

# **Council of Atlantic Premiers Consolidated Fund**

Financial Statements  
**March 31, 2016**



June 22, 2016

## **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, 2016 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, 2016 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 Accountants**

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**Council of Atlantic Premiers**  
 Consolidated Fund Statement of Financial Position  
 As at March 31, 2016

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	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	10,594,500	11,543,106
Amounts receivable	325,188	350,265
Prepaid expenses	83,336	32,713
MPHEC grants receivable (note 5)	27,610,290	29,725,678
	<u>38,613,314</u>	<u>41,651,762</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	3,056,557	2,881,077
Deferred revenue	220,780	184,429
MPHEC operating and capital assistance payable	19,534,877	21,745,068
	<u>22,812,214</u>	<u>24,810,574</u>
<b>MPHEC committed funds</b> (note 7)	<u>14,477,140</u>	<u>15,848,124</u>
	<u>37,289,354</u>	<u>40,658,698</u>
<b>Equity</b>		
<b>Operating surplus</b>	<u>1,323,960</u>	<u>993,064</u>
	<u>38,613,314</u>	<u>41,651,762</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, 2016

	2016		2015
	Budget \$	Actual \$	Actual \$
<b>Revenue</b> (Schedule A)			
Province of New Brunswick	1,043,372	1,043,372	1,049,164
Province of Newfoundland and Labrador	274,378	285,451	274,378
Province of Nova Scotia	1,414,561	1,414,561	1,404,510
Province of Prince Edward Island	298,788	298,788	298,604
Other	824,373	812,351	875,767
	<u>3,855,472</u>	<u>3,854,523</u>	<u>3,902,423</u>
<b>Expenditures</b> (Schedule B)			
Council Secretariat	1,261,530	1,035,918	1,039,520
Atlantic Provinces Harness Racing Commission	749,262	738,125	719,560
Maritime Provinces Higher Education Commission	1,658,112	1,686,218	1,670,767
	<u>3,668,904</u>	<u>3,460,261</u>	<u>3,429,847</u>
Grants			
Atlantic Provinces Community College Consortium	–	–	58,612
	<u>3,668,904</u>	<u>3,460,261</u>	<u>3,488,459</u>
<b>Excess of revenue over expenditures for the year</b>	186,568	394,262	413,964
<b>Operating surplus – Beginning of year</b>	993,064	993,064	840,208
	<u>1,179,632</u>	<u>1,387,326</u>	<u>1,254,172</u>
<b>Appropriations and contributions</b>			
To operations	(98,000)	(56,867)	(56,867)
Other	–	(6,499)	(204,241)
	<u>(98,000)</u>	<u>(63,366)</u>	<u>(261,108)</u>
<b>Operating surplus – End of year</b> (Schedule C)	<u>1,081,632</u>	<u>1,323,960</u>	<u>993,064</u>

**Council of Atlantic Premiers**  
**Statement of Consolidated Fund Cash Flows**  
**For the year ended March 31, 2016**

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	<b>2016</b>	<b>2015</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	330,896	152,856
Net change in non-cash working capital balances related to operations		
Decrease (increase) in amounts receivable	25,077	(232,518)
Increase in prepaid expenses	(50,623)	(9,321)
Decrease in MPHEC grants receivable	2,115,388	4,430,420
Increase in accounts payable and accrued liabilities	175,480	998,866
Increase in deferred revenue	36,351	19,264
Decrease in MPHEC operating and capital assistance payable	(2,210,191)	(184,285)
	<u>422,378</u>	<u>5,175,282</u>
<b>Investing activities</b>		
Decrease in MPHEC committed funds	(1,370,984)	(9,456,623)
<b>Net change in cash during the year</b>	<u>(948,606)</u>	<u>(4,281,341)</u>
<b>Cash – Beginning of year</b>	<u>11,543,106</u>	<u>15,824,447</u>
<b>Cash – End of year</b>	<u>10,594,500</u>	<u>11,543,106</u>

# **Council of Atlantic Premiers**

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

**For the year ended March 31, 2016**

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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 and Prince Edward Island 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, 2016

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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 \$128,990 (2015 - \$124,292).

#### **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, 2016

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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>2016</b>	<b>2015</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>2016</b>	<b>2015</b>
	%	%
Province of New Brunswick	16.0	18.0
Province of Nova Scotia	54.0	52.0
Province of Prince Edward Island	30.0	30.0

Provincial contributions for post-secondary education assistance are in accordance with the existing regional funding formula. Each province provides grants to institutions within its borders and makes contributions to the other two provinces in respect of students from that province studying in university programs not offered in the province of residence. Interest earned on funds held for grants to post-secondary institutions is allocated to the province whose funds generated the earnings.

The provincial contributions for funding are based upon the population of each member province. As such, the per capita formula is as follows:

	<b>2016</b>	<b>2015</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, 2016

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### 5 MPHEC grants receivable

	2016 \$	2015 \$
Province of New Brunswick	25,928,469	28,394,397
Province of Newfoundland and Labrador	—	216,000
Province of Nova Scotia	555,621	382,340
Province of Prince Edward Island	404,200	4,941
Government of Canada	722,000	728,000
	<hr/> 27,610,290	<hr/> 29,725,678

### 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, \$1,201 (2015 - \$895) is included in current liabilities.

### 7 MPHEC committed funds (Schedule D)

	<hr/> 2016			<hr/> 2015
	Operating \$	Capital \$	Total \$	Total \$
Province of New Brunswick	10,513,576	73,159	10,586,735	12,387,792
Province of Nova Scotia	486,816	—	486,816	560,621
Province of Prince Edward Island	3,384,698	16,350	3,401,048	2,897,171
Other	2,541	—	2,541	2,540
	<hr/> 14,387,631	89,509	<hr/> 14,477,140	<hr/> 15,848,124

**Council of Atlantic Premiers**  
Notes to Consolidated Fund Financial Statements  
For the year ended March 31, 2016

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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, 2017	60,674
2018	46,455
2019	31,200

**Pension**

The Council administers a pension plan, which covers the employees of the Atlantic Lottery Corporation, Council Secretariat, MPHEC and APHRC. The most recent actuarial valuation of the pension plan as of December 31, 2013, 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, 2016, the Council Secretariat, MPHEC and APHRC recognized pension expense of \$255,036 (2015 - \$216,678), \$391,376 (2015 - \$335,091), and \$34,068 (2015 - \$27,935) accordingly.

**9 Provincial equity allocation of operating surplus (deficit)**

Operating surplus (deficit) 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, 2016

**Schedule A**

	<b>2016</b>		<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Province of New Brunswick</b>			
APCCC	–	–	24,303
Council Secretariat	401,014	401,014	401,014
APHRC	62,062	62,062	69,947
MPHEC - Administration	580,296	580,296	553,900
	<u>1,043,372</u>	<u>1,043,372</u>	<u>1,049,164</u>
<b>Province of Newfoundland and Labrador</b>			
APHRC	–	11,073	–
Council Secretariat	274,378	274,378	274,378
	<u>274,378</u>	<u>285,451</u>	<u>274,378</u>
<b>Province of Nova Scotia</b>			
APCCC	–	–	29,795
Council Secretariat	491,646	491,646	491,646
APHRC	209,460	209,460	202,067
MPHEC - Administration	713,455	713,455	681,002
	<u>1,414,561</u>	<u>1,414,561</u>	<u>1,404,510</u>
<b>Province of Prince Edward Island</b>			
APCCC	–	–	4,514
Council Secretariat	74,492	74,492	74,492
APHRC	116,367	116,367	116,578
MPHEC - Administration	107,929	107,929	103,020
	<u>298,788</u>	<u>298,788</u>	<u>298,604</u>
<b>Total provincial contributions</b>	<u>3,031,099</u>	<u>3,042,172</u>	<u>3,026,656</u>
<b>Other recoveries</b>			
Interest Recoveries	100,000	149,434	192,691
Council Secretariat	20,000	20,000	20,000
APHRC	361,373	341,702	326,559
MPHEC	90,000	100,000	90,000
Surplus appropriations	98,000	56,867	56,867
Project revenue	155,000	144,348	189,650
	<u>824,373</u>	<u>812,351</u>	<u>875,767</u>
	<u>3,855,472</u>	<u>3,854,523</u>	<u>3,902,423</u>

**Council of Atlantic Premiers**  
 Schedule of Consolidated Fund Expenditures  
 For the year ended March 31, 2016

**Schedule B**

	<b>2016</b>		<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Council Secretariat</b>			
Personnel services	638,395	661,186	636,248
Other services	235,674	215,932	221,822
Materials and supplies	9,300	8,058	5,502
Equipment	6,000	6,668	21,148
Projects	372,161	144,074	154,800
	<b>1,261,530</b>	<b>1,035,918</b>	<b>1,039,520</b>
<b>Atlantic Provinces Harness Racing Commission</b>			
Personnel services	200,844	200,464	196,947
Other services	398,428	321,847	335,860
Materials and supplies	88,490	120,156	117,774
Equipment	1,000	13,328	4,956
Projects	60,500	82,330	64,023
	<b>749,262</b>	<b>738,125</b>	<b>719,560</b>
<b>Maritime Provinces Higher Education Commission</b>			
Administration			
Personnel services	1,215,129	1,271,598	1,191,140
Other services	230,357	220,303	269,674
Materials and supplies	17,500	18,552	17,062
Equipment	18,000	36,385	29,806
Projects	177,126	139,380	163,085
	<b>1,658,112</b>	<b>1,686,218</b>	<b>1,670,767</b>
	<b>3,668,904</b>	<b>3,460,261</b>	<b>3,429,847</b>

# Council of Atlantic Premiers

Schedule of Consolidated Fund Equity Allocation (note 9)

For the year ended March 31, 2016

Schedule C

					2016	2015
	New Brunswick \$	Newfoundland and Labrador \$	Nova Scotia \$	Prince Edward Island \$	Total \$	Total \$
<b>Operating surplus</b>						
<b>Balance – Beginning of year</b>	652,107	61,632	153,846	125,479	993,064	840,208
Appropriated to operations Council Secretariat	(23,315)	–	(29,230)	(4,322)	(56,867)	(56,867)
Other appropriations and contributions Appropriated to provinces	(2,692)	–	(3,307)	(500)	(6,499)	(204,241)
Excess of revenue over expenditures for the year						
Consolidated Fund interest	70,832	–	29,463	49,139	149,434	192,691
Council Secretariat	91,241	62,428	111,861	16,949	282,479	278,877
APHRC	406	–	1,371	762	2,539	(4,410)
MPHEC	(16,639)	–	(20,457)	(3,094)	(40,190)	(53,194)
	145,840	62,428	122,238	63,756	394,262	413,964
<b>Net increase during the year</b>	119,833	62,428	89,701	58,934	330,896	152,856
<b>Balance – End of year</b>	771,940	124,060	243,547	184,413	1,323,960	993,064

# Council of Atlantic Premiers

## Maritime Provinces Higher Education Commission

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

For the year ended March 31, 2016

Schedule D

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Operating grants</b>										
<b>Revenue</b>										
Grants										
Unrestricted	264,559,596	264,623,469	247,281	308,535	55,061,099	49,668,568	–	–	319,867,976	314,600,572
Restricted	9,555,097	9,555,097	–	–	13,764,700	11,533,200	–	–	23,319,797	21,088,297
Other	–	–	–	–	–	–	1,741,712	1,746,774	1,741,712	1,746,774
	<u>274,114,693</u>	<u>274,178,566</u>	<u>247,281</u>	<u>308,535</u>	<u>68,825,799</u>	<u>61,201,768</u>	<u>1,741,712</u>	<u>1,746,774</u>	<u>344,929,485</u>	<u>337,435,643</u>
<b>Expenditures</b>										
Grants										
Unrestricted	267,583,427	268,667,751	321,086	308,340	55,301,823	54,157,678	–	–	323,206,336	323,133,769
Restricted	8,148,111	9,036,437	–	–	13,010,099	12,830,038	–	–	21,158,210	21,866,475
Transfer to administration	90,000	90,000	–	–	10,000	–	–	–	100,000	90,000
Transfer to capital reserve	–	(43,469)	–	–	–	–	–	–	–	(43,469)
Other	–	–	–	–	–	–	1,741,712	1,746,774	1,741,712	1,746,774
	<u>275,821,538</u>	<u>277,750,719</u>	<u>321,086</u>	<u>308,340</u>	<u>68,321,922</u>	<u>66,987,716</u>	<u>1,741,712</u>	<u>1,746,774</u>	<u>346,206,258</u>	<u>346,793,549</u>
<b>Excess of revenue over expenditures (expenditures over revenue), for the year</b>	(1,706,845)	(3,572,153)	(73,805)	195	503,877	(5,785,948)	–	–	(1,276,773)	(9,357,906)
<b>Committed funds – Beginning of year</b>	12,220,421	15,792,574	560,621	560,426	2,880,821	8,666,769	2,541	2,541	15,664,404	25,022,310
<b>Committed funds – End of year</b>	10,513,576	12,220,421	486,816	560,621	3,384,698	2,880,821	2,541	2,541	14,387,631	15,664,404

**Council of Atlantic Premiers**  
**Maritime Provinces Higher Education Commission**  
 Schedule of Grant Revenue, Expenditures and Committed Funds (Capital)  
 For the year ended March 31, 2016

**Schedule D (continued)**

	New Brunswick		Nova Scotia		Prince Edward Island		Other		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Capital grants</b>										
Revenue	2,000,000	2,000,000	–	–	–	–	–	–	2,000,000	2,000,000
Expenditures	2,094,212	2,055,247	–	–	–	–	–	–	2,094,212	2,055,247
Transfer from operating reserve	–	(43,469)	–	–	–	–	–	–	–	(43,469)
<b>Excess of expenditures over revenue for the year</b>	(94,212)	(98,716)	–	–	–	–	–	–	(94,212)	(98,716)
<b>Committed funds – Beginning of year</b>	167,371	266,087	–	–	16,350	16,350	–	–	183,721	282,437
<b>Committed funds – End of year</b>	73,159	167,371	–	–	16,350	16,350	–	–	89,509	183,721
<b>Total committed funds – End of year</b>	10,586,735	12,387,792	486,816	560,621	3,401,048	2,897,171	2,541	2,541	14,477,140	15,848,125