

Council of Atlantic Premiers Consolidated Fund

Financial Statements
March 31, 2019



Independent auditor's report

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

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Council Secretariat, Atlantic Provinces Harness Racing Commission, Maritime Provinces Higher Education Commission, together with the grants paid to the Council of Atlantic Ministers of Education and Training and the Atlantic Provinces Community Colleges Consortium (together, the Entities) as at March 31, 2019 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.

What we have audited

The Entities' combined financial statements comprise:

- the Consolidated Fund statement of financial position as at March 31, 2019;
- the statement of Consolidated Fund revenue, expenditures and operating surplus for the year then ended;
- the statement of Consolidated Fund cash flows for the year then ended; and
- the notes to the Consolidated Fund financial statements, which include a summary of significant accounting policies.

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 combined financial statements* section of our report.

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

Independence

We are independent of the Entities in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Entities'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 Entities or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Entities's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined 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 these combined 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 combined 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 Entities' 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 Entities'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 combined 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 Entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entities to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Halifax, Nova Scotia
June 28, 2019

Council of Atlantic Premiers
 Consolidated Fund Statement of Financial Position
 As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	14,327,777	12,173,463
Amounts receivable	694,084	(92,302)
Prepaid expenses	46,713	657,612
MPHEC grants receivable (note 5)	31,270,904	36,731,151
	<u>46,339,478</u>	<u>49,469,924</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,963,333	2,372,931
Deferred revenue	427,226	284,035
MPHEC operating and capital assistance payable	23,697,607	27,997,506
	<u>27,088,166</u>	<u>30,654,472</u>
MPHEC committed funds (note 7)	<u>17,236,567</u>	<u>17,600,130</u>
	<u>44,324,733</u>	<u>48,254,602</u>
Equity		
Operating surplus	<u>2,014,745</u>	<u>1,215,322</u>
	<u>46,339,478</u>	<u>49,469,924</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, 2019

	2019	2018	
	Budget	Actual	Actual
	\$	\$	\$
Revenue (Schedule A)			
Province of New Brunswick	916,444	916,444	1,004,270
Province of Newfoundland and Labrador	249,053	249,053	245,974
Province of Nova Scotia	1,254,011	1,254,011	1,333,535
Province of Prince Edward Island	291,681	291,681	297,361
Other	861,048	1,494,263	1,120,725
	<u>3,572,237</u>	<u>4,205,452</u>	<u>4,001,865</u>
Expenditures (Schedule B)			
Council Secretariat	1,075,032	739,285	1,046,837
Atlantic Provinces Harness Racing Commission	810,027	745,489	721,090
Maritime Provinces Higher Education Commission	1,845,073	1,867,801	1,868,782
	<u>3,730,132</u>	<u>3,352,575</u>	<u>3,636,709</u>
Excess of revenue over expenditures for the year	(157,895)	852,877	365,156
Operating surplus – Beginning of year	1,215,322	1,215,322	1,731,199
	<u>1,057,427</u>	<u>2,068,199</u>	<u>2,096,355</u>
Appropriations and contributions			
To operations	(98,000)	(57,646)	(57,646)
Other	-	4,192	(823,387)
	<u>(98,000)</u>	<u>(53,454)</u>	<u>(881,033)</u>
Operating surplus – End of year (Schedule C)	<u>959,427</u>	<u>2,014,745</u>	<u>1,215,322</u>

Council of Atlantic Premiers
Statement of Consolidated Fund Cash Flows
For the year ended March 31, 2019

	2019	2018
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year, including appropriations and contributions	799,423	(515,877)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	(786,386)	379,081
Decrease (increase) in prepaid expenses	610,899	(623,722)
Decrease (increase) in MPHEC grants receivable	5,460,247	(10,392,976)
Increase (decrease) in accounts payable and accrued liabilities	590,402	(1,225,797)
Increase in deferred revenue	143,191	20,392
Increase (decrease) in MPHEC operating and capital assistance payable	(4,299,899)	6,957,889
	<u>2,517,877</u>	<u>(5,401,010)</u>
Investing activities		
Increase (decrease) in MPHEC committed funds	<u>(363,563)</u>	<u>2,749,785</u>
Net change in cash during the year	<u>2,154,314</u>	<u>(2,651,225)</u>
Cash – Beginning of year	<u>12,173,463</u>	<u>14,824,688</u>
Cash – End of year	<u><u>14,327,777</u></u>	<u><u>12,173,463</u></u>

Council of Atlantic Premiers

Notes to Consolidated Fund Financial Statements

For the year ended March 31, 2019

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, 2019

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 \$115,665 (2018 - \$138,195).

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, 2019

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:

	2019	2018
	%	%
Province of New Brunswick	40.7	41.4
Province of Nova Scotia	51.1	50.9
Province of Prince Edward Island	8.2	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:

	2019	2018
	%	%
Province of New Brunswick	18.57	19.12
Province of Newfoundland and Labrador	3.82	3.08
Province of Nova Scotia	48.17	47.63
Province of Prince Edward Island	29.44	30.17

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:

	2019	2018
	%	%
Province of New Brunswick	31.7	32.3
Province of Newfoundland and Labrador	22.1	22.1
Province of Nova Scotia	39.8	39.6
Province of Prince Edward Island	6.4	6.0

Council of Atlantic Premiers

Notes to Consolidated Fund Financial Statements

For the year ended March 31, 2019

5 MPHEC grants receivable

	2019 \$	2018 \$
Province of New Brunswick	28,869,531	34,834,645
Province of Nova Scotia	597,715	40,720
Province of Prince Edward Island	1,010,658	404,200
Government of Canada	793,000	1,451,586
	<hr/>	<hr/>
	31,270,904	36,731,151

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, \$73 (2018 - \$173) is included in current liabilities.

7 MPHEC committed funds (Schedule D)

	<hr/>		2019	<hr/>	2018
	Operating \$	Capital \$	Total \$		Total \$
Province of New Brunswick	13,908,869	229,126	14,137,995		13,290,874
Province of Nova Scotia	271,645	-	271,645		409,290
Province of Prince Edward Island	2,808,036	16,350	2,824,386		3,897,425
Other	2,541	-	2,541		2,541
	<hr/>	<hr/>	<hr/>		<hr/>
	16,991,091	245,476	17,236,567		17,600,130

Council of Atlantic Premiers
Notes to Consolidated Fund Financial Statements
For the year ended March 31, 2019

8 Commitments

Leases

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

	\$
Year ending March 31, 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 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, 2019, the Council Secretariat, MPHEC and APHRC recognized pension expense of \$126,866 (2018 - \$149,903), \$176,971 (2018 - \$207,667), and \$17,536 (2018 - \$20,424) 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, 2019

Schedule A

	2019	2018
	Budget	Actual
	\$	\$
Province of New Brunswick		
Council Secretariat	334,445	334,445
APHRC	77,247	77,247
MPHEC - Administration	504,752	504,752
	<hr/>	<hr/>
	916,444	916,444
	<hr/>	<hr/>
		1,004,270
Province of Newfoundland and Labrador		
APHRC	15,891	15,891
Council Secretariat	233,162	233,162
	<hr/>	<hr/>
	249,053	249,053
	<hr/>	<hr/>
		245,974
Province of Nova Scotia		
Council Secretariat	419,903	419,903
APHRC	200,377	200,377
MPHEC - Administration	633,731	633,731
	<hr/>	<hr/>
	1,254,011	1,254,011
	<hr/>	<hr/>
		1,333,535
Province of Prince Edward Island		
Council Secretariat	67,522	67,522
APHRC	122,464	122,464
MPHEC - Administration	101,695	101,695
	<hr/>	<hr/>
	291,681	291,681
	<hr/>	<hr/>
		297,361
Total provincial contributions	<hr/>	<hr/>
	2,711,189	2,711,189
	<hr/>	<hr/>
Other recoveries		
Interest	100,000	469,302
Recoveries		277,676
Council Secretariat	20,000	20,000
APHRC	394,048	304,632
MPHEC	100,000	90,000
Surplus appropriations	98,000	57,646
Project revenue	149,000	369,093
	<hr/>	<hr/>
	861,048	1,494,263
	<hr/>	<hr/>
	3,572,237	4,205,452
	<hr/>	<hr/>
		1,120,725
		<hr/>
		4,001,865

Council of Atlantic Premiers
 Schedule of Consolidated Fund Expenditures
 For the year ended March 31, 2019

Schedule B

	2019		2018
	Budget	Actual	Actual
	\$	\$	\$
Council Secretariat			
Personnel services	629,543	471,613	558,602
Other services	148,176	149,039	211,888
Materials and supplies	8,500	4,717	11,992
Equipment	8,000	7,208	11,863
Projects	280,813	106,708	252,492
	1,075,032	739,285	1,046,837
Atlantic Provinces Harness Racing Commission			
Personnel services	180,701	227,294	192,773
Other services	415,860	305,385	317,480
Materials and supplies	114,966	102,163	111,965
Equipment	14,000	9,588	15,201
Projects	84,500	101,059	83,671
	810,027	745,489	721,090
Maritime Provinces Higher Education Commission			
Administration			
Personnel services	1,085,528	1,071,083	1,151,862
Other services	300,582	368,635	361,970
Materials and supplies	11,100	9,409	14,298
Equipment	13,300	10,218	19,668
Projects	434,563	408,456	320,984
	1,845,073	1,867,801	1,868,782
	3,730,132	3,352,575	3,636,709

Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 9)

For the year ended March 31, 2019

Schedule C

					2019	2018
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	348,467	120,946	452,714	293,195	1,215,322	1,731,199
Appropriated to operations Council Secretariat	(23,462)	-	(29,457)	(4,727)	(57,646)	(57,646)
Other appropriations and contributions Appropriated to provinces	6,659	-	-	(2,467)	4,192	(823,387)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	226,041	-	73,839	169,422	469,302	277,676
Council Secretariat	124,706	86,940	156,570	25,177	393,393	85,841
APHRC	(4,619)	(950)	(11,984)	(7,324)	(24,877)	1,199
MPHEC	6,129	-	7,695	1,235	15,059	440
	352,257	85,990	226,120	188,510	852,877	365,156
Net increase during the year	335,454	85,990	196,663	181,316	799,423	(515,877)
Balance – End of year	683,921	206,936	649,377	474,511	2,014,745	1,215,322

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2019

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Operating grants										
Revenue										
Grants										
Unrestricted	279,757,264	269,088,403	501,628	580,684	58,644,260	56,577,798	-	-	338,903,152	326,246,885
Restricted	10,057,849	9,970,039	-	-	15,111,198	15,506,667	-	-	25,169,047	25,476,706
Other	-	-	-	-	-	-	1,736,000	1,767,586	1,736,000	1,767,586
	<u>289,815,113</u>	<u>279,058,442</u>	<u>501,628</u>	<u>580,684</u>	<u>73,755,458</u>	<u>72,084,465</u>	<u>1,736,000</u>	<u>1,767,586</u>	<u>365,808,199</u>	<u>353,491,177</u>
Expenditures										
Grants										
Unrestricted	278,518,978	266,470,383	639,273	603,197	58,744,225	56,703,218	-	-	337,902,476	323,776,798
Restricted	10,372,321	9,549,108	-	-	16,064,272	15,582,591	-	-	26,436,593	25,131,699
Transfer to administration	90,000	90,000	-	-	20,000	10,000	-	-	110,000	100,000
Other	-	-	-	-	-	-	1,736,000	1,767,586	1,736,000	1,767,586
	<u>288,981,299</u>	<u>276,109,491</u>	<u>639,273</u>	<u>603,197</u>	<u>74,828,497</u>	<u>72,295,809</u>	<u>1,736,000</u>	<u>1,767,586</u>	<u>366,185,069</u>	<u>350,776,083</u>
Excess of revenue over expenditures (expenditures over revenue), for the year	833,814	2,948,951	(137,645)	(22,513)	(1,073,039)	(211,344)	-	-	(376,870)	2,715,094
Committed funds – Beginning of year	<u>13,075,055</u>	<u>10,126,104</u>	<u>409,290</u>	<u>431,803</u>	<u>3,881,075</u>	<u>4,092,419</u>	<u>2,541</u>	<u>2,541</u>	<u>17,367,961</u>	<u>14,652,867</u>
Committed funds – End of year	<u>13,908,869</u>	<u>13,075,055</u>	<u>271,645</u>	<u>409,290</u>	<u>2,808,036</u>	<u>3,881,075</u>	<u>2,541</u>	<u>2,541</u>	<u>16,991,091</u>	<u>17,367,961</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, 2019

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Capital grants										
Revenue	2,000,000	2,000,000	-	-	-	-	-	-	2,000,000	2,000,000
Expenditures	1,986,693	1,965,309	-	-	-	-	-	-	1,986,693	1,965,309
Excess of expenditures over revenue for the year	13,307	34,691	-	-	-	-	-	-	13,307	34,691
Committed funds – Beginning of year	215,819	181,128	-	-	16,350	16,350	-	-	232,169	197,478
Committed funds – End of year	229,126	215,819	-	-	16,350	16,350	-	-	245,476	232,169
Total committed funds – End of year	14,137,995	13,290,874	271,645	409,290	2,824,386	3,897,425	2,541	2,541	17,236,567	17,600,130