

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2022

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

**Financial Statements
For the Year Ended March 31, 2022**

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ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Financial Statements For the Year Ended March 31, 2022

Management's Report

Management's Responsibility for the Financial Statements

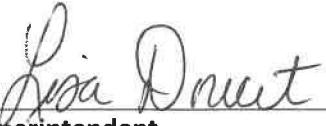
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for all of the notes to the financial statements and schedules, and 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 the Atlantic Provinces Special Education Authority:



Linda Druet
Superintendent
Atlantic Provinces Special Education Authority



Wade Fotheringham
Director of Finance and Administration
Atlantic Provinces Special Education Authority

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Financial Statements For the Year Ended March 31, 2022

Deloitte.

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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, 2022, 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, 2022, 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.

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Financial Statements For the Year Ended March 31, 2022

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
June 28, 2022
Halifax, Nova Scotia

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Statement of Financial Position

As at March 31, 2022

	2022	2021
Financial Assets		
Cash and cash equivalents	\$10,855,456	\$8,940,834
Restricted cash	574,433	404,819
Accounts receivable	155,090	792,839
Receivable for early retirement incentive plan (Note 4)	827,200	886,200
Receivable for post-retirement benefits (Note 5)	2,350,100	2,375,700
Receivable for teachers' sick leave (Note 6)	619,900	607,500
Portfolio investments - blind/visually impaired (Note 12)	9,630,569	9,322,047
Portfolio investments - deaf/hard of hearing (Note 12)	6,244,741	5,786,017
	<u>31,257,489</u>	<u>29,115,956</u>
Liabilities		
Accounts payable	1,098,307	949,233
Public Service early retirement incentive plan (Note 4)	827,200	886,200
Post-retirement benefits (Note 5)	2,350,100	2,375,700
Teachers' sick leave (Note 6)	619,900	607,500
Operating advances (Note 7)	-	480,000
	<u>4,895,507</u>	<u>5,298,633</u>
Net financial assets	<u>26,361,982</u>	<u>23,817,323</u>
Non-financial assets		
Tangible capital assets (Note 10)	<u>3,622,663</u>	<u>3,827,970</u>
Accumulated surplus (Note 8)	<u>29,984,645</u>	<u>27,645,293</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	25,456,082	23,226,973
Accumulated remeasurement gains	4,528,563	4,418,320
	<u>\$29,984,645</u>	<u>\$27,645,293</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, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
REVENUES			
Government grants (Note 9)	\$18,598,097	\$18,197,869	\$10,205,757
Other Income			
Shared by four provinces	120,000	58,827	138,248
Shared by three provinces	242,000	250,813	241,900
New Brunswick	-	-	40,370
Centre-based programs	252,500	333,128	309,035
Annuities, bequests and donations	-	5,428	29,769
Investment income	-	1,135,926	855,775
Other	-	19,580	18,385
	<u>614,500</u>	<u>1,803,702</u>	<u>1,633,482</u>
	<u>19,212,597</u>	<u>20,001,571</u>	<u>11,839,239</u>
EXPENDITURES			
Administration and consultation (shared by four provinces)			
Administration	1,070,623	1,041,725	696,388
Programs - blind/visually impaired	230,432	220,404	190,923
Resource services	1,946,603	1,708,215	1,653,941
Autism in education	200,401	165,669	142,484
	<u>3,448,059</u>	<u>3,136,013</u>	<u>2,683,736</u>
Administration and consultation (shared by three provinces)			
Programs - deaf/hard of hearing	360,595	328,957	241,615
Audiology	529,706	492,350	503,858
Resource services	325,599	338,198	252,272
	<u>1,215,900</u>	<u>1,159,505</u>	<u>997,745</u>
Assessment services	<u>681,850</u>	<u>428,932</u>	<u>649,107</u>
Centre-based programs			
Short term programs	760,345	605,818	542,909
Residence	458,025	81,661	240,720
Property and buildings	991,419	854,174	808,874
Food services	70,000	273	673
	<u>2,279,789</u>	<u>1,541,926</u>	<u>1,593,176</u>
Provincial programs			
New Brunswick - deaf/hard of hearing	2,663,282	2,217,989	2,282,271
New Brunswick - blind/visually impaired	1,401,961	1,349,814	1,328,908
	<u>4,065,243</u>	<u>3,567,803</u>	<u>3,611,179</u>
Nova Scotia - deaf/hard of hearing	4,189,733	4,189,513	3,783,886
Nova Scotia - blind/visually impaired	2,770,065	2,610,541	2,647,990
	<u>6,959,798</u>	<u>6,800,054</u>	<u>6,431,876</u>
Newfoundland and Labrador - deaf/hard of hearing	52,212	5,600	-
Newfoundland and Labrador - blind/visually impaired	109,971	95,746	96,805
	<u>162,183</u>	<u>101,346</u>	<u>96,805</u>
Prince Edward Island - deaf/hard of hearing	17,734	1,873	-
Prince Edward Island - blind/visually impaired	493,432	461,546	443,191
	<u>511,166</u>	<u>463,419</u>	<u>443,191</u>
Total program expenses	<u>19,323,988</u>	<u>17,198,998</u>	<u>16,506,815</u>
Early retirement incentive plan (Note 4)	38,608	22,400	31,600
Amortization of tangible capital assets (Note 10)	328,000	325,897	297,571
Total expenses before trust fund expenditures (Note 11)	19,690,596	17,547,295	16,835,986
Trust fund expenditures - blind/visually impaired (Note 12)	-	137,082	105,985
Trust fund expenditures - deaf/hard of hearing (Note 12)	-	88,085	68,327
Total expenses	<u>19,690,596</u>	<u>17,772,462</u>	<u>17,010,298</u>
Annual surplus (deficit)	(478,000)	2,229,109	(5,171,059)
Accumulated operating surplus, beginning of year	23,226,973	23,226,973	28,398,032
Accumulated operating surplus, end of year	<u>\$22,748,973</u>	<u>\$25,456,082</u>	<u>\$23,226,973</u>

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**Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2022**

	2022	2021
Accumulated remeasurement gains, beginning of year	\$4,418,320	\$2,299,038
Remeasurement gains (losses) on portfolio investments quoted in an active market	709,587	2,480,560
Realized gains on portfolio investments quoted in an active market	(599,344)	(361,278)
Net remeasurement gain (loss) for the year	110,243	2,119,282
Accumulated remeasurement gains, end of year	<u>\$4,528,563</u>	<u>\$4,418,320</u>

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Statement of Changes in Net Financial Assets

For the Year Ended March 31, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
Annual surplus (deficit)	(\$478,000)	\$2,229,109	(\$5,171,059)
Acquisition of tangible capital assets	-	(120,590)	(297,608)
Amortization of tangible capital assets	328,000	325,897	297,571
	<u>(150,000)</u>	<u>2,434,416</u>	<u>(5,171,096)</u>
Remeasurement gains (losses)	-	110,243	2,119,282
Increase (decrease) in net financial assets	(150,000)	2,544,659	(3,051,814)
Net financial assets, beginning of year	<u>23,817,323</u>	<u>23,817,323</u>	<u>26,869,137</u>
Net financial assets, end of year	<u>\$23,667,323</u>	<u>\$26,361,982</u>	<u>\$23,817,323</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Statement of Cash Flows
For the Year Ended March 31, 2022

	2022	2021
Cash flows from operating activities		
Annual surplus (deficit)	2,229,109	(5,171,059)
Realized gain from sale of Investments	(599,394)	(361,278)
Amortization of tangible capital assets	325,897	297,571
	<u>1,955,612</u>	<u>(5,234,766)</u>
Changes in non-cash working capital		
Changes in accounts receivable	637,749	3,898,625
Changes in accounts payable	149,074	(36,730)
Changes in operating advances	(480,000)	-
	<u>306,823</u>	<u>3,861,895</u>
Net cash provided by (used in) operating activities	<u>2,262,435</u>	<u>(1,372,871)</u>
Cash used in capital activity		
Purchase of tangible capital assets	<u>(120,590)</u>	<u>(297,608)</u>
Cash used in investing activities		
Proceeds of sale of investments	3,305,310	3,119,610
Purchase of investments	(3,363,919)	(3,886,327)
Net cash used in investing activities	<u>(58,609)</u>	<u>(766,717)</u>
Increase (decrease) in cash and cash equivalents	2,083,236	(2,437,196)
Cash and cash equivalents, beginning of year	<u>9,345,653</u>	<u>11,782,849</u>
Cash and cash equivalents, end of year	<u>\$11,429,889</u>	<u>\$9,345,653</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents:		
Cash	10,855,456	861,834
Cash equivalents	-	8,079,000
	<u>10,855,456</u>	<u>8,940,834</u>
Restricted cash		
Internally restricted - blind/visually impaired trust fund	273,702	160,153
Internally restricted - deaf/hard of hearing trust fund	300,731	244,666
	<u>574,433</u>	<u>404,819</u>
	<u>\$11,429,889</u>	<u>\$9,345,653</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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:

	2022	2021
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>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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:

	2022	2021
Nova Scotia	50.9%	50.9%
New Brunswick	41.2%	41.2%
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:

	2022	2021
Nova Scotia	68.7%	68.8%
New Brunswick	24.5%	24.2%
Newfoundland and Labrador	3.9%	3.9%
Prince Edward Island	<u>2.9%</u>	<u>3.1%</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:

	2022	2021
Nova Scotia	56.4%	56.3%
New Brunswick	29.2%	31.2%
Newfoundland and Labrador	6.8%	5.4%
Prince Edward Island	<u>7.6%</u>	<u>7.1%</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.

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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.

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Notes to the Financial Statements For the Year Ended March 31, 2022

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.

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Notes to the Financial Statements For the Year Ended March 31, 2022

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.

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Notes to the Financial Statements For the Year Ended March 31, 2022

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.

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Notes to the Financial Statements For the Year Ended March 31, 2022

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 \$827,200 (2021 - \$886,200) was based on a March 31, 2021 actuarial calculation extrapolated to March 31, 2022. The liability is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Of the \$827,200 receivable from Provinces to fund the liability, \$467,897 relates to the Province of Nova Scotia (2021 - \$512,218), and the remaining \$359,303 relates to the other Atlantic Provinces (2021 - \$373,982). 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:

	2022	2021
Discount rate	2.74%	3.01%
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:

	2022	2021
ERIP liability, beginning of year	\$886,200	\$945,200
Fiscal expense	22,400	31,600
Fiscal payments by APSEA	<u>(81,400)</u>	<u>(90,600)</u>
Accrued liability and obligation, end of year	<u><u>\$827,200</u></u>	<u><u>\$886,200</u></u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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:

	2022	2021
Discount rate	2.74%	3.01%
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	6.85%	6.67%
Retirement age assumption	58 years	58 years
Salary increase	2.0% in 2021 1.5% in 2022	2.0% in 2020 2.5% in 2021
	2.0% in 2023 and onward	2.0% in 2022 and onward

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

² decreasing annually by 0.15% to a rate of 4.0% 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	2022	2021
Retirement benefit liability, beginning of year	(\$8,300)	\$107,000	\$2,277,000	\$2,375,700	\$2,312,200
Fiscal retirement benefit Expenses	2,900	(25,200)	110,900	88,600	129,500
Fiscal benefit payments by APSEA	-	(81,800)	(32,400)	(114,200)	(66,000)
Accrued benefit liability, end of year	<u>(5,400)</u>	<u>-</u>	<u>2,355,500</u>	<u>2,350,100</u>	<u>2,375,700</u>
Less: unamortized actuarial experience gain (loss)	<u>22,100</u>	<u>-</u>	<u>(501,200)</u>	<u>(479,100)</u>	<u>(531,000)</u>
Accrued benefit obligations, end of year	<u>\$16,700</u>	<u>-</u>	<u>\$1,854,300</u>	<u>\$1,871,000</u>	<u>\$1,844,700</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

5. Post-Retirement Benefits (continued)

The liability of \$2,350,100 (2021 - \$2,375,700) 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:

	2022	2021
Nova Scotia	\$1,498,040	\$1,423,230
New Brunswick	535,346	671,973
Newfoundland and Labrador	236,792	207,877
Prince Edward Island	<u>79,922</u>	<u>72,620</u>
	<u><u>\$2,350,100</u></u>	<u><u>\$2,375,700</u></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:

	2022	2021
Discount rate	2.74%	3.01%
Inflation	2.00%	2.00%
Mortality	No pre-retirement mortality	No pre-retirement mortality
Retirement age	58	58
Salary Increase	2.0% in 2021 1.5% in 2022 2.0% in 2023 and onward	2.0% in 2020 2.5% in 2021 2.0% in 2022 and onward

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

	2022	2021
Teachers' sick leave liability, beginning of year	\$607,500	\$582,600
Fiscal expense	124,200	162,400
Fiscal payments	<u>(111,800)</u>	<u>(137,500)</u>
Accrued teachers' sick leave liability, end of year	619,900	607,500
Unamortized actuarial experience gains (losses)	<u>137,400</u>	<u>134,800</u>
Accrued teachers' sick leave obligation, end of year	<u><u>\$757,300</u></u>	<u><u>\$742,300</u></u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

6. Teachers' Sick Leave (continued)

The liability of \$619,900 (2021 - \$607,500) 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:

	2022	2021
Nova Scotia	\$353,588	\$352,711
New Brunswick	220,008	213,609
Newfoundland and Labrador	10,810	11,277
Prince Edward Island	<u>35,494</u>	<u>29,903</u>
	<u><u>\$619,900</u></u>	<u><u>\$607,500</u></u>

7. Operating Advances

The Province of Nova Scotia elected to draw down the remainder of their operating advance, therefore no further obligation remains as at March 31, 2022.

8. Accumulated Surplus

Accumulated surplus is comprised of:	2022	2021
Excess of operating grants over expenditures (Schedule 1)	\$10,674,440	\$9,021,147
Internally restricted – trust fund BVI	9,445,948	9,053,134
Internally restricted – trust fund DHH	6,496,013	5,997,461
Unrestricted operating fund	(254,419)	(254,419)
Net assets invested in capital assets	<u>3,622,663</u>	<u>3,827,970</u>
Total accumulated surplus	<u><u>\$29,984,645</u></u>	<u><u>\$27,645,293</u></u>

9. Government Grants Revenue

	2022	2021
Total payments from provinces	\$18,236,510	\$10,148,940
Amounts relating to retiree benefits, service awards and an early retirement incentive program	<u>(38,641)</u>	<u>56,817</u>
Government grants revenue	<u><u>\$18,197,869</u></u>	<u><u>\$10,205,757</u></u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

10. Tangible Capital Assets

	March 31, 2022				
	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$589,534	\$12,749,514
Additions	-	-	-	120,590	120,590
Disposals	-	-	-	-	-
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>710,124</u>	<u>12,870,104</u>
<u>Accumulated amortization</u>					
Opening balance	-	8,642,361	105,094	174,089	8,921,544
Amortization	-	261,560	-	64,337	325,897
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>8,903,921</u>	<u>105,094</u>	<u>238,426</u>	<u>9,247,441</u>
Net book value	<u>\$2,324,930</u>	<u>\$826,035</u>	<u>\$ -</u>	<u>\$471,698</u>	<u>\$3,622,663</u>
	Land	Buildings	Parking Lot	Equipment	Total
<u>March 31, 2021</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	138,078	8,623,973
Amortization	-	261,560	-	36,011	297,571
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>8,642,361</u>	<u>105,094</u>	<u>174,089</u>	<u>8,921,544</u>
Net book value	<u>\$2,324,930</u>	<u>\$1,087,595</u>	<u>\$ -</u>	<u>\$415,445</u>	<u>\$3,827,970</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

11. Operating Expenses by Object

	2022	2021
Salaries and benefits	\$14,577,026	\$14,368,352
Equipment	416,588	391,263
Resource services and operating supplies	417,707	325,148
Amortization	325,897	297,571
Audiology	272,667	280,515
Utilities	264,793	271,534
Travel	348,384	244,332
Maintenance (building, property, vehicle)	259,365	201,759
Other	139,522	97,980
Insurance	43,905	69,784
Professional services	231,851	67,324
Security	89,477	62,341
Telephone	52,473	52,686
Professional development	59,822	45,362
Early retirement incentive plan	22,400	31,600
Bank and payroll fees	26,109	22,955
Summer programs	-	5,353
Cafeteria operations	-	141
Student transportation	(691)	(14)
	<hr/> <u>\$17,547,295</u>	<hr/> <u>\$16,835,986</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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 - Blind/Visually Impaired		Trust Funds - Deaf/Hard of Hearing	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue				
Donations	5,327	29,769	-	-
Donations - designated	-	-	100	-
Transfer from other trust	-	-	5,632	7,039
Investment Income	260,363	285,103	220,108	209,393
Gain on sale of investments	490,409	311,270	108,984	50,008
Unrealized capital gain	(85,508)	1,180,798	251,813	938,467
Transfer in from other APSEA Trust Funds	9,305	11,346	-	-
	<u>679,896</u>	<u>1,818,286</u>	<u>586,637</u>	<u>1,204,907</u>
Expenditures				
Fees	57,938	53,896	35,508	30,480
Incentive awards	700	700	1,000	-
Teacher education grants	3,000	3,000	-	-
Student prizes	11,978	7,200	2,481	2,255
Professional development	3,335	(927)	-	-
Recreational, social, cultural	23,093	3,294	23,564	1,553
Scholarships	10,500	6,000	20,000	27,000
Student technology	13,466	17,309	-	-
Transfer to other trust	-	-	5,532	7,039
Transfer out to other APSEA Trust Funds	13,072	15,513	-	-
	<u>137,082</u>	<u>105,985</u>	<u>88,085</u>	<u>68,327</u>
Transfer to APSEA operating account to fund equipment purchases	150,000	150,000	-	-
Excess of Revenues over Expenditures	392,814	1,562,301	498,552	1,136,580
Fund Balance beginning of year	9,053,134	7,490,833	5,997,461	4,860,881
Fund Balance end of year	<u>9,445,948</u>	<u>9,053,134</u>	<u>6,496,013</u>	<u>5,997,461</u>
Assets				
Cash	273,701	160,152	300,731	244,666
Investments	9,630,569	9,322,047	6,244,741	5,786,017
	<u>9,904,270</u>	<u>9,482,199</u>	<u>6,545,472</u>	<u>6,030,683</u>
Liabilities	458,322	429,065	49,459	33,222
Fund Balance End of Year	<u>9,445,948</u>	<u>9,053,134</u>	<u>6,496,013</u>	<u>5,997,461</u>

ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

Notes to the Financial Statements For the Year Ended March 31, 2022

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	16,258
2023	11,091
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, 2022

(Unaudited)

	Nova Scotia	New Brunswick	Newfoundland and Labrador	Prince Edward Island	2022 Total	2021 Total
Accumulated excess of operating grants over expenditures, beginning of year	\$1,836,404	\$5,852,873	\$484,002	\$847,868	\$9,021,147	\$14,771,862
Add: payments received	10,491,540	5,999,022	848,600	897,348	18,236,510	10,148,940
Add/Subtract: post-retirement benefits	29,985	(68,634)	870	(861)	(38,640)	56,817
	<u>10,521,525</u>	<u>5,930,388</u>	<u>849,470</u>	<u>896,487</u>	<u>18,197,870</u>	<u>10,205,757</u>
Deduct: expenditures						
Administration and consultation (4 provinces)	1,218,566	984,700	686,212	187,708	3,077,186	2,545,488
Administration and consultation (3 provinces)	462,524	374,381	-	71,787	908,692	755,845
Assessment services	242,046	124,965	29,270	32,650	428,932	649,107
Centre-based programs	830,444	295,068	48,110	35,176	1,208,798	1,284,141
Provincial programs	6,800,054	3,567,803	101,346	463,419	10,932,622	10,583,051
ERIP	-	23,319	7,841	4,178	35,338	38,226
Amortization	(18,608)	(15,037)	(10,479)	(2,866)	(46,991)	100,614
Total deductions	<u>9,535,026</u>	<u>5,355,199</u>	<u>862,300</u>	<u>792,052</u>	<u>16,544,577</u>	<u>15,956,472</u>
Accumulated excess of operating grants over expenditures, end of year	<u>\$2,822,903</u>	<u>\$6,428,062</u>	<u>\$471,172</u>	<u>\$952,303</u>	<u>\$10,674,440</u>	<u>\$ 9,021,147</u>