661	18,855,669	560,426	515,001	8,683,119	6,404,553	2,541	2,541	25,304,747	25,777,764