

Council of Atlantic Premiers Consolidated Fund

Financial Statements
March 31, 2015



June 15, 2015

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, 2015 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 consolidated fund 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2015 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, 2015

	2015 \$	2014 \$ (note 4)
Assets		
Current assets		
Cash	11,543,106	15,824,447
Amounts receivable	350,265	117,747
Prepaid expenses	32,713	23,392
MPHEC grants receivable (note 6)	29,725,678	34,156,098
	<u>41,651,762</u>	<u>50,121,684</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	2,881,077	1,882,211
Deferred revenue	184,429	165,165
MPHEC operating and capital assistance payable	21,745,068	21,929,353
	<u>24,810,574</u>	<u>23,976,729</u>
MPHEC committed funds (note 8)	<u>15,848,124</u>	<u>25,304,747</u>
	<u>40,658,698</u>	<u>49,281,476</u>
Equity		
Operating surplus	<u>993,064</u>	<u>840,208</u>
	<u>41,651,762</u>	<u>50,121,684</u>
Commitments (note 9)		

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, 2015

	2015		2014
	Budget \$	Actual \$	Actual \$
Revenue (Schedule A)			
Province of New Brunswick	1,049,164	1,049,164	1,150,450
Province of Newfoundland and Labrador	274,378	274,378	293,946
Province of Nova Scotia	1,404,512	1,404,510	1,497,866
Province of Prince Edward Island	298,604	298,604	310,222
Other	878,474	875,767	968,034
	3,905,132	3,902,423	4,220,518
Expenditures (Schedule B)			
Council Secretariat	1,286,530	1,039,520	1,437,174
Maritime Provinces Harness Racing Commission	746,965	719,560	680,278
Maritime Provinces Higher Education Commission	1,628,539	1,670,767	1,651,694
	3,662,034	3,429,847	3,769,146
Grants			
Atlantic Provinces Community College Consortium	58,612	58,612	76,000
Council of Atlantic Ministers of Education and Training	–	–	191,678
	3,720,646	3,488,459	4,036,824
Excess of revenue over expenditures for the year	184,486	413,964	183,694
Operating surplus – Beginning of year	840,208	840,208	898,812
	1,024,694	1,254,172	1,082,506
Appropriations and contributions			
To operations	(98,000)	(56,867)	(56,867)
Other	–	(204,241)	(185,431)
	(98,000)	(261,108)	(242,298)
Operating surplus – End of year (Schedule C)	926,694	993,064	840,208

Council of Atlantic Premiers
Statement of Consolidated Fund Cash Flows
For the year ended March 31, 2015

	2015	2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures (expenditures over revenue) for the year, including appropriations and contributions	152,856	(58,604)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	(232,518)	110,329
Decrease (increase) in prepaid expenses	(9,321)	23,802
Decrease in MPHEC grants receivable	4,430,420	7,037,491
Increase in accounts payable and accrued liabilities	998,866	283,321
Increase (decrease) in deferred revenue	19,264	(45,768)
Decrease in MPHEC operating and capital assistance payable	(184,285)	(3,593,141)
	<u>5,175,282</u>	<u>3,757,430</u>
Investing activities		
Decrease in MPHEC committed funds	(9,456,623)	(473,017)
	<u>(9,456,623)</u>	<u>(473,017)</u>
Net change in cash during the year	(4,281,341)	3,284,413
Cash – Beginning of year	<u>15,824,447</u>	<u>12,540,034</u>
Cash – End of year	<u>11,543,106</u>	<u>15,824,447</u>

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2015

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 - 2004, 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 (“MPHEC”) 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”)(Part III of the CPA Handbook) as issued by the Canadian Accounting Standards Board.

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2015

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, Council Secretariat 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 \$124,292 (2014 - \$108,125).

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, 2015

4 Comparative information

During the year management determined that MPHEC had incorrectly reported the contributions to institutions under the Canada/New Brunswick Official Languages in Education Agreement since and including the year ended March 31, 2012. Since 2012 this funding was made directly to the qualified institutions whereas the financial statements reflect the amounts as being administered by MPHEC. The following amounts have been adjusted in the comparative balances:

Balance sheet

Amounts due from – Government of Canada and Amounts payable to institutions both have been decreased by \$6,647,008.

Schedule D – Schedule of Grant Revenue, Expenditures and Committed Funds

Operating grant revenue - Other and Operating grant expenditures – Other both decreased by \$5,546,673.

5 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:

	2015 %	2014 %
Province of New Brunswick	41.4	41.4
Province of Nova Scotia	50.9	50.9
Province of Prince Edward Island	7.7	7.7

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:

	2015 %	2014 %
Province of New Brunswick	18.0	22.0
Province of Nova Scotia	52.0	49.0
Province of Prince Edward Island	30.0	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.

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2015

5 Funding (continued)

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

	2015 %	2014 %
Province of New Brunswick	32.3	32.3
Province of Newfoundland and Labrador	22.1	22.1
Province of Nova Scotia	39.6	39.6
Province of Prince Edward Island	6.0	6.0

6 MPHEC grants receivable

	2015 \$	2014 \$
Province of New Brunswick	28,394,397	32,718,805
Province of Newfoundland and Labrador	216,000	216,000
Province of Nova Scotia	382,340	476,293
Province of Prince Edward Island	4,941	-
Government of Canada	728,000	745,000
	<u>29,725,678</u>	<u>34,156,098</u>

7 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, \$895 (2014 - \$1,728) is included in current liabilities.

8 MPHEC committed funds (Schedule D)

	<u>2015</u>			<u>2014</u>
	Operating \$	Capital \$	Total \$	Total \$
Province of New Brunswick	12,220,421	167,371	12,387,792	16,058,661
Province of Nova Scotia	560,621	-	560,621	560,426
Province of Prince Edward Island	2,880,821	16,350	2,897,171	8,683,119
Other	2,541	-	2,541	2,541
	<u>15,664,404</u>	<u>183,721</u>	<u>15,848,125</u>	<u>25,304,747</u>

Council of Atlantic Premiers

Notes to Financial Statements

For the year ended March 31, 2015

9 Commitments

Leases

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

	\$
Year ending March 31, 2016	137,611
2017	29,270
2018	14,730

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, 2013, disclosed that benefits relating to current and prior years' service are fully funded on a going concern basis. The Council has made the minimum contribution required to fund the solvency shortfall deficiency.

During the year ended March 31, 2015, the Council Secretariat, MPHEC and MPHRC recognized pension expense of \$216,678 (2014 - \$255,661), \$335,091 (2014 - \$280,778), and \$27,935 (2014 - \$27,718) accordingly.

10 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.

Council of Atlantic Premiers
 Schedule of Consolidated Fund Revenue
 For the year ended March 31, 2015

Schedule A

	2015	2014
	Budget	Actual
	\$	\$
Province of New Brunswick		
APCCC	24,303	24,303
CAMET	–	–
Council Secretariat	401,014	401,014
MPHRC	69,947	69,947
MPHEC - Administration	553,900	553,900
	1,049,164	1,049,164
Province of Newfoundland and Labrador		
APCCC	–	–
Council Secretariat	274,378	274,378
	274,378	277,150
	274,378	293,946
Province of Nova Scotia		
APCCC	29,795	29,795
CAMET	–	–
Council Secretariat	491,646	491,646
MPHRC	202,067	202,067
MPHEC - Administration	681,004	681,002
	1,404,512	1,404,510
Province of Prince Edward Island		
APCCC	4,514	4,514
CAMET	–	–
Council Secretariat	74,492	74,492
MPHRC	116,578	116,578
MPHEC - Administration	103,020	103,020
	298,604	298,604
Total provincial contributions	3,026,658	3,026,656
Other recoveries		
Interest	100,000	192,691
Recoveries		
Council Secretariat	45,000	20,000
MPHRC	358,373	326,559
MPHEC	90,000	90,000
Surplus appropriations	98,000	56,867
Project revenue	187,101	189,650
	878,474	875,767
	3,905,132	4,220,518

Council of Atlantic Premiers
 Schedule of Consolidated Fund Expenditures
 For the year ended March 31, 2015

Schedule B

	2015	2014
	Budget	Actual
	\$	\$
Council Secretariat		
Personnel services	630,010	954,596
Other services	233,174	235,945
Materials and supplies	9,300	7,194
Equipment	4,000	1,170
Projects	410,046	238,269
	1,286,530	1,437,174
Maritime Provinces Harness Racing Commission		
Personnel services	197,622	189,811
Other services	400,728	347,659
Materials and supplies	87,615	80,467
Equipment	2,000	9,076
Projects	59,000	53,265
	746,965	680,278
Maritime Provinces Higher Education Commission		
Administration		
Personnel services	1,155,611	1,110,120
Other services	238,479	363,857
Materials and supplies	15,840	24,086
Equipment	18,000	35,507
Projects	200,609	118,124
	1,628,539	1,651,694
	3,662,034	3,769,146

Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 10)

For the year ended March 31, 2015

Schedule C

					2015	2014
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	537,958	58,996	155,220	88,034	840,208	898,812
Appropriated to operations Council Secretariat	(23,315)	–	(29,230)	(4,322)	(56,867)	(56,867)
Other appropriations and contributions						
Appropriated to provinces	(24,378)	(58,996)	(72,991)	(47,876)	(204,241)	(257,166)
Contributed by Provinces	–	–	–	–	–	71,735
	(24,378)	(58,996)	(72,991)	(47,876)	(204,241)	(185,431)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	94,756	–	19,650	78,285	192,691	178,411
Council Secretariat	90,078	61,632	110,434	16,733	278,877	1,488
MPHRC	(970)	–	(2,161)	(1,279)	(4,410)	2,595
MPHEC	(22,022)	–	(27,076)	(4,096)	(53,194)	1,200
	161,842	61,632	100,847	89,643	413,964	183,694
Net increase (decrease) during the year	114,149	2,636	(1,374)	37,445	152,856	(58,604)
Balance – End of year	652,107	61,632	153,846	125,479	993,064	840,208

Council of Atlantic Premiers
Maritime Provinces Higher Education Commission
Schedule of Grant Revenue, Expenditures and Committed Funds (Operations)
For the year ended March 31, 2015

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$ (note 4)	2015 \$	2014 \$ (note 4)
Operating grants										
Revenue										
Grants										
Unrestricted	264,623,469	261,849,076	308,535	476,293	49,668,568	56,037,897	–	–	314,600,572	318,363,266
Restricted	9,555,097	9,555,097	–	–	11,533,200	13,056,100	–	–	21,088,297	22,611,197
Other	–	–	–	–	–	–	1,746,774	1,761,000	1,746,774	1,761,000
	<u>274,178,566</u>	<u>271,404,173</u>	<u>308,535</u>	<u>476,293</u>	<u>61,201,768</u>	<u>69,093,997</u>	<u>1,746,774</u>	<u>1,761,000</u>	<u>337,435,643</u>	<u>342,735,463</u>
Expenditures										
Grants										
Unrestricted	268,667,751	262,999,636	308,340	430,868	54,157,678	54,493,476	–	–	323,133,769	317,923,980
Restricted	9,036,437	10,662,972	–	–	12,830,038	12,321,955	–	–	21,866,475	22,984,927
Transfer to administration	90,000	90,000	–	–	–	–	–	–	90,000	90,000
Transfer to capital reserve	(43,469)	–	–	–	–	–	–	–	(43,469)	–
Other	–	–	–	–	–	–	1,746,774	1,761,000	1,746,774	1,761,000
	<u>277,750,719</u>	<u>273,752,608</u>	<u>308,340</u>	<u>430,868</u>	<u>66,987,716</u>	<u>66,815,431</u>	<u>1,746,774</u>	<u>1,761,000</u>	<u>346,793,549</u>	<u>342,759,907</u>
Excess of revenue over expenditures (expenditures over revenue), for the year	(3,572,153)	(2,348,435)	195	45,425	(5,785,948)	2,278,566	–	–	(9,357,906)	(24,444)
Committed funds – Beginning of year	15,792,574	18,141,009	560,426	515,001	8,666,769	6,388,203	2,541	2,541	25,022,310	25,046,754
Committed funds – End of year	12,220,421	15,792,574	560,621	560,426	2,880,821	8,666,769	2,541	2,541	15,664,404	25,022,310

Council of Atlantic Premiers
Maritime Provinces Higher Education Commission
Schedule of Grant Revenue, Expenditures and Committed Funds (Capital)
For the year ended March 31, 2015

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$ (note 4)	2015 \$	2014 \$ (note 4)
Capital grants										
Revenue	2,000,000	2,000,000	–	–	–	–	–	–	2,000,000	2,000,000
Expenditures	2,055,247	2,448,573	–	–	–	–	–	–	2,055,247	2,448,573
Transfer from operating reserve	(43,469)	–	–	–	–	–	–	–	(43,469)	–
Excess of expenditures over revenue for the year	(98,716)	(448,573)	–	–	–	–	–	–	(98,716)	(448,573)
Committed funds – Beginning of year	266,087	714,660	–	–	16,350	16,350	–	–	282,437	731,010
Committed funds – End of year	167,371	266,087	–	–	16,350	16,350	–	–	183,721	282,437
Total committed funds – End of year	12,387,792	16,058,661	560,621	560,426	2,897,171	8,683,119	2,541	2,541	15,848,125	25,304,747