

Council of Atlantic Premiers (Consolidated Fund)

Combined Financial Statements
March 31, 2020



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 Council of Atlantic Premiers, Atlantic Provinces Harness Racing Commission and Maritime Provinces Higher Education Commission (together, the Entity) as at March 31, 2020 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 Entity's combined financial statements comprise:

- the combined statement of financial position as at March 31, 2020;
- the combined statement of revenue, expenditures and operating surplus for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined 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 Entity 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity's 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 Entity'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 Entity 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 Entity 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

Halifax, Nova Scotia
June 30, 2020

Council of Atlantic Premiers
 Combined Statement of Financial Position
 As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	12,617,378	14,327,777
Amounts receivable	749,322	694,084
Prepaid expenses	822	46,713
MPHEC grants receivable (note 5)	21,154,941	31,270,904
	<u>34,522,463</u>	<u>46,339,478</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,363,425	2,963,333
Deferred revenue	574,748	427,226
MPHEC operating and capital assistance payable	25,403,067	23,697,607
	<u>28,341,240</u>	<u>27,088,166</u>
MPHEC committed funds (note 7)	<u>3,424,025</u>	<u>17,236,567</u>
	<u>31,765,265</u>	<u>44,324,733</u>
Equity		
Operating surplus	<u>2,757,198</u>	<u>2,014,745</u>
	<u>34,522,463</u>	<u>46,339,478</u>
Commitments (note 8)		

Signed on behalf of the Council

_____ Chair _____ Secretary

The accompanying notes are an integral part of these combined financial statements.

Council of Atlantic Premiers

Combined Statement of Revenue, Expenditures and Operating Surplus

For the year ended March 31, 2020

	2020	2019	
	Budget	Actual	Actual
	\$	\$	\$
Revenue (Schedule A)			
Province of New Brunswick	913,141	913,141	916,444
Province of Newfoundland and Labrador	243,769	243,769	249,053
Province of Nova Scotia	1,263,095	1,263,094	1,254,011
Province of Prince Edward Island	279,490	279,491	291,681
Other	867,048	1,493,038	1,494,263
	<u>3,566,543</u>	<u>4,192,533</u>	<u>4,205,452</u>
Expenditures (Schedule B)			
Council	1,075,032	844,957	739,285
Atlantic Provinces Harness Racing Commission	810,027	686,565	745,489
Maritime Provinces Higher Education Commission	2,119,950	1,851,046	1,867,801
	<u>4,005,009</u>	<u>3,382,568</u>	<u>3,352,575</u>
Excess of revenue over expenditures for the year	(438,466)	809,965	852,877
Operating surplus – Beginning of year	2,014,745	2,014,745	1,215,322
	<u>1,576,279</u>	<u>2,824,710</u>	<u>2,068,199</u>
Appropriations and contributions			
To operations	(98,000)	(71,668)	(57,646)
Other	-	4,156	4,192
	<u>(98,000)</u>	<u>(67,512)</u>	<u>(53,454)</u>
Operating surplus – End of year (Schedule C)	<u>1,478,279</u>	<u>2,757,198</u>	<u>2,014,745</u>

The accompanying notes are an integral part of these combined financial statements.

Council of Atlantic Premiers

Combined Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year, including appropriations and contributions	742,453	799,423
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	(55,238)	(786,386)
Decrease (increase) in prepaid expenses	45,891	610,899
Decrease (increase) in MPHEC grants receivable	10,115,963	5,460,247
Increase (decrease) in accounts payable and accrued liabilities	(599,908)	590,402
Increase in deferred revenue	147,522	143,191
Increase (decrease) in MPHEC operating and capital assistance payable	1,705,460	(4,299,899)
	12,102,143	2,517,877
Investing activities		
Increase (decrease) in MPHEC committed funds	(13,812,542)	(363,563)
Net change in cash during the year	(1,710,399)	2,154,314
Cash – Beginning of year	14,327,777	12,173,463
Cash – End of year	12,617,378	14,327,777

The accompanying notes are an integral part of these combined financial statements.

Council of Atlantic Premiers

Notes to Combined Financial Statements

For the year ended March 31, 2020

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”) 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.

3 Significant accounting policies

These combined 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.

Combination

These combined financial statements include the combined accounts of the Council, APHRC and MPHEC. Separate audited financial statements provide more detailed financial information for APHRC and MPHEC.

The combined 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.

Council of Atlantic Premiers
Notes to Combined Financial Statements
For the year ended March 31, 2020

3 Significant accounting policies (continued)

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 revenue 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 combined 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 \$86,108 (2019 - \$115,665).

Revenue recognition

The Council follows the deferral method of accounting for contributions.

Council of Atlantic Premiers
Notes to Combined Financial Statements
For the year ended March 31, 2020

4 Funding

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

	2020	2019
	%	%
Province of New Brunswick	40.7	40.7
Province of Nova Scotia	51.1	51.1
Province of Prince Edward Island	8.2	8.2

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:

	2020	2019
	%	%
Province of New Brunswick	18.92	18.57
Province of Newfoundland and Labrador	2.55	3.82
Province of Nova Scotia	51.79	48.17
Province of Prince Edward Island	26.74	29.44

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:

	2020	2019
	%	%
Province of New Brunswick	31.7	31.7
Province of Newfoundland and Labrador	22.1	22.1
Province of Nova Scotia	39.8	39.8
Province of Prince Edward Island	6.4	6.4

Council of Atlantic Premiers
Notes to Combined Financial Statements
For the year ended March 31, 2020

5 MPHEC grants receivable

	2020	2019
	\$	\$
Province of New Brunswick	20,529,621	28,869,531
Province of Nova Scotia	369,030	597,715
Province of Prince Edward Island	20,000	1,010,658
Government of Canada	236,290	793,000
	<u>21,154,941</u>	<u>31,270,904</u>

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, \$98 (2019 - \$73) is included in current liabilities.

7 MPHEC committed funds (Schedule D)

			2020	2019
	Operating	Capital	Total	Total
	\$	\$	\$	\$
Province of New Brunswick	1,136,301	-	1,136,301	14,137,995
Province of Nova Scotia	59,905	-	59,905	271,645
Province of Prince Edward Island	2,208,928	16,350	2,225,278	2,824,386
Other	2,541	-	2,541	2,541
	<u>3,407,675</u>	<u>16,350</u>	<u>3,424,025</u>	<u>17,236,567</u>

8 Commitments

Leases

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

	\$
Year ending March 31, 2021	32,500

Pension

The Council administers a pension plan, which covers the employees of the Atlantic Lottery Corporation, the Council, MPHEC and APHRC. The most recent actuarial valuation of the pension plan as of October 1, 2018, 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, 2020, the Council, MPHEC and APHRC recognized pension expense of \$94,814 (2019 - \$126,866), \$156,745 (2019 - \$176,971) and \$14,240 (2019 - \$17,536), accordingly.

Council of Atlantic Premiers

Notes to Combined Financial Statements

For the year ended March 31, 2020

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.

10 Risk management

Senior management of the Council is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The Council, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Provisions are maintained for potential credit losses. As at March 31, 2020, the Council did not see any increase in its collections risk for accounts receivable. Management believes the Council is not exposed to significant credit risk and no provision for doubtful accounts has been recorded for the year ended March 31, 2020 and March 31, 2019.

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. States of emergency were declared across Canada with varying degrees of mandatory business closures and operating restrictions, resulting in a complete economic slowdown. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available cash flow of governments, organizations and individuals may adversely impact our operations and activities. The Council has plans to continue operations during fiscal 2021; however, the duration and impact of the resulting emergency measures taken to prevent the spread of the virus and its impact on the operation and financial results of the Council into the future are not determinable at the date of these financial statements. The future impact on the Council's financial position and operations could be material and include impairments of receivables and reductions in revenue for fiscal 2021 and beyond. The Council's liquidity and ability to continue as a going concern is something management continues to monitor. In light of these fiscal challenges, the Council has the intent and ability to reduce expenditures if revenue is reduced.

Council of Atlantic Premiers

Schedule of Combined Revenue

For the year ended March 31, 2020

Schedule A

	2020		2019
	Budget \$	Actual \$	Actual \$
Province of New Brunswick			
Council	334,445	334,445	334,445
APHRC	78,703	78,703	77,247
MPHEC - Administration	499,993	499,993	504,752
	<hr/>	<hr/>	<hr/>
	913,141	913,141	916,444
Province of Newfoundland and Labrador			
APHRC	10,607	10,607	15,891
Council	233,162	233,162	233,162
	<hr/>	<hr/>	<hr/>
	243,769	243,769	249,053
Province of Nova Scotia			
Council	419,903	419,903	419,903
APHRC	215,436	215,436	200,377
MPHEC - Administration	627,756	627,756	633,731
	<hr/>	<hr/>	<hr/>
	1,263,095	1,263,095	1,254,011
Province of Prince Edward Island			
Council	67,522	67,522	67,522
APHRC	111,233	111,233	122,464
MPHEC - Administration	100,735	100,735	101,695
	<hr/>	<hr/>	<hr/>
	279,490	279,490	291,681
Total provincial contributions	<hr/>	<hr/>	<hr/>
	2,699,495	2,699,495	2,711,189
Other recoveries			
Interest	100,000	454,158	469,302
Recoveries			
Council	20,000	20,000	20,000
APHRC	394,048	318,650	304,632
MPHEC	110,000	90,000	90,000
Surplus appropriations	98,000	71,668	57,646
Project revenue	145,000	538,562	552,683
	<hr/>	<hr/>	<hr/>
	867,048	1,493,038	1,494,263
	<hr/>	<hr/>	<hr/>
	3,566,543	4,192,533	4,205,452

Council of Atlantic Premiers

Schedule of Combined Expenditures

For the year ended March 31, 2020

Schedule B

	2020		2019
	Budget	Actual	Actual
	\$	\$	\$
Council			
Personnel services	629,543	527,278	471,613
Other services	148,176	132,446	149,039
Materials and supplies	8,500	8,243	4,717
Equipment	8,000	6,976	7,208
Projects	280,813	170,014	106,708
	<u>1,075,032</u>	<u>844,957</u>	<u>739,285</u>
APHRC			
Personnel services	206,326	161,895	227,294
Other services	390,860	300,804	305,385
Materials and supplies	119,341	104,636	102,163
Equipment	14,000	20,425	9,588
Projects	79,500	98,805	101,059
	<u>810,027</u>	<u>686,565</u>	<u>745,489</u>
MPHEC			
Administration			
Personnel services	1,136,360	1,073,568	1,071,083
Other services	486,226	449,198	368,635
Materials and supplies	11,100	12,351	9,409
Equipment	13,300	15,471	10,218
Projects	472,964	300,458	408,456
	<u>2,119,950</u>	<u>1,851,046</u>	<u>1,867,801</u>
	<u>4,005,009</u>	<u>3,382,568</u>	<u>3,352,575</u>

Council of Atlantic Premiers

Schedule of Combined Equity Allocation (note 9)

For the year ended March 31, 2020

Schedule C

					2020	2019
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	683,921	206,936	649,377	474,511	2,014,745	1,215,322
Appropriated to operations Council	(29,169)	-	(36,622)	(5,877)	(71,668)	(57,646)
Other appropriations and contributions Appropriated to provinces	-	(7,514)	-	11,670	4,156	4,192
Excess of revenue over expenditures for the year						
Interest	218,109	-	74,774	161,275	454,158	469,302
Council	95,652	66,685	120,094	19,311	301,742	393,393
APHRC	8,925	1,836	23,152	14,151	48,064	(24,877)
MPHEC	2,442	-	3,067	492	6,001	15,059
	325,128	68,521	221,087	195,229	809,965	852,877
Net increase during the year	295,959	61,007	184,465	201,022	742,453	799,423
Balance – End of year	979,880	267,943	833,842	675,533	2,757,198	2,014,745

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2020

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Operating grants										
Revenue										
Grants										
Unrestricted	266,421,273	279,757,264	366,830	501,628	60,668,600	58,644,260	-	-	327,456,703	338,903,152
Restricted	10,146,538	10,057,849	-	-	12,023,300	15,111,198	-	-	22,169,838	25,169,047
Transferred from New Brunswick	736,903	-	-	-	-	-	-	-	736,903	-
Other	-	-	-	-	-	-	1,800,232	1,736,000	1,800,232	1,736,000
	<u>277,304,714</u>	<u>289,815,113</u>	<u>366,830</u>	<u>501,628</u>	<u>72,691,900</u>	<u>73,755,458</u>	<u>1,800,232</u>	<u>1,736,000</u>	<u>352,163,676</u>	<u>365,808,199</u>
Expenditures										
Grants										
Unrestricted	273,252,772	278,518,978	578,570	639,273	60,336,459	58,744,225	-	-	334,167,801	337,902,476
Restricted	16,824,510	10,372,321	-	-	12,934,549	16,064,272	-	-	29,759,059	26,436,593
Transfer to administration	-	90,000	-	-	20,000	20,000	-	-	20,000	110,000
Other	-	-	-	-	-	-	1,800,232	1,736,000	1,800,232	1,736,000
	<u>290,077,282</u>	<u>288,981,299</u>	<u>578,570</u>	<u>639,273</u>	<u>73,291,008</u>	<u>74,828,497</u>	<u>1,800,232</u>	<u>1,736,000</u>	<u>365,747,092</u>	<u>366,185,069</u>
Excess of revenue over expenditures (expenditures over revenue), for the year	(12,772,568)	833,814	(211,740)	(137,645)	(599,108)	(1,073,039)	-	-	(13,583,416)	(376,870)
Committed funds – Beginning 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>
Committed funds – End of year	<u>1,136,301</u>	<u>13,908,869</u>	<u>59,905</u>	<u>271,645</u>	<u>2,208,928</u>	<u>2,808,036</u>	<u>2,541</u>	<u>2,541</u>	<u>3,407,675</u>	<u>16,991,091</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, 2020

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Capital grants										
Revenue	2,000,000	2,000,000	-	-	-	-	-	-	2,000,000	2,000,000
Expenditures	2,002,528	1,986,693	-	-	-	-	-	-	2,002,528	1,986,693
Excess of expenditures over revenue for the year	(2,528)	13,307	-	-	-	-	-	-	(2,528)	13,307
Transfer to New Brunswick	(226,598)	-	-	-	-	-	-	-	(226,598)	-
Committed funds – Beginning of year	229,126	215,819	-	-	16,350	16,350	-	-	245,476	232,169
Committed funds – End of year	-	229,126	-	-	16,350	16,350	-	-	16,350	245,476
Total committed funds – End of year	1,136,301	14,137,995	59,905	271,645	2,225,278	2,824,386	2,541	2,541	3,424,025	17,236,567