

Council of Atlantic Premiers (Consolidated Fund)

Combined Financial Statements
March 31, 2021



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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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.

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

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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, 2021

Council of Atlantic Premiers
 Combined Statement of Financial Position
 As at March 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	11,044,886	12,617,378
Amounts receivable	206,365	749,322
Prepaid expenses	49,754	822
MPHEC grants receivable (note 5)	75,000	21,154,941
	<u>11,376,005</u>	<u>34,522,463</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,883,745	2,363,425
Deferred revenue	675,046	574,748
MPHEC operating and capital assistance payable	2,476,697	25,403,067
	<u>5,035,488</u>	<u>28,341,240</u>
MPHEC committed funds (note 7)	<u>3,145,536</u>	<u>3,424,025</u>
	<u>8,181,024</u>	<u>31,765,265</u>
Equity		
Operating surplus	<u>3,194,981</u>	<u>2,757,198</u>
	<u>11,376,005</u>	<u>34,522,463</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, 2021

	2021	2020	
	Budget	Actual	Actual
	\$	\$	\$
	(unaudited)		
Revenue (Schedule A)			
Province of New Brunswick	929,233	929,233	913,141
Province of Newfoundland and Labrador	246,224	246,224	243,769
Province of Nova Scotia	1,274,754	1,274,754	1,263,094
Province of Prince Edward Island	281,463	281,463	279,491
Other	926,584	861,906	1,493,038
	<u>3,658,258</u>	<u>3,593,580</u>	<u>4,192,533</u>
Expenditures (Schedule B)			
Council	1,074,613	802,296	844,957
Atlantic Provinces Harness Racing Commission	796,027	737,696	686,565
Maritime Provinces Higher Education Commission	1,787,837	1,525,989	1,851,046
	<u>3,658,477</u>	<u>3,065,981</u>	<u>3,382,568</u>
Excess of revenue over expenditures for the year	(219)	527,599	809,965
Operating surplus – Beginning of year	2,757,198	2,757,198	2,014,745
	<u>2,756,979</u>	<u>3,284,797</u>	<u>2,824,710</u>
Appropriations and contributions			
To operations	(98,000)	(73,110)	(71,668)
Other	-	(16,706)	4,156
	<u>(98,000)</u>	<u>(89,816)</u>	<u>(67,512)</u>
Operating surplus – End of year (Schedule C)	<u>2,658,979</u>	<u>3,194,981</u>	<u>2,757,198</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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year, including appropriations and contributions	437,783	742,453
Net change in non-cash working capital balances related to operations		
Amounts receivable	542,957	(55,238)
Prepaid expenses	(48,932)	45,891
MPHEC grants receivable	21,079,941	10,115,963
Accounts payable and accrued liabilities	(479,680)	(599,908)
Deferred revenue	100,298	147,522
MPHEC operating and capital assistance payable	(22,926,370)	1,705,460
	(1,294,003)	12,102,143
Investing activities		
Decrease in MPHEC committed funds	(278,489)	(13,812,542)
Net change in cash during the year	(1,572,492)	(1,710,399)
Cash – Beginning of year	12,617,378	14,327,777
Cash – End of year	11,044,886	12,617,378

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

Council of Atlantic Premiers

Notes to Combined Financial Statements

March 31, 2021

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).

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

March 31, 2021

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 combined 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 combined 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 statement of financial position would reflect office equipment and furniture, computer hardware and software and leasehold improvements with a net book value of approximately \$107,146 (2020 – \$86,108).

Revenue recognition

The Council follows the deferral method of accounting for contributions.

Council of Atlantic Premiers
Notes to Combined Financial Statements
March 31, 2021

3 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:

	2021	2020
	%	%
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:

	2021	2020
	%	%
Province of New Brunswick	19.64	18.92
Province of Newfoundland and Labrador	3.14	2.55
Province of Nova Scotia	50.64	51.79
Province of Prince Edward Island	26.58	26.74

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:

	2021	2020
	%	%
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
March 31, 2021

5 MPHEC grants receivable

	2021	2020
	\$	\$
Province of New Brunswick	-	20,529,621
Province of Nova Scotia	75,000	369,030
Province of Prince Edward Island	-	20,000
Government of Canada	-	236,290
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	75,000	21,154,941
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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, \$23 (2020 – \$98) is included in current liabilities.

7 MPHEC committed funds (Schedule D)

			2021	2020
	Operating	Capital	Total	Total
	\$	\$	\$	\$
Province of New Brunswick	937,892	-	937,892	1,136,301
Province of Nova Scotia	-	-	-	59,905
Province of Prince Edward Island	2,188,753	16,350	2,205,103	2,225,278
Other	2,541	-	2,541	2,541
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	3,219,186	16,350	3,145,536	3,424,025
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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, 2022	200,641

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, 2021, the Council, MPHEC and APHRC recognized pension expense of \$37,805 (2020 – \$94,814), \$80,488 (2020 – \$156,745) and \$12,905 (2020 - \$14,240), 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.

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, 2021, 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, 2021 and March 31, 2020.

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 2022; 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 combined 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 2022 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, 2021

Schedule A

	2021	2020
	Budget \$ (unaudited)	Actual \$ Actual \$
Province of New Brunswick		
Council	334,445	334,445
APHRC	81,698	81,698
MPHEC – Administration	513,090	513,090
	929,233	929,233
		913,141
Province of Newfoundland and Labrador		
APHRC	13,062	13,062
Council	233,162	233,162
	246,224	246,224
		243,769
Province of Nova Scotia		
Council	419,903	419,903
APHRC	210,652	210,652
MPHEC – Administration	644,199	644,199
	1,274,754	1,274,754
		1,263,095
Province of Prince Edward Island		
Council	67,522	67,522
APHRC	110,567	110,567
MPHEC – Administration	103,374	103,374
	281,463	281,463
		279,490
Total provincial contributions	2,731,674	2,731,674
		2,699,495
Other recoveries		
Interest Recoveries	100,000	144,382
Council	20,000	20,000
APHRC	380,048	319,584
MPHEC	90,000	45,000
Surplus appropriations	98,000	73,110
Project revenue	238,536	259,830
	926,584	861,906
	3,658,258	3,593,580
		4,192,533

Council of Atlantic Premiers

Schedule of Combined Expenditures

For the year ended March 31, 2021

Schedule B

	2021		2020
	Budget \$ (unaudited)	Actual \$	Actual \$
Council			
Personnel services	625,293	583,366	527,278
Other services	145,320	104,784	132,446
Materials and supplies	5,500	6,940	8,243
Equipment	8,000	5,349	6,976
Projects	290,500	101,857	170,014
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	1,074,613	802,296	844,957
APHRC			
Personnel services	169,204	167,525	161,895
Other services	398,112	268,149	300,804
Materials and supplies	123,211	124,812	104,636
Equipment	17,500	63,556	20,425
Projects	88,000	113,654	98,805
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	796,027	737,696	686,565
MPHEC			
Administration			
Personnel services	1,134,506	1,064,825	1,073,568
Other services	334,990	245,203	449,198
Materials and supplies	11,905	10,778	12,351
Equipment	15,300	16,721	15,471
Projects	291,136	188,462	300,458
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	1,787,837	1,525,989	1,851,046
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	3,658,477	3,065,981	3,382,568

Council of Atlantic Premiers

Schedule of Combined Equity Allocation (note 9)

For the year ended March 31, 2021

Schedule C

					2021	2020
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
Operating surplus						
Balance – Beginning of year	979,880	267,943	833,842	675,533	2,757,198	2,014,745
Appropriated to operations Council	(29,756)	-	(37,359)	(5,995)	(73,110)	(71,668)
Other appropriations and contributions Appropriated to provinces	-	(8,482)	-	(8,224)	(16,706)	4,156
Excess of revenue over expenditures for the year						
Interest	67,242	-	32,538	44,602	144,382	454,158
Council	109,633	76,432	137,648	22,133	345,846	301,742
APHRC	(396)	(82)	(1,027)	(628)	(2,133)	48,064
MPHEC	16,078	-	20,187	3,239	39,504	6,001
	192,557	76,350	189,346	69,346	527,599	809,965
Net increase during the year	162,801	67,868	151,987	55,127	437,783	742,453
Balance – End of year	1,142,681	335,811	985,829	730,660	3,194,981	2,757,198

Council of Atlantic Premiers

Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2021

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Operating grants										
Revenue										
Grants										
Unrestricted	-	266,421,273	-	366,830	59,096,360	60,668,600	-	-	59,096,360	327,456,703
Restricted	1,188,938	10,146,538	-	-	12,605,170	12,023,300	-	-	13,794,108	22,169,838
Transferred from New Brunswick	-	736,903	-	-	-	-	-	-	-	736,903
Other	-	-	-	-	-	-	216,000	1,800,232	216,000	1,800,232
	1,188,938	277,304,714	-	366,830	71,701,530	72,691,900	216,000	1,800,232	73,106,468	352,163,676
Expenditures										
Grants										
Unrestricted	-	273,252,772	59,905	578,570	59,247,222	60,336,459	-	-	59,307,127	334,167,801
Restricted	1,387,347	16,824,510	-	-	12,454,483	12,934,549	-	-	13,841,830	29,759,059
Transfer to administration	-	-	-	-	20,000	20,000	-	-	20,000	20,000
Other	-	-	-	-	-	-	216,000	1,800,232	216,000	1,800,232
	1,387,347	290,077,282	59,905	578,570	71,721,705	73,291,008	216,000	1,800,232	73,384,957	365,747,092
Excess of revenue over expenditures (expenditures over revenue), for the year	(198,409)	(12,772,568)	(59,905)	(211,740)	(20,175)	(599,108)	-	-	(278,489)	(13,583,416)
Committed funds – Beginning of year	1,136,301	13,908,869	59,905	271,645	2,208,928	2,808,036	2,541	2,541	3,407,675	16,991,091
Committed funds – End of year	937,892	1,136,301	-	59,905	2,188,753	2,208,928	2,541	2,541	3,129,186	3,407,675

Council of Atlantic Premiers
Maritime Provinces Higher Education Commission
 Schedule of Grant Revenue, Expenditures and Committed Funds (Capital)
 For the year ended March 31, 2021

Schedule D (continued)

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Capital grants										
Revenue	-	2,000,000	-	-	-	-	-	-	-	2,000,000
Expenditures	-	2,002,528	-	-	-	-	-	-	-	2,002,528
Excess of expenditures over revenue for the year	-	(2,528)	-	-	-	-	-	-	-	(2,528)
Transfer to New Brunswick	-	(226,598)	-	-	-	-	-	-	-	(226,598)
Committed funds – Beginning of year	-	229,126	-	-	16,350	16,350	-	-	16,350	245,476
Committed funds – End of year	-	-	-	-	16,350	16,350	-	-	16,350	16,350
Total committed funds – End of year	937,892	1,136,301	-	59,905	2,205,103	2,225,278	2,541	2,541	3,145,536	3,424,025