
**ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2021**

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Management's Report

Management's Responsibility for the Financial Statements

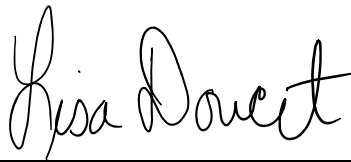
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board meets throughout the year and reviews external audited financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Atlantic Provinces Special Education Authority and meet when required.

On behalf of Atlantic Provinces Special Education Authority:







Deloitte LLP
Purdy's Wharf Tower II
1969 Upper Water Street
Suite 1500
Halifax NS B3J 3R7
Canada

Tel: 902-422-8541
Fax: 902-423-5820
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
Atlantic Provinces Special Education Authority

Opinion

We have audited the financial statements of Atlantic Provinces Special Education Authority ("APSEA"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APSEA as at March 31, 2021, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of APSEA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PSAS, and for such internal 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 APSEA'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 APSEA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing APSEA'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 GAAS 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 GAAS, 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 APSEA'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 APSEA'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 APSEA 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.

Deloitte LLP

Chartered Professional Accountants
Halifax, Nova Scotia
June 30, 2021

Atlantic Provinces Special Education Authority
Statement of Financial Position
As at March 31, 2021

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 8,940,834	\$ 10,756,015
Restricted cash	404,819	1,026,834
Accounts receivable	792,839	4,720,864
Receivable for early retirement incentive plan (Note 4)	886,200	945,200
Receivable for post-retirement benefits (Note 5)	2,375,700	2,312,200
Receivable for teachers' sick leave (Note 6)	607,500	582,600
Portfolio investments - blind/visually impaired (Note 2)	9,322,047	7,500,896
Portfolio investments - deaf/hard of hearing (Note 2)	5,786,017	4,359,891
	<u>29,115,956</u>	<u>32,204,500</u>
Liabilities		
Accounts payable	949,233	1,015,363
Public Service early retirement incentive plan (Note 4)	886,200	945,200
Post-retirement benefits (Note 5)	2,375,700	2,312,200
Teachers' sick leave (Note 6)	607,500	582,600
Operating advances (Note 7)	480,000	480,000
	<u>5,298,633</u>	<u>5,335,363</u>
Net financial assets	<u>23,817,323</u>	<u>26,869,137</u>
Non-financial assets		
Tangible capital assets (Note 10)	<u>3,827,970</u>	<u>3,827,933</u>
Accumulated surplus (Note 8)	<u>27,645,293</u>	<u>30,697,070</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	23,226,973	28,398,032
Accumulated remeasurement gains	4,418,320	2,299,038
	<u>\$ 27,645,293</u>	<u>\$ 30,697,070</u>

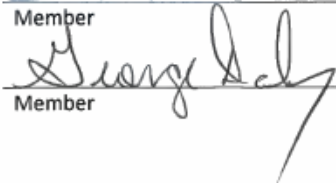
Commitments (Note 13)

Contingent Liabilities (Note 14)

APPROVED ON BEHALF OF THE BOARD



Member



Member

Atlantic Provinces Special Education Authority
Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2021

	2021 Budget (Unaudited)	2021 Actual	2020 Actual
REVENUES			
Government grants (Note 9)	\$ 17,988,889	\$ 10,205,757	\$ 17,658,920
Other Income			
Shared by four provinces	135,000	138,248	230,496
Shared by three provinces	242,000	241,900	230,782
New Brunswick	-	40,370	18,805
Centre-based programs	345,000	309,035	334,494
Annuities, bequests and donations	-	29,769	8,350
Investment income	-	855,775	646,392
Other	-	18,385	22,925
	<u>722,000</u>	<u>1,633,482</u>	<u>1,492,244</u>
	<u>18,710,889</u>	<u>11,839,239</u>	<u>19,151,164</u>
EXPENDITURES			
Administration and consultation (shared by four provinces)			
Administration	942,189	696,388	954,752
Programs - blind/visually impaired	219,329	190,923	189,215
Resource services	1,772,752	1,653,941	1,708,685
Autism in education	174,520	142,484	190,793
	<u>3,108,790</u>	<u>2,683,736</u>	<u>3,043,445</u>
Administration and consultation (shared by three provinces)			
Programs - deaf/hard of hearing	317,600	241,615	208,098
Audiology	551,221	503,858	500,296
Resource services	248,193	252,272	84,000
	<u>1,117,014</u>	<u>997,745</u>	<u>792,394</u>
Assessment services	<u>688,829</u>	<u>649,107</u>	<u>723,990</u>
Centre-based programs			
Short term programs	737,136	542,909	779,879
Residence	696,135	240,720	610,037
Property and buildings	966,913	808,874	961,392
Food services	165,000	673	129,667
	<u>2,565,184</u>	<u>1,593,176</u>	<u>2,480,975</u>
Provincial programs			
New Brunswick - deaf/hard of hearing	2,526,184	2,282,271	2,295,236
New Brunswick - blind/visually impaired	1,417,593	1,328,908	1,397,132
	<u>3,943,777</u>	<u>3,611,179</u>	<u>3,692,368</u>
Nova Scotia - deaf/hard of hearing	4,133,207	3,783,886	3,685,912
Nova Scotia - blind/visually impaired	2,667,140	2,647,990	2,453,462
	<u>6,800,347</u>	<u>6,431,876</u>	<u>6,139,374</u>
Newfoundland and Labrador - blind/visually impaired	<u>108,598</u>	<u>96,805</u>	<u>105,486</u>
Prince Edward Island - blind/visually impaired	<u>500,744</u>	<u>443,191</u>	<u>408,057</u>
Total program expenses	<u>18,833,283</u>	<u>16,506,815</u>	<u>17,386,089</u>
Early retirement incentive plan (Note 4)	39,606	31,600	36,200
Amortization of tangible capital assets (Note 10)	290,000	297,571	288,022
Total expenses before trust fund expenditures (Note 11)	<u>19,162,889</u>	<u>16,835,986</u>	<u>17,710,311</u>
Trust fund expenditures - blind/visually impaired (Note 12)	-	105,985	135,353
Trust fund expenditures - deaf/hard of hearing (Note 12)	-	68,327	88,840
Total expenses	<u>19,162,889</u>	<u>17,010,298</u>	<u>17,934,504</u>
Annual (deficit) surplus	<u>(452,000)</u>	<u>(5,171,059)</u>	<u>1,216,660</u>
Accumulated operating surplus, beginning of year	<u>28,398,032</u>	<u>28,398,032</u>	<u>27,181,372</u>
Accumulated operating surplus, end of year	<u>\$ 27,946,032</u>	<u>\$ 23,226,973</u>	<u>\$ 28,398,032</u>

**Atlantic Provinces Special Education Authority
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2021**

	2021	2020
Accumulated remeasurement gains, beginning of year	<u>\$2,299,038</u>	<u>\$3,646,568</u>
Remeasurement gains (losses) on portfolio investments quoted in an active market	2,480,560	(1,139,167)
Realized gains on portfolio investments quoted in an active market	<u>(361,278)</u>	<u>(208,363)</u>
Net remeasurement gain (loss) for the year	<u>2,119,282</u>	<u>(1,347,530)</u>
Accumulated remeasurement gains, end of year	<u>\$4,418,320</u>	<u>\$2,299,038</u>

Atlantic Provinces Special Education Authority
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2021

	2021 Budget (Unaudited)	2021 Actual	2020 Actual
Annual (deficit) surplus	(\$452,000)	(\$5,171,059)	\$1,216,660
Acquisition of tangible capital assets	-	(297,608)	(54,599)
Amortization of tangible capital assets	<u>290,000</u>	<u>297,571</u>	<u>288,022</u>
	(162,000)	(5,171,096)	1,450,083
 Remeasurement gains (losses)	<u>-</u>	<u>2,119,282</u>	<u>(1,347,530)</u>
 (Decrease) increase in net financial assets	(162,000)	(3,051,814)	102,553
 Net financial assets, beginning of year	<u>26,869,137</u>	<u>26,869,137</u>	<u>26,766,584</u>
Net financial assets, end of year	<u>\$26,707,137</u>	<u>\$23,817,323</u>	<u>\$26,869,137</u>

Atlantic Provinces Special Education Authority
Statement of Cash Flows
For the Year Ended March 31, 2021

	2021	2020
Cash flows from operating activities		
Annual surplus	(5,171,059)	1,216,660
Realized gain from sale of Investments	(361,278)	(208,363)
Amortization of tangible capital assets	297,571	288,022
	<u>(5,234,766)</u>	<u>1,296,319</u>
Changes in non-cash working capital		
Changes in accounts receivable	3,898,625	(4,034,390)
Changes in accounts payable	(36,730)	371,566
Changes in operating advances	-	(350,000)
	<u>3,861,895</u>	<u>(4,012,824)</u>
Net cash used in operating activities	<u>(1,372,871)</u>	<u>(2,716,505)</u>
Cash used in capital activity		
Purchase of tangible capital assets	<u>(297,608)</u>	<u>(54,599)</u>
Cash used in investing activities		
Proceeds of sale of investments	3,119,610	1,697,603
Purchase of investments	<u>(3,886,327)</u>	<u>(1,698,166)</u>
Net cash used in investing activities	<u>(766,717)</u>	<u>(563)</u>
Decrease in cash and cash equivalents and restricted cash	(2,437,196)	(2,771,666)
Cash and cash equivalents and restricted cash, beginning of year	<u>11,782,849</u>	<u>14,554,515</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 9,345,653</u>	<u>\$ 11,782,849</u>
Cash and cash equivalents and restricted cash is comprised of:		
Cash and cash equivalents:		
Cash	\$ 861,834	\$ 10,497,490
Cash equivalents	<u>8,079,000</u>	<u>258,525</u>
	<u>8,940,834</u>	<u>10,756,015</u>
Restricted cash		
Internally restricted - blind/visually impaired trust fund	160,153	468,846
Internally restricted - deaf/hard of hearing trust fund	<u>244,666</u>	<u>557,988</u>
	<u>404,819</u>	<u>1,026,834</u>
	<u>\$ 9,345,653</u>	<u>\$ 11,782,849</u>

1. Authority

The Atlantic Provinces Special Education Authority (“APSEA”) is an inter-provincial cooperative agency established in 1975 by joint agreement among the Ministers of Education of the Atlantic Provinces (the “agreement”). The agreement provides for the creation of the APSEA and authorizes it to provide educational services, programs and opportunities for children and youth who are deaf, hard of hearing, blind, or visually impaired and who are residents in Atlantic Canada.

2. Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) as established by the Canadian Public Sector Accounting Board (“PSAB”).

Operating Account and Trust Fund Accounts

These statements include the operating accounts for APSEA’s program delivery and administrative activity and trust accounts, which are internally restricted. There are several trust accounts including trust funds for students who are blind or visually impaired (“BVI”) and trust funds for students who are deaf or hard of hearing (“DHH”).

Cost Sharing

Pursuant to the agreement and amendments thereto, program expenditures are shared on the following basis:

Certain administration and consultation expenditures are allocated to the provinces in the ratio of their general population to the total population, based on the 2016 quinquennial census figures released by Statistics Canada.

Administration and consultation expenditures shared by the four provinces (the “provinces”) are allocated as follows:

	2021	2020
Nova Scotia	39.6%	39.6%
New Brunswick	32.0%	32.0%
Newfoundland and Labrador	22.3%	22.3%
Prince Edward Island	<u>6.1%</u>	<u>6.1%</u>
	<u>100.0%</u>	<u>100.0%</u>

2. Accounting Policies (continued)

Cost Sharing (continued)

Administration and consultation expenditures for the program for students who are deaf or hard of hearing are shared by three provinces and allocated as follows:

	2021	2020
Nova Scotia	50.9%	51.3%
New Brunswick	41.2%	40.8%
Prince Edward Island	<u>7.9%</u>	<u>7.9%</u>
	<u>100.0%</u>	<u>100.0%</u>

Certain centre-based expenditures are allocated on the basis of respective student enrolments for the five preceding school years as follows:

	2021	2020
Nova Scotia	68.8%	67.8%
New Brunswick	24.2%	23.0%
Newfoundland and Labrador	4.0%	4.8%
Prince Edward Island	<u>3.1%</u>	<u>4.4%</u>
	<u>100.0%</u>	<u>100.0%</u>

Portions of the assessment services expenditures are allocated to the provinces using the administration and consultation formula (4 provinces), the administration formula (3 provinces) and the centre-based formula with the following results:

	2021	2020
Nova Scotia	56.3%	58.5%
New Brunswick	31.2%	30.4%
Newfoundland and Labrador	5.4%	4.4%
Prince Edward Island	<u>7.1%</u>	<u>6.7%</u>
	<u>100.0%</u>	<u>100.0%</u>

Provincial program expenditures are charged directly to the province in which the program is conducted.

Revenue Recognition

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met. Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. The recoveries of early retirement incentive plan, post-retirement benefits and teachers' sick leave, which are fully funded by the provinces, are included in government grants in the period the related expenses are incurred and are recorded as a receivable.

2. Accounting Policies (continued)

Revenue Recognition (continued)

Investment revenue includes dividends, capital gains and losses, as well as interest on cash balances and fixed income securities. Dividend income is recognized as revenue at the record date and interest income is recognized on an accrual basis. Capital gains or losses on disposal of investments are recorded as realized.

Annuities, bequests and donations are recognized as income in the period received except when and to the extent the annuities, bequests and donations includes stipulations which have not yet been met. Annuities, bequests and donations with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

Other revenues, including rent, parking, audiology and revenue generated from provision of short-term programs and assessments, are recognized as revenue in the period the service is provided.

Financial Instruments

Cash - Cash includes petty cash and amounts on deposit with financial institutions.

Cash equivalents - Cash equivalents comprises short-term investments with a term to maturity of three months or less at the date of acquisition.

Restricted cash - Restricted cash includes internally restricted funds held in the trust funds for future investments and expenditures.

Accounts receivable - Accounts receivable are measured at amortized cost using the effective interest rate method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value. Gains and losses are recognized in the statement of operations in the period the receivable is derecognized or impaired.

Portfolio investments - Portfolio investments include investments which are publicly traded and quoted in an active market. They are measured at fair value whereby unrealized gains and losses are reported in the statement of remeasurement gains and losses until they are derecognized or impaired, at which time the cumulative gain or loss is transferred to the statement of operations.

Accounts payable - Accounts payable are measured at amortized cost using the effective interest method with gains and losses recognized in the statement of operations in the period the liability is derecognized.

Operating advances - Operating advances are measured at amortized cost using the effective interest method with gains and losses recognized in the statement of operations in the period the liability is derecognized. Operating advances are non-interest bearing and have no set date of repayment.

2. Accounting Policies (continued)

Financial Instruments (continued)

Fair value - Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by the assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices.

Due to the short period to maturity, the fair value of cash, accounts receivable, and accounts payable approximate their carrying values as presented in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. The most significant estimates used in these financial statements include the useful lives of tangible capital assets and post-employment benefits. Actual results could differ materially from these estimates.

Tangible Capital Assets

Tangible capital assets are recorded at cost and amortized at the following annual rates:

Buildings	40 years straight line
Parking lot	10 years straight line
Equipment	10 years straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to APSEA's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write downs are accounted for as expenses in the statement of operations and are not reversed.

APSEA expenses individual asset purchases below a \$10,000 threshold.

2. Accounting Policies (continued)

Early Retirement Incentive Plan

APSEA participated in the early retirement incentive plan (“ERIP”), offered by the Province of Nova Scotia, from November 1993 to March 1998. The programs offered additional years of pensionable service for those who qualified and elected to retire. The portion of pension payable attributable to this additional service is receivable from the Province and is not paid from the Public Service Superannuation Fund. The accrued benefit obligation is determined by an actuarial assessment, using a discount rate consistent with the rate used to determine the unfunded liability for the Province of Nova Scotia.

Post-Retirement Benefits

The liability for post-retirement benefits is accrued over time, as the employees render the services necessary to earn future benefits.

Pension Plan

The employees of APSEA are entitled to receive pension benefits pursuant to the Nova Scotia Public Service Superannuation Act, the Nova Scotia Teachers’ Pension Plan Act or the New Brunswick Teachers’ Pension Act. These are multi-employer joint trustee, defined benefit plans. The joint trustee board of the plan determines the required plan contributions annually. The contributions to the plan by APSEA are recorded as an expense for the year.

3. Exposure to Risks Arising from Financial Instruments

APSEA is exposed to credit, liquidity, and market risks through transactions involving financial instruments. The Board of Directors has the overall responsibility for the oversight of these risks and reviews APSEA’s policies on an ongoing basis to ensure that these risks are appropriately managed. The following provides helpful information in assessing the extent of APSEA’s exposure to these risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. APSEA’s revenue is derived mainly from the four provincial governments of Atlantic Canada and other entities that do not present a credit risk. Amounts subject to credit risk are nominal and APSEA does not anticipate significant loss for non-performance. Furthermore, credit risk is reduced inherently for APSEA due to the fact that the majority of their receivables are with other government entities that will not fail to discharge their obligations.

Liquidity risk

Liquidity risk is the risk that APSEA will encounter difficulty in meeting its financial obligations as they become due. APSEA is exposed to this risk mainly in respect of its accounts payable, which is the only financial liability due within one year. APSEA monitors its cash balance and cash flows generated from operations in order to meet its requirements.

3. Exposure to Risks Arising from Financial Instruments (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect APSEA's excess of revenue over expenditures or the value of its financial instruments.

(a) Price risk

Price risk refers to the risk that the fair value of the financial instrument will vary as a result of changes in market prices of the financial instrument. Fluctuation in the market price of an instrument may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, and general market conditions. Therefore, there is a risk that an amount realized in the subsequent sale of portfolio investments which are quoted in an active market may significantly differ from their reported value.

(b) Interest rate risk

Interest rate risk is the risk that market values of a financial instrument will vary as a result of changes in underlying interest rates. Short and long-term instruments held in trust by APSEA are exposed to interest rate risk. APSEA has minimal exposure to interest rate risk, as substantially all of APSEA's investments subjected to interest are held at fixed rates. The receivables for early retirement incentive plan, post-retirement benefits, and teachers' sick leave, as well as the operating advances are non-interest bearing. However, the fair value of these instruments could fluctuate because of changes in market rates.

(c) Foreign exchange risk

APSEA's functional currency is Canadian dollars and it has limited transactions in foreign currencies, limiting its exposure to foreign exchange risk.

(d) Fair Value

Fair value estimates are made as of the reporting date, using available information about the financial instruments and market conditions. APSEA's only financial instruments measured at fair value are portfolio investments quoted in an active market. These financial instruments are measured using Level 1 inputs, which are quoted prices in active markets for identical financial instruments.

Level 1

Level 1 assets are those valued according to readily observable market prices. These assets can be marked to market and include Treasury Bills, marketable securities, foreign currencies, and gold bullion.

Level 2

These assets and liabilities do not have regular market pricing but can be given a fair value based on quoted prices in inactive markets, or models that have observable inputs, such as interest rates, default rates, and yield curves. An interest rate swap is an example of a Level 2 asset.

3. Exposure to Risks Arising from Financial Instruments (continued)

Level 3

Level 3 is the least marked to market of the categories, with asset values based on models and unobservable inputs. Assumptions from market participants are used when pricing the asset or liability, given there is no readily available market information on them. Level 3 assets are not actively traded, and their values can only be estimated using a combination of complex market prices, mathematical models, and subjective assumptions.

4. Early Retirement Incentive Plan (“ERIP”)

In November 1993, the Province of Nova Scotia announced its intention to implement an ERIP. As an outside agency, APSEA was invited to participate, providing it agreed to pay the province all costs of the plan not covered by the Public Service Superannuation Fund. The Board approved APSEA’s participation in the plan. The plan ceased on March 31, 1998.

The liability of \$886,200 (2020 - \$945,200) was based on a March 31, 2020 actuarial calculation extrapolated to March 31, 2021. The liability is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Of the \$886,200 receivable from Provinces to fund the liability, \$512,218 relates to the Province of Nova Scotia (2020– \$548,630), and the remaining \$373,982 relates to the other Atlantic Provinces (2020 - \$396,570). These amounts are non-interest bearing and will be collected in the year in which the related payments to the plan are made.

The significant actuarial assumptions adopted in measuring the obligation are as follows:

	2021	2020
Discount rate	3.01%	3.24%
Inflation	2.00%	2.00%
Future mortality rate	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹

¹ Canadian Pensioners’ Mortality (CPM) Table with generational projection using improvement scale CPM-B

The accrued liability as a result of the above noted assumptions is:

	2021	2020
ERIP liability, beginning of year	\$945,200	\$1,001,600
Fiscal expense	31,600	36,200
Fiscal payments by APSEA	<u>(90,600)</u>	<u>(92,600)</u>
Accrued liability and obligation, end of year	<u>\$886,200</u>	<u>\$945,200</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

5. Post-Retirement Benefits

Pension benefits - Employees of APSEA are entitled to receive pension benefits pursuant to the provisions of the Nova Scotia Public Service Superannuation Act, the New Brunswick Public Service Pension Plan, the Nova Scotia Teachers' Pension Act or the New Brunswick Teachers' Pension Act. The plans are funded by equal employee and employer contributions.

Retirement allowance and post-employment health benefits - APSEA has provided for post-employment benefits other than pensions consisting of retirement allowances and post-employment health benefits using the projected benefit method prorated on services.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	2021	2020
Discount rate	3.01%	3.24%
Inflation	2.0%	2.0%
Mortality (post-retirement only)	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹
Extended health care cost increase ²	6.67%	0.00%
Retirement age assumption	58 years	58 years
Salary increase	2.0% in 2020 2.5% in 2021 2.0% in 2022 and onward	2.0% in 2020 2.5% in 2021 2.0% in 2022 and onward

¹ Canadian Pensioners' Mortality (CPM) Table with generational projection using improvement scale CPM-B

² decreasing annually by 0.167% to a rate of 4.5% per year

The accrued benefit liability as a result of the above noted plans and actuarial assumptions is as follows:

	Teachers' Service Awards	Non-Teachers' Service Awards	Non-Teachers' Post-Retirement Health	2021	2020
Retirement benefit liability, beginning of year	\$15,300	\$111,800	\$2,185,100	\$2,312,200	\$2,432,400
Fiscal retirement benefit Expenses	3,700	(4,800)	130,600	129,500	103,500
Fiscal benefit payments by APSEA	(27,300)	-	(38,700)	(66,000)	(223,700)
Accrued benefit liability, end of year	<u>(8,300)</u>	<u>107,000</u>	<u>2,277,000</u>	<u>2,375,700</u>	<u>2,312,200</u>
Less: unamortized actuarial experience gain (loss)	<u>24,500</u>	<u>(43,100)</u>	<u>(512,400)</u>	<u>(531,000)</u>	<u>(359,000)</u>
Accrued benefit obligations, end of year	<u>\$16,200</u>	<u>\$63,900</u>	<u>\$1,764,600</u>	<u>\$1,844,700</u>	<u>\$1,953,200</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

5. Post-Retirement Benefits (continued)

The liability of \$2,375,700 (2020 - \$2,312,200) is fully funded by the provinces, thus an offsetting account receivable is recorded. Based on current cost sharing formulas, the liability and receivable are divided among the provinces as follows:

	2021	2020
Nova Scotia	\$1,423,230	\$1,326,281
New Brunswick	671,973	694,619
Newfoundland and Labrador	207,877	214,865
Prince Edward Island	<u>72,620</u>	<u>76,435</u>
	<u>\$2,375,700</u>	<u>\$2,312,200</u>

Service awards for APSEA employees were frozen when the Province of Nova Scotia proclaimed the Public Services Sustainability Act on August 22, 2017. Service for purposes of the service awards was frozen as at March 31, 2015 for non-teachers and August 31, 2015 for teachers. As was the case in the Province, APSEA non-union staff and members of the Nova Scotia Government & General Employee's Union were able to opt to receive an early payout of their service award. 90% of eligible employees opted for the early payout.

6. Teachers' Sick Leave

Teachers are entitled to accumulate up to 195 sick days for use over their term of employment.

The significant actuarial assumptions adopted in measuring the obligation are:

	2021	2020
Discount rate	3.01%	3.24%
Inflation	2.00%	2.00%
Mortality	No pre-retirement mortality	No pre-retirement mortality
Retirement age	58	58
Salary Increase	2.0% in 2020	2.0% in 2020
	2.5% in 2021	2.5% in 2021
	2.0% in 2022 and onward	2.0% in 2022 and onward

The accrued liability as a result of the above noted actuarial assumptions is as follows:

	2021	2020
Teachers' sick leave liability, beginning of year	\$582,600	\$567,900
Fiscal expense	162,400	157,000
Fiscal payments	<u>(137,500)</u>	<u>(142,300)</u>
Accrued teachers' sick leave liability, end of year	607,500	582,600
Unamortized actuarial experience gains (losses)	<u>134,800</u>	<u>(269,500)</u>
Accrued teachers' sick leave obligation, end of year	<u>\$742,300</u>	<u>\$852,100</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

6. Teachers' Sick Leave (continued)

The liability of \$607,500 (2020 - \$582,600) is fully funded by the provinces, thus an offsetting account receivable is recorded. Based on current cost sharing formulas the liability and receivable are divided among the provinces as follows:

	2021	2020
Nova Scotia	\$352,711	\$334,815
New Brunswick	213,609	209,522
Newfoundland and Labrador	11,277	9,648
Prince Edward Island	<u>29,903</u>	<u>28,615</u>
	<u>\$607,500</u>	<u>\$582,600</u>

7. Operating Advances

This amount represents the operating advance from the Province of Nova Scotia.

8. Accumulated Surplus

Accumulated surplus is comprised of:	2021	2020
Excess of operating grants over expenditures (Schedule 1)	\$9,021,147	\$14,771,862
Internally restricted – trust fund BVI	9,053,134	7,490,833
Internally restricted – trust fund DHH	5,997,461	4,860,881
Unrestricted operating fund	(254,419)	(254,419)
Net assets invested in capital assets	<u>3,827,970</u>	<u>3,827,933</u>
Total accumulated surplus	<u>\$27,645,293</u>	<u>\$30,697,070</u>

9. Government Grants Revenue

	2021	2020
Total payments from provinces	\$10,148,940	\$17,724,910
Amounts relating to retiree benefits, service awards and an early retirement incentive program	<u>56,817</u>	<u>(65,990)</u>
Government grants revenue	<u>\$10,205,757</u>	<u>\$17,658,920</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

10. Tangible Capital Assets

March 31, 2021

	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$291,926	\$12,451,906
Additions	-	-	-	297,608	297,608
Disposals	-	-	-	-	-
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>589,534</u>	<u>12,749,514</u>
<u>Accumulated amortization</u>					
Opening balance	-	8,380,801	105,094	111,616	8,623,973
Amortization	-	261,560	-	26,462	297,571
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>8,642,361</u>	<u>105,094</u>	<u>138,078</u>	<u>8,921,544</u>
Net book value	<u>\$2,324,930</u>	<u>\$1,087,595</u>	<u>\$ -</u>	<u>\$153,848</u>	<u>\$3,827,970</u>

March 31, 2020

	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$237,327	\$12,397,307
Additions	-	-	-	54,599	54,599
Disposals	-	-	-	-	-
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>291,926</u>	<u>12,451,906</u>
<u>Accumulated amortization</u>					
Opening balance	-	8,119,241	105,094	111,616	8,335,951
Amortization	-	261,560	-	26,462	288,022
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>8,380,801</u>	<u>105,094</u>	<u>138,078</u>	<u>8,623,973</u>
Net book value	<u>\$2,324,930</u>	<u>\$1,349,155</u>	<u>\$ -</u>	<u>\$153,848</u>	<u>\$3,827,933</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

11. Operating Expenses by Object

	2021	2020
Salaries and benefits	\$14,368,352	\$14,041,717
Equipment	391,263	472,439
Resource services and operating supplies	325,148	344,785
Amortization	297,571	288,022
Audiology	280,515	244,508
Utilities	271,534	277,352
Travel	244,332	630,251
Maintenance (building, property, vehicle)	201,759	279,372
Other	97,980	109,866
Insurance	69,784	42,324
Professional services	67,324	292,910
Security	62,341	110,864
Telephone	52,686	55,630
Professional development	45,362	116,254
Early retirement incentive plan	31,600	36,200
Bank and payroll fees	22,955	21,873
Summer programs	5,353	88,906
Cafeteria operations	141	128,777
Student transportation	(14)	128,261
	<u>\$16,835,986</u>	<u>\$17,710,311</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2021

12. Trust Funds

These financial statements include several trust funds for students who are blind or visually impaired and trust funds for students who are deaf or hard of hearing. The assets, liabilities, revenues, and expenditures are summarized below.

	Trust Funds –		Trust Funds –	
	Blind / Visually Impaired		Deaf / Hard of Hearing	
	2021	2020	2021	2020
Revenue				
Donations	29,769	1,826	-	1,326
Donations - designated	-	5,197	-	-
Transfer from other trust	-	-	7,039	5,853
Investment Income	285,103	260,769	209,393	177,261
Gain on sale of investments	311,270	187,482	50,008	20,881
Unrealized capital gain (loss)	1,180,798	(809,875)	938,467	(537,656)
Transfer in from other APSEA Trust Funds	11,346	10,503	-	-
	<u>1,818,286</u>	<u>(344,098)</u>	<u>1,204,907</u>	<u>(332,335)</u>
Expenditures				
Fees	53,895	53,208	30,480	31,440
Incentive awards	700	700	-	-
Teacher education grants	3,000	7,000	-	-
Student prizes	7,200	9,085	2,255	1,868
Professional development	(927)	6,779	-	8,208
Recreational, social, cultural	3,294	28,710	1,553	13,471
Scholarships	6,000	3,000	27,000	28,000
Student technology	17,309	10,682	-	-
Transfer to other trust	-	-	7,039	5,853
Transfer out to other APSEA Trust Funds	15,513	16,189	-	-
	<u>105,984</u>	<u>135,353</u>	<u>68,327</u>	<u>88,840</u>
Transfer to APSEA operating account to fund equipment purchases	150,000	150,000	-	-
Excess of Revenues over Expenditures	<u>1,562,302</u>	<u>(629,451)</u>	<u>1,136,580</u>	<u>(421,175)</u>
Fund Balance beginning of year	<u>7,490,833</u>	<u>8,120,284</u>	<u>4,860,881</u>	<u>5,282,056</u>
Fund Balance end of year	<u><u>9,053,135</u></u>	<u><u>7,490,833</u></u>	<u><u>5,997,461</u></u>	<u><u>4,860,881</u></u>
Assets				
Cash	160,152	468,846	244,666	557,989
Investments	<u>9,322,047</u>	<u>7,500,896</u>	<u>5,786,017</u>	<u>4,359,891</u>
	9,482,199	7,969,742	6,030,683	4,917,880
Liabilities	429,065	478,909	33,222	56,999
Fund Balance End of Year	<u><u>9,053,134</u></u>	<u><u>7,490,833</u></u>	<u><u>5,997,461</u></u>	<u><u>4,860,881</u></u>

13. Commitments

APSEA has commitments for photocopier leases that expire at various dates up to October 14, 2025. The annual commitment is indicated below:

2022	15,258
2023	8,091
2024	5,737
2025	5,737
2026	4,781

14. Contingent Liabilities

APSEA has been named as a co-defendant in a Class Action lawsuit; however, the probable outcome, including the likelihood of the confirming future event, cannot be reasonably predicted, and therefore no liability has been recognized on the statement of financial position. Any potential settlement resulting from the resolution of these claims will only be recognized as a charge to the statement of operations if and when the confirming future event becomes likely and the amount can reasonably be estimated.

Atlantic Provinces Special Education Authority
Schedule 1
Accumulated Excess of Operating Grants over Expenditures
For the Year Ended March 31, 2021
(Unaudited)

	Nova Scotia	New Brunswick	Newfoundland and Labrador	Prince Edward Island	2021 Total	2020 Total
Accumulated excess of operating grants over expenditures, beginning of year	\$8,467,318	\$5,146,570	\$416,939	\$741,035	\$14,771,862	\$13,618,663
Add: payments received	2,456,751	5,982,612	846,116	863,461	10,148,940	17,724,910
Add/Subtract: post-retirement benefits	<u>53,734</u>	<u>(2,451)</u>	<u>6,395</u>	<u>(861)</u>	<u>56,817</u>	<u>(65,990)</u>
	<u>2,510,485</u>	<u>5,980,161</u>	<u>852,511</u>	<u>862,600</u>	<u>10,205,757</u>	<u>17,658,920</u>
Deduct: expenditures						
Administration and consultation (4 provinces)	1,008,013	814,556	567,644	155,275	2,545,488	2,662,949
Administration and consultation (3 provinces)	384,725	311,408	-	59,712	755,845	561,612
Assessment services	365,253	202,521	35,052	46,281	649,107	723,990
Centre-based programs	882,975	310,377	51,237	39,552	1,284,141	2,146,481
Provincial programs	6,431,876	3,611,179	96,805	443,191	10,583,051	10,345,285
ERIP	-	25,815	7,970	4,441	38,226	38,836
Amortization	<u>68,557</u>	<u>(1,998)</u>	<u>26,740</u>	<u>7,315</u>	<u>100,614</u>	<u>26,568</u>
Total deductions	<u>9,141,399</u>	<u>5,273,858</u>	<u>785,448</u>	<u>755,767</u>	<u>15,956,472</u>	<u>16,505,721</u>
Accumulated excess of operating grants over expenditures, end of year	<u>\$1,836,404</u>	<u>\$5,852,873</u>	<u>\$484,002</u>	<u>\$847,868</u>	<u>\$ 9,021,147</u>	<u>\$14,771,862</u>