

Maritime Provinces Higher Education Commission

Financial Statements
March 31, 2020



Independent auditor's report

To the Members of Maritime Provinces Higher Education Commission

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Maritime Provinces Higher Education Commission (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 financial statements comprise:

- the balance sheet as at March 31, 2020;
- the statement of committed funds for the year then ended;
- the statement of revenue and expenditures - grants for the year then ended;
- the statement of revenue and expenditures - administration for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 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 financial statements

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Maritime Provinces Higher Education Commission

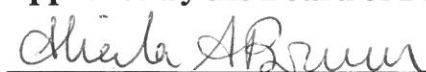
Balance Sheet

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Cash	8,170,306	10,310,751
Prepaid expenses	822	46,713
Amounts due from		
Government of Canada	236,290	793,000
New Brunswick	20,529,621	28,869,531
Nova Scotia	369,030	597,715
Prince Edward Island	20,000	1,010,658
Amount due from the Council of Atlantic Premiers	1	7,541
Other receivables (note 3)	84,897	37,372
	<u>29,410,967</u>	<u>41,673,281</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	42,719	327,669
Amount due to the Council of Atlantic Premiers	6,001	15,059
Amounts payable to institutions		
Operating grants	24,618,835	22,977,607
Other	784,232	720,000
Deferred revenue	535,155	396,379
	<u>25,986,942</u>	<u>24,436,714</u>
Committed Funds		
Operating grants	3,407,675	16,991,091
Capital grants	16,350	245,476
	<u>3,424,025</u>	<u>17,236,567</u>
	<u>29,410,967</u>	<u>41,673,281</u>

Commitments (note 5)

Approved by the Board of Directors



Director



Director

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

Maritime Provinces Higher Education Commission

Statement of Committed Funds

For the year ended March 31, 2020

	2020				2019	
	New Brunswick \$	Nova Scotia \$	Prince Edward Island \$	Other \$	Total \$	Total \$
Operating grants						
Balance – Beginning of year	13,908,869	271,645	2,808,036	2,541	16,991,091	17,367,961
Excess of expenditures over revenue for the year	(13,509,471)	(211,740)	(579,108)	-	(14,300,319)	(266,870)
Transfer from New Brunswick (note 9)	736,903	-	-	-	736,903	-
Transfer to administration	-	-	(20,000)	-	(20,000)	(110,000)
Balance – End of year	1,136,301	59,905	2,208,928	2,541	3,407,675	16,991,091
Capital grants						
Balance – Beginning of year	229,126	-	16,350	-	245,476	232,169
Excess of (expenditures over revenue) revenue over expenditures for the year	(2,528)	-	-	-	(2,528)	13,307
Transfer to New Brunswick (note 9)	(226,598)	-	-	-	(226,598)	-
Balance – End of year	-	-	16,350	-	16,350	245,476
Committed funds – End of year	1,136,301	59,905	2,225,278	2,541	3,424,025	17,236,567

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

Maritime Provinces Higher Education Commission

Statement of Revenue and Expenditures – Grants

For the year ended March 31, 2020

	New Brunswick		Nova Scotia (note 1)		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
Other	-	-	-	-	-	-	1,800,232	1,736,000	1,800,232	1,736,000
	276,567,811	289,815,113	366,830	501,628	72,691,900	73,755,458	1,800,232	1,736,000	351,426,773	365,808,199
Expenditures										
Grants										
Unrestricted (Schedule A)	273,252,772	278,518,978	578,570	639,273	60,336,459	58,744,225	-	-	334,167,801	337,902,476
Restricted (Schedule B)	16,824,510	10,372,321	-	-	12,934,549	16,064,272	-	-	29,759,059	26,436,593
Other activities (note 6)	-	-	-	-	-	-	1,800,232	1,736,000	1,800,232	1,736,000
	290,077,282	288,891,299	578,570	639,273	73,271,008	74,808,497	1,800,232	1,736,000	365,727,092	366,075,069
Excess of expenditures over revenue (revenue over expenditures) for the year	(13,509,471)	923,814	(211,740)	(137,645)	(579,108)	(1,053,039)	-	-	(14,300,319)	(266,870)
Capital grants										
Revenue	2,000,000	2,000,000	-	-	-	-	-	-	2,000,000	2,000,000
Expenditures (Schedule C)	2,002,528	1,986,693	-	-	-	-	-	-	2,002,528	1,986,693
Excess of expenditures over revenue (revenue over expenditures) for the year	(2,528)	13,307	-	-	-	-	-	-	(2,528)	13,307

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

Maritime Provinces Higher Education Commission

Statement of Revenue and Expenditures – Administration

For the year ended March 31, 2020

	2020 \$	2019 \$
Revenue		
Contributions		
New Brunswick	499,993	504,752
Nova Scotia	627,755	633,731
Prince Edward Island	100,736	101,695
Transfers from operating reserves		
New Brunswick	90,000	90,000
Prince Edward Island	20,000	20,000
Project revenue	518,562	532,681
	<u>1,857,046</u>	<u>1,882,859</u>
Expenditures		
Salaries and benefits	1,073,568	1,071,083
Office rent	114,180	113,943
Professional services	291,156	210,077
Other services	27,009	27,081
Travel		
Board members	5,369	4,238
Other travel	8,932	10,445
Per diem allowance	2,550	2,850
Office supplies, books and subscriptions	10,863	8,056
Publications	1,488	1,353
Office furniture and equipment	15,471	10,218
Special projects, committees and other (note 7)	300,459	408,456
	<u>1,851,045</u>	<u>1,867,800</u>
Excess of revenue over expenditures for the year (note 8)	<u>6,001</u>	<u>15,059</u>

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

Maritime Provinces Higher Education Commission

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of expenditure over revenue for the year – Grants	(13,792,542)	(253,563)
Transfers to administration	(20,000)	(110,000)
Net change in non-cash working capital balances related to operations		
(Increase) decrease in prepaid expenses	45,891	610,900
Decrease (increase) in amounts due from		
Government of Canada	556,710	658,586
New Brunswick	8,339,910	5,965,114
Nova Scotia	228,685	(556,995)
Prince Edward Island	990,658	(606,458)
Council of Atlantic Premiers	7,540	(7,357)
Decrease in other receivables	(47,525)	27,200
Decrease in accounts payable and accrued liabilities	(284,950)	139,455
Increase in amount due to Council of Atlantic Premiers	(9,058)	14,619
Increase (decrease) in amounts payable to institutions		
Operating grants	1,641,228	(4,268,313)
Capital grants	-	-
Other	64,232	(31,586)
Increase in deferred revenue	138,776	146,929
Net change in cash during the year	(2,140,445)	1,728,531
Cash – Beginning of year	10,310,751	8,582,220
Cash – End of year	8,170,306	10,310,751

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

Maritime Provinces Higher Education Commission

Notes to Financial Statements

For the year ended March 31, 2020

1 Content of these financial statements

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 the Maritime Provinces Higher Education Commission (the "Commission" or "MPHEC"). Since the Province of Nova Scotia makes direct payments to Nova Scotia institutions, these financial statements include only the operating and capital grant payments to New Brunswick and Prince Edward Island institutions.

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Canadian Accounting Standards Board.

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.

Property, plant and equipment

The Commission expenses capital assets in the year of acquisition. Had the Commission capitalized and amortized its capital assets, its balance sheet would reflect office equipment and furniture, computer hardware and software and leasehold improvements with a net book value of approximately \$68,676 (2019 - \$74,875).

Pension plan

The Commission participates in the Pension Plan for Employees of the Council of Atlantic Premiers and Participating Employers. Pension expense is recognized when plan contributions are made or become due. During the year, the Commission recognized pension expenses of \$156,745 (2019 - \$176,971).

Financial instruments

The Commission 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 Commission is not exposed to any significant credit risk and no provision for doubtful accounts has been recorded in the accounts.

3 Other receivables

Included in other receivables are government remittances receivable relating to HST and GST of \$73,528 (2019 - \$37,372).

4 Accounts payable and accrued liabilities

Included in accounts payable are government remittances payable relating to payroll of \$23 (2019 - \$68).

Maritime Provinces Higher Education Commission

Notes to Financial Statements

For the year ended March 31, 2020

5 Commitments

Office facilities

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

	\$
Year ending March 31, 2021	109,275
2022	109,673
2023	110,078
2024	110,490
2025	110,908
2026	27,800

6 Other activities

During the year, the Commission disbursed funds on behalf of the following:

	2020 \$	2019 \$
Government of Canada – Contribution program to improve access to health services for official languages minority communities	784,232	720,000
Province of Prince Edward Island – Medicine	800,000	800,000
Province of Newfoundland and Labrador – Rehabilitation program seats	216,000	216,000
	<u>1,800,232</u>	<u>1,736,000</u>

7 Special projects, committees and other

	2020 \$	2019 \$
Maritime College Data Integration Program	170,933	258,467
Graduate follow-up surveys	120,077	127,651
MPHEC conference/workshop/collaboration	-	9,150
Committees and other	9,449	13,188
	<u>300,459</u>	<u>408,456</u>

8 Revenue and expenditures – Administration

The unallocated excess of administrative revenue over administrative expenditures for the year is considered to be part of the Consolidated Fund and accordingly is included in the amount due to the Council of Atlantic Premiers.

Maritime Provinces Higher Education Commission

Notes to Financial Statements

For the year ended March 31, 2020

9 Committed funds

The Province of New Brunswick assumed responsibility for the administration of grant funding to institutions in New Brunswick effective April 1, 2020. On March 31, 2020, the Committed Funds balance for operating was increase by \$736,903 for the amount owed to the Commission by the Province. The balance in the capital fund of \$226,598 was returned to the Province.

10 Risk management

Senior management of the Commission are responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The Commission, 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 Commission did not see any increase in its collections risk for accounts receivable. Management believes the Commission 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 operations and activities of the universities. This could impact funding received by the Commission from the provinces. If funding from the provinces is reduced, the Commission expenditures would be reduced accordingly.

Maritime Provinces Higher Education Commission

Schedule of Unrestricted Grants Expenditures

For the year ended March 31, 2020

Schedule A

	2020 \$	2019 \$
New Brunswick		
Institutions		
Maritime College of Forest Technology	2,132,450	2,111,337
Mount Allison University	20,949,854	20,742,430
St. Thomas University	12,548,971	12,546,264
Université de Moncton	66,293,182	65,636,814
University of New Brunswick	115,356,724	114,214,578
Program Expansion – Medical, nursing and other		
Mount Allison University	215,600	215,600
Université de Moncton	5,387,220	10,414,471
University of New Brunswick	3,760,974	7,676,702
	<u>226,644,975</u>	<u>233,558,196</u>
Interprovincial transfers		
University of Prince Edward Island – Atlantic Veterinary College	5,351,758	5,286,939
Université de Sherbrooke	1,867,956	1,977,491
Province of Newfoundland and Labrador	2,530,000	2,730,000
Province of Nova Scotia	3,031,500	3,392,100
Province of Ontario	40,581	41,581
Province of Québec	9,553,827	8,966,045
Dalhousie University	8,667,365	7,438,639
	<u>31,042,987</u>	<u>29,832,795</u>
Grants in lieu of Municipal Real Property Taxes	15,544,810	15,101,455
Other	20,000	26,532
	<u>273,252,772</u>	<u>278,518,978</u>
Nova Scotia		
Interprovincial transfers		
Province of Québec	366,830	427,533
Go Survey	74,095	74,095
College Data Project	137,645	137,645
	<u>578,570</u>	<u>639,273</u>
Prince Edward Island		
Institutions		
Holland College	19,001,000	18,628,400
University of Prince Edward Island	34,644,900	33,965,600
	<u>53,645,900</u>	<u>52,594,000</u>
Interprovincial transfers		
Province of Nova Scotia	6,488,700	5,950,100
Province of Québec	201,859	199,575
	<u>6,690,559</u>	<u>6,149,675</u>
Other	-	550
	<u>60,336,459</u>	<u>58,744,225</u>
	<u>334,167,801</u>	<u>337,902,476</u>

Maritime Provinces Higher Education Commission

Schedule of Restricted Grants Expenditures

For the year ended March 31, 2020

Schedule B

	2020 \$	2019 \$
New Brunswick		
Maritime College of Forest Technology	132,644	72,652
Mount Allison University	1,004,533	994,587
St. Thomas University	865,402	382,838
Université de Moncton	3,962,853	2,990,181
University of New Brunswick	9,596,828	4,540,266
Joint Project – Computer Network	1,262,250	1,391,797
	<hr/> 16,824,510	<hr/> 10,372,321
Prince Edward Island		
Holland College	6,642,988	7,810,352
University of Prince Edward Island	6,206,325	8,177,968
Joint Project – Computer Network	85,236	75,952
	<hr/> 12,934,549	<hr/> 16,064,272
	<hr/> 29,759,059	<hr/> 26,436,593

Maritime Provinces Higher Education Commission

Schedule of Capital Grants Expenditures

For the year ended March 31, 2020

Schedule C

	2020 \$	2019 \$
New Brunswick		
Mount Allison University	196,015	196,015
St. Thomas University	135,279	119,612
Université de Moncton	616,677	615,677
University of New Brunswick	1,055,557	1,055,389
	<hr/>	<hr/>
	2,002,528	1,986,693