

# **Council of Atlantic Premiers Consolidated Fund**

Financial Statements  
**March 31, 2018**



June 28, 2018

## **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, 2018 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, 2018 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*

**Chartered Professional Accountants, Licensed Public Accountants**

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**Council of Atlantic Premiers**  
 Consolidated Fund Statement of Financial Position  
 As at March 31, 2018

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	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	12,173,463	14,824,688
Amounts receivable	(92,302)	286,779
Prepaid expenses	657,612	33,890
MPHEC grants receivable (note 5)	36,731,151	26,338,175
	<u>49,469,924</u>	<u>41,483,532</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	2,372,931	3,598,728
Deferred revenue	284,035	263,643
MPHEC operating and capital assistance payable	27,997,506	21,039,617
	<u>30,654,472</u>	<u>24,901,988</u>
<b>MPHEC committed funds</b> (note 7)	<u>17,600,130</u>	<u>14,850,345</u>
	<u>48,254,602</u>	<u>39,752,333</u>
<b>Equity</b>		
<b>Operating surplus</b>	<u>1,215,322</u>	<u>1,731,199</u>
	<u>49,469,924</u>	<u>41,483,532</u>
<b>Commitments</b> (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, 2018

	<b>2018</b>	<b>2017</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b> (Schedule A)			
Province of New Brunswick	1,003,985	1,004,270	1,014,030
Province of Newfoundland and Labrador	245,974	245,974	256,702
Province of Nova Scotia	1,333,535	1,333,535	1,372,303
Province of Prince Edward Island	297,361	297,361	288,483
Other	851,373	1,120,725	898,859
	<u>3,732,228</u>	<u>4,001,865</u>	<u>3,830,377</u>
<b>Expenditures</b> (Schedule B)			
Council Secretariat	1,075,032	1,046,837	949,509
Atlantic Provinces Harness Racing Commission	804,352	721,090	741,730
Maritime Provinces Higher Education Commission	2,014,989	1,868,782	1,610,026
	<u>3,894,373</u>	<u>3,636,709</u>	<u>3,301,265</u>
<b>Excess of revenue over expenditures for the year</b>	(162,145)	365,156	529,112
<b>Operating surplus – Beginning of year</b>	1,731,199	1,731,199	1,323,960
	<u>1,569,054</u>	<u>2,096,355</u>	<u>1,853,072</u>
<b>Appropriations and contributions</b>			
To operations	(98,000)	(57,646)	(56,867)
Other	–	(823,387)	(65,006)
	<u>(98,000)</u>	<u>(881,033)</u>	<u>(121,873)</u>
<b>Operating surplus – End of year</b> (Schedule C)	<u>1,471,054</u>	<u>1,215,322</u>	<u>1,731,199</u>

**Council of Atlantic Premiers**  
**Statement of Consolidated Fund Cash Flows**  
**For the year ended March 31, 2018**

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	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year, including appropriations and contributions	(515,877)	407,239
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	379,081	38,409
Decrease (increase) in prepaid expenses	(623,722)	49,446
Decrease (increase) in MPHEC grants receivable	(10,392,976)	1,272,115
Increase (decrease) in accounts payable and accrued liabilities	(1,225,797)	542,171
Increase in deferred revenue	20,392	42,863
Increase (decrease) in MPHEC operating and capital assistance payable	6,957,889	1,504,740
	<u>(5,401,010)</u>	<u>3,856,983</u>
<b>Investing activities</b>		
Increase (decrease) in MPHEC committed funds	<u>2,749,785</u>	<u>373,205</u>
<b>Net change in cash during the year</b>	<u>(2,651,225)</u>	<u>4,230,188</u>
<b>Cash – Beginning of year</b>	<u>14,824,688</u>	<u>10,594,500</u>
<b>Cash – End of year</b>	<u><u>12,173,463</u></u>	<u><u>14,824,688</u></u>

# **Council of Atlantic Premiers**

## **Notes to Consolidated Fund Financial Statements**

**For the year ended March 31, 2018**

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### **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, 2018

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### **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 \$138,195 (2017 - \$142,605).

#### **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, 2018

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### 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:

	<b>2018</b>	<b>2017</b>
	%	%
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:

	<b>2018</b>	<b>2017</b>
	%	%
Province of New Brunswick	19.12	16.40
Province of Newfoundland and Labrador	3.08	5.68
Province of Nova Scotia	47.63	50.75
Province of Prince Edward Island	30.17	27.17

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:

	<b>2018</b>	<b>2017</b>
	%	%
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, 2018

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### 5 MPHEC grants receivable

	2018 \$	2017 \$
Province of New Brunswick	34,834,645	25,293,705
Province of Nova Scotia	40,720	344,470
Province of Prince Edward Island	404,200	–
Government of Canada	1,451,586	700,000
	<hr/> 36,731,151	<hr/> 26,338,175

### 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, \$173 (2017 - \$940) is included in current liabilities.

### 7 MPHEC committed funds (Schedule D)

	<hr/> 2018		<hr/> 2017	
	Operating \$	Capital \$	Total \$	Total \$
Province of New Brunswick	13,075,055	215,819	13,290,874	10,307,232
Province of Nova Scotia	409,290	–	409,290	431,803
Province of Prince Edward Island	3,881,075	16,350	3,897,425	4,108,769
Other	2,541	–	2,541	2,541
	<hr/> 17,367,961	<hr/> 232,169	<hr/> 17,600,130	<hr/> 14,850,345

**Council of Atlantic Premiers**  
Notes to Consolidated Fund Financial Statements  
For the year ended March 31, 2018

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**8 Commitments**

**Leases**

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

	\$
Year ending March 31, 2019	31,200
2020	32,500
2021	32,500
2022	

**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 March 31, 2017, 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, 2018, the Council Secretariat, MPHEC and APHRC recognized pension expense of \$149,903 (2017 - \$174,199), \$207,667 (2017 - \$290,949), and \$20,424 (2017 - \$31,735) 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, 2018

**Schedule A**

	<b>2018</b>	<b>2017</b>
	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Province of New Brunswick</b>		
Council Secretariat	340,775	340,775
APHRC	79,535	79,535
MPHEC - Administration	583,675	583,960
	<u>1,003,985</u>	<u>1,004,270</u>
		<u>1,014,030</u>
<b>Province of Newfoundland and Labrador</b>		
APHRC	12,812	12,812
Council Secretariat	233,162	233,162
	<u>245,974</u>	<u>245,974</u>
		<u>256,702</u>
<b>Province of Nova Scotia</b>		
Council Secretariat	417,793	417,793
APHRC	198,131	198,131
MPHEC - Administration	717,611	717,611
	<u>1,333,535</u>	<u>1,333,535</u>
		<u>1,372,303</u>
<b>Province of Prince Edward Island</b>		
Council Secretariat	63,302	63,302
APHRC	125,501	125,501
MPHEC - Administration	108,558	108,558
	<u>297,361</u>	<u>297,361</u>
		<u>288,483</u>
<b>Total provincial contributions</b>	<u>2,880,855</u>	<u>2,881,140</u>
		<u>2,931,518</u>
<b>Other recoveries</b>		
Interest	100,000	277,676
Recoveries		195,560
Council Secretariat	20,000	20,000
APHRC	388,373	306,310
MPHEC	90,000	90,000
Surplus appropriations	98,000	57,646
Project revenue	155,000	369,093
	<u>851,373</u>	<u>1,120,725</u>
		<u>898,859</u>
	<u>3,732,228</u>	<u>4,001,865</u>
		<u>3,830,377</u>

**Council of Atlantic Premiers**  
 Schedule of Consolidated Fund Expenditures  
 For the year ended March 31, 2018

**Schedule B**

	<b>2018</b>		<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Council Secretariat</b>			
Personnel services	627,545	558,602	552,204
Other services	151,876	211,888	211,304
Materials and supplies	8,500	11,992	11,661
Equipment	6,000	11,863	25,912
Projects	281,111	252,492	148,428
	<b>1,075,032</b>	<b>1,046,837</b>	<b>949,509</b>
<b>Atlantic Provinces Harness Racing Commission</b>			
Personnel services	203,841	192,773	208,025
Other services	410,423	317,480	327,233
Materials and supplies	111,588	111,965	122,759
Equipment	1,000	15,201	8,000
Projects	77,500	83,671	75,713
	<b>804,352</b>	<b>721,090</b>	<b>741,730</b>
<b>Maritime Provinces Higher Education Commission</b>			
Administration			
Personnel services	1,259,167	1,151,862	1,146,529
Other services	291,794	361,970	302,655
Materials and supplies	16,100	14,298	12,410
Equipment	13,300	19,668	30,112
Projects	434,628	320,984	118,320
	<b>2,014,989</b>	<b>1,868,782</b>	<b>1,610,026</b>
	<b>3,894,373</b>	<b>3,636,709</b>	<b>3,301,265</b>

# Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 9)

For the year ended March 31, 2018

Schedule C

					2018	2017
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
<b>Operating surplus</b>						
<b>Balance – Beginning of year</b>	964,889	101,938	404,520	259,852	1,731,199	1,323,960
Appropriated to operations Council Secretariat	(23,867)	–	(29,340)	(4,439)	(57,646)	(56,867)
Other appropriations and contributions Appropriated to provinces	(752,744)	–	(9,743)	(60,900)	(823,387)	(65,006)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	132,051	–	52,489	93,136	277,676	195,560
Council Secretariat	27,727	18,971	33,993	5,150	85,841	182,390
APHRC	229	37	571	362	1,199	126
MPHEC	182	–	224	34	440	151,036
	160,189	19,008	87,277	98,682	365,156	529,112
<b>Net increase during the year</b>	(616,422)	19,008	48,194	33,343	(515,877)	407,239
<b>Balance – End of year</b>	348,467	120,946	452,714	293,195	1,215,322	1,731,199

# Council of Atlantic Premiers

## Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2018

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
<b>Operating grants</b>										
<b>Revenue</b>										
Grants										
Unrestricted	269,088,403	266,127,228	580,684	365,872	56,577,798	56,423,503	–	–	326,246,885	322,916,603
Restricted	9,970,039	10,043,592	–	–	15,506,667	15,896,830	–	–	25,476,706	25,940,422
Other	–	–	–	–	–	–	1,767,586	1,718,101	1,767,586	1,718,101
	<u>279,058,442</u>	<u>276,170,820</u>	<u>580,684</u>	<u>365,872</u>	<u>72,084,465</u>	<u>72,320,333</u>	<u>1,767,586</u>	<u>1,718,101</u>	<u>353,491,177</u>	<u>350,575,126</u>
<b>Expenditures</b>										
Grants										
Unrestricted	266,470,383	266,737,457	603,197	420,885	56,703,218	56,421,045	–	–	323,776,798	323,579,387
Restricted	9,549,108	9,730,836	–	–	15,582,591	15,181,567	–	–	25,131,699	24,912,403
Transfer to administration	90,000	90,000	–	–	10,000	10,000	–	–	100,000	100,000
Other	–	–	–	–	–	–	1,767,586	1,718,101	1,767,586	1,718,101
	<u>276,109,491</u>	<u>276,558,293</u>	<u>603,197</u>	<u>420,885</u>	<u>72,295,809</u>	<u>71,612,612</u>	<u>1,767,586</u>	<u>1,718,101</u>	<u>350,776,083</u>	<u>350,309,891</u>
<b>Excess of revenue over expenditures (expenditures over revenue), for the year</b>	2,948,951	(387,473)	(22,513)	(55,013)	(211,344)	707,721	–	–	2,715,094	265,235
<b>Committed funds – Beginning of year</b>	10,126,104	10,513,577	431,803	486,816	4,092,419	3,384,698	2,541	2,541	14,652,867	14,387,632
<b>Committed funds – End of year</b>	13,075,055	10,126,104	409,290	431,803	3,881,075	4,092,419	2,541	2,541	17,367,961	14,652,867

# Council of Atlantic Premiers

## Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2018

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
<b>Capital grants</b>										
<b>Revenue</b>	2,000,000	2,000,000	–	–	–	–	–	–	2,000,000	2,000,000
<b>Expenditures</b>	1,965,309	1,892,031	–	–	–	–	–	–	1,965,309	1,892,031
<b>Excess of expenditures over revenue for the year</b>	34,691	107,969	–	–	–	–	–	–	34,691	107,969
<b>Committed funds – Beginning of year</b>	181,128	73,159	–	–	16,350	16,350	–	–	197,478	89,509
<b>Committed funds – End of year</b>	215,819	181,128	–	–	16,350	16,350	–	–	232,169	197,478
<b>Total committed funds – End of year</b>	13,290,874	10,307,232	409,290	431,803	3,897,425	4,108,769	2,541	2,541	17,600,130	14,850,345