

Council of Atlantic Premiers Consolidated Fund

Financial Statements
March 31, 2017



June 22, 2017

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, 2017 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 consolidated fund 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 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, 2017 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.

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Council of Atlantic Premiers
 Consolidated Fund Statement of Financial Position
 As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	14,824,688	10,594,500
Amounts receivable	286,779	325,188
Prepaid expenses	33,890	83,336
MPHEC grants receivable (note 5)	26,338,175	27,610,290
	<u>41,483,532</u>	<u>38,613,314</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	3,598,728	3,056,557
Deferred revenue	263,643	220,780
MPHEC operating and capital assistance payable	21,039,617	19,534,877
	<u>24,901,988</u>	<u>22,812,214</u>
MPHEC committed funds (note 7)	<u>14,850,345</u>	<u>14,477,140</u>
	<u>39,752,333</u>	<u>37,289,354</u>
Equity		
Operating surplus	<u>1,731,199</u>	<u>1,323,960</u>
	<u>41,483,532</u>	<u>38,613,314</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, 2017

	2017	2016	
	Budget	Actual	Actual
	\$	\$	\$
Revenue (Schedule A)			
Province of New Brunswick	1,014,029	1,014,030	1,043,372
Province of Newfoundland and Labrador	256,702	256,702	285,451
Province of Nova Scotia	1,372,303	1,372,303	1,414,561
Province of Prince Edward Island	288,484	288,483	298,788
Other	851,373	898,859	812,351
	3,782,891	3,830,377	3,854,523
Expenditures (Schedule B)			
Council Secretariat	1,075,023	949,509	1,035,918
Atlantic Provinces Harness Racing Commission	802,816	741,730	738,125
Maritime Provinces Higher Education Commission	1,718,475	1,610,026	1,686,218
	3,596,314	3,301,265	3,460,261
Excess of revenue over expenditures for the year	186,577	529,112	394,262
Operating surplus – Beginning of year	1,323,960	1,323,960	993,064
	1,510,537	1,853,072	1,387,326
Appropriations and contributions			
To operations	(98,000)	(56,867)	(56,867)
Other	–	(65,006)	(6,499)
	(98,000)	(121,873)	(63,366)
Operating surplus – End of year (Schedule C)	1,412,537	1,731,199	1,323,960

Council of Atlantic Premiers
Statement of Consolidated Fund Cash Flows
For the year ended March 31, 2017

	2017	2016
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year, including appropriations and contributions	407,239	330,896
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	38,409	25,077
Decrease (increase) in prepaid expenses	49,446	(50,623)
Decrease in MPHEC grants receivable	1,272,115	2,115,388
Increase in accounts payable and accrued liabilities	542,171	175,480
Increase in deferred revenue	42,863	36,351
Increase (decrease) in MPHEC operating and capital assistance payable	1,504,740	(2,210,191)
	<u>3,856,983</u>	<u>422,378</u>
Investing activities		
Increase (decrease) in MPHEC committed funds	<u>373,205</u>	<u>(1,370,984)</u>
Net change in cash during the year	4,230,188	(948,606)
Cash – Beginning of year	<u>10,594,500</u>	<u>11,543,106</u>
Cash – End of year	<u>14,824,688</u>	<u>10,594,500</u>

Council of Atlantic Premiers

Notes to Consolidated Fund Financial Statements

For the year ended March 31, 2017

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, Prince Edward Island and Newfoundland and Labrador whereby:

The Atlantic Provinces Harness Racing Commission (“APHRC”), formerly Maritime Provinces Harness Racing Commission, 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 APHRC, 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 consolidated fund 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 Consolidated Fund Financial Statements

For the year ended March 31, 2017

3 Significant accounting policies (continued)

Combination

These consolidated fund financial statements include the combined accounts of the Council Secretariat, APHRC 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 APHRC, 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 \$142,605 (2016 - \$128,990).

Revenue recognition

The Council follows the deferral method of accounting for contributions.

Council of Atlantic Premiers

Notes to Consolidated Fund Financial Statements

For the year ended March 31, 2017

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:

	2017	2016
	%	%
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 APHRC 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:

	2017	2016
	%	%
Province of New Brunswick	16.40	16.0
Province of Newfoundland and Labrador	5.68	–
Province of Nova Scotia	50.75	54.0
Province of Prince Edward Island	27.17	30.0

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:

	2017	2016
	%	%
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

Council of Atlantic Premiers

Notes to Consolidated Fund Financial Statements

For the year ended March 31, 2017

5 MPHEC grants receivable

	2017 \$	2016 \$
Province of New Brunswick	25,293,705	25,928,469
Province of Nova Scotia	344,470	555,621
Province of Prince Edward Island	–	404,200
Government of Canada	700,000	722,000
	<hr/> 26,338,175	<hr/> 27,610,290

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, \$940 (2016 - \$1,201) is included in current liabilities.

7 MPHEC committed funds (Schedule D)

			2017	2016
	Operating \$	Capital \$	Total \$	Total \$
Province of New Brunswick	10,126,104	181,128	10,307,232	10,586,735
Province of Nova Scotia	431,803	–	431,803	486,816
Province of Prince Edward Island	4,092,419	16,350	4,108,769	3,401,048
Other	2,541	–	2,541	2,541
	<hr/> 14,652,867	<hr/> 197,478	<hr/> 14,850,345	<hr/> 14,477,140

Council of Atlantic Premiers
Notes to Consolidated Fund Financial Statements
For the year ended March 31, 2017

8 Commitments

Leases

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

	\$
Year ending March 31, 2018	46,455
2019	31,200
2020	32,500
2021	32,500

Pension

The Council administers a pension plan, which covers the employees of the Atlantic Lottery Corporation, Council Secretariat, MPHEC and APHRC. The most recent actuarial valuation of the pension plan as of December 31, 2016, 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, 2017, the Council Secretariat, MPHEC and APHRC recognized pension expense of \$174,199 (2016 - \$255,036), \$290,949 (2016 - \$391,376), and \$31,735 (2016 - \$34,068) accordingly.

9 Provincial equity allocation of operating surplus

Operating surplus 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 APHRC, has been allocated on a per capita basis as approved in the May 25, 1971 funding agreement. APHRC 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, 2017

Schedule A

	2017		2016
	Budget	Actual	Actual
	\$	\$	\$
Province of New Brunswick			
Council Secretariat	340,775	340,775	401,014
APHRC	67,969	67,969	62,062
MPHEC - Administration	605,285	605,286	580,296
	<u>1,014,029</u>	<u>1,014,030</u>	<u>1,043,372</u>
Province of Newfoundland and Labrador			
APHRC	23,540	23,540	11,073
Council Secretariat	233,162	233,162	274,378
	<u>256,702</u>	<u>256,702</u>	<u>285,451</u>
Province of Nova Scotia			
Council Secretariat	417,793	417,793	491,646
APHRC	210,330	210,330	209,460
MPHEC - Administration	744,180	744,180	713,455
	<u>1,372,303</u>	<u>1,372,303</u>	<u>1,414,561</u>
Province of Prince Edward Island			
Council Secretariat	63,302	63,302	74,492
APHRC	112,604	112,604	116,367
MPHEC - Administration	112,578	112,577	107,929
	<u>288,484</u>	<u>288,483</u>	<u>298,788</u>
Total provincial contributions	<u>2,931,518</u>	<u>2,931,518</u>	<u>3,042,172</u>
Other recoveries			
Interest Recoveries	100,000	195,560	149,434
Council Secretariat	20,000	20,000	20,000
APHRC	388,373	327,413	341,702
MPHEC	90,000	90,000	100,000
Surplus appropriations	98,000	56,867	56,867
Project revenue	155,000	209,019	144,348
	<u>851,373</u>	<u>898,859</u>	<u>812,351</u>
	<u>3,782,891</u>	<u>3,830,377</u>	<u>3,854,523</u>

Council of Atlantic Premiers
 Schedule of Consolidated Fund Expenditures
 For the year ended March 31, 2017

Schedule B

	2017		2016
	Budget	Actual	Actual
	\$	\$	\$
Council Secretariat			
Personnel services	624,066	552,204	661,186
Other services	152,867	211,304	215,932
Materials and supplies	8,500	11,661	8,058
Equipment	6,000	25,912	6,668
Projects	283,590	148,428	144,074
	1,075,023	949,509	1,035,918
Atlantic Provinces Harness Racing Commission			
Personnel services	206,900	208,025	200,464
Other services	413,828	327,233	321,847
Materials and supplies	117,588	122,759	120,156
Equipment	1,000	8,000	13,328
Projects	63,500	75,713	82,330
	802,816	741,730	738,125
Maritime Provinces Higher Education Commission			
Administration			
Personnel services	1,295,378	1,146,529	1,271,598
Other services	216,332	302,655	220,303
Materials and supplies	17,500	12,410	18,552
Equipment	18,000	30,112	36,385
Projects	171,265	118,320	139,380
	1,718,475	1,610,026	1,686,218
	3,596,314	3,301,265	3,460,261

Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 9)

For the year ended March 31, 2017

Schedule C

					2017	2016
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	771,940	124,060	243,547	184,413	1,323,960	993,064
Appropriated to operations Council Secretariat	(23,315)	–	(29,230)	(4,322)	(56,867)	(56,867)
Other appropriations and contributions Appropriated to provinces	2,091	(62,430)	2,571	(7,238)	(65,006)	(6,499)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	92,712	–	38,460	64,388	195,560	149,434
Council Secretariat	58,912	40,308	72,227	10,943	182,390	282,479
APHRC	20	–	68	38	126	2,539
MPHEC	62,529	–	76,877	11,630	151,036	(40,190)
	214,173	40,308	187,632	86,999	529,112	394,262
Net increase during the year	192,949	(22,122)	160,973	75,439	407,239	330,896
Balance – End of year	964,889	101,938	404,520	259,852	1,731,199	1,323,960

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2017

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Operating grants										
Revenue										
Grants										
Unrestricted	266,127,228	264,559,596	365,872	247,281	56,423,503	55,061,099	–	–	322,916,603	319,867,976
Restricted	10,043,592	9,555,097	–	–	15,896,830	13,764,700	–	–	25,940,422	23,319,797
Other	–	–	–	–	–	–	1,718,101	1,741,712	1,718,101	1,741,712
	<u>276,170,820</u>	<u>274,114,693</u>	<u>365,872</u>	<u>247,281</u>	<u>72,320,333</u>	<u>68,825,799</u>	<u>1,718,101</u>	<u>1,741,712</u>	<u>350,575,126</u>	<u>344,929,485</u>
Expenditures										
Grants										
Unrestricted	266,737,457	267,583,427	420,885	321,086	56,421,045	55,301,823	–	–	323,579,387	323,206,336
Restricted	9,730,836	8,148,111	–	–	15,181,567	13,010,099	–	–	24,912,403	21,158,210
Transfer to administration	90,000	90,000	–	–	10,000	10,000	–	–	100,000	100,000
Other	–	–	–	–	–	–	1,718,101	1,741,712	1,718,101	1,741,712
	<u>276,558,293</u>	<u>275,821,538</u>	<u>420,885</u>	<u>321,086</u>	<u>71,612,612</u>	<u>68,321,922</u>	<u>1,718,101</u>	<u>1,741,712</u>	<u>350,309,891</u>	<u>346,206,258</u>
Excess of revenue over expenditures (expenditures over revenue), for the year	(387,473)	(1,706,845)	(55,013)	(73,805)	707,721	503,877	–	–	265,235	(1,276,773)
Committed funds – Beginning of year	10,513,577	12,220,421	486,816	560,621	3,384,698	2,880,821	2,541	2,541	14,387,632	15,664,404
Committed funds – End of year	10,126,104	10,513,576	431,803	486,816	4,092,419	3,384,698	2,541	2,541	14,652,867	14,387,631

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2017

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Capital grants										
Revenue	2,000,000	2,000,000	–	–	–	–	–	–	2,000,000	2,000,000
Expenditures	1,892,031	2,094,212	–	–	–	–	–	–	1,892,031	2,094,212
Excess of expenditures over revenue for the year	107,969	(94,212)	–	–	–	–	–	–	107,969	(94,212)
Committed funds – Beginning of year	73,159	167,371	–	–	16,350	16,350	–	–	89,509	183,721
Committed funds – End of year	181,128	73,159	–	–	16,350	16,350	–	–	197,478	89,509
Total committed funds – End of year	10,307,232	10,586,735	431,803	486,816	4,108,769	3,401,048	2,541	2,541	14,850,345	14,477,140