

PUBLIC ACCOUNTS 2014/15

FOR THE YEAR ENDED MARCH 31, 2015

VOLUME 4

**THE FINANCIAL STATEMENTS OF FUNDS, ORGANIZATIONS, AGENCIES
AND ENTERPRISES INCLUDED IN THE GOVERNMENT REPORTING ENTITY**



**STEADY GROWTH
GOOD JOBS**

Manitoba 

PUBLIC ACCOUNTS 2014/15

For the Year Ended March 31, 2015

VOLUME 4

**the financial statements of funds,
organizations, agencies and
enterprises included in the
government reporting entity**



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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with *The Financial Administration Act*, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2015 consist of the following volumes:

Volume 1

- Volume 1 is published as part of the Government's Annual Report and contains:
 - The Economic Report
 - The Financial Statement Discussion and Analysis.
 - The audited Summary Financial Statements of the government focusing on the entire reporting entity.
 - Other audited and unaudited Financial Reports.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of \$50,000 or more as paid through the Government Departments as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies' payments in excess of \$5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains a reconciliation of core government results to summary results.
- Contains the details of selected core government financial information.
- Contains the details of the core government revenue and expense.
- Contains information provided under statutory requirement.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid or Payable to Members of the Assembly

Volume 4

- Contains a compendium of unaudited financial statements of special funds and audited financial statements of organizations, agencies and enterprises included in the Government Reporting Entity, but is not considered to be part of the Public Accounts of Manitoba.

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SPECIAL FUNDS

**THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|---------------------------------|-------------------------|-------------------------|
| Balance, beginning of year..... | <u>1,462,260</u> | <u>1,238,169</u> |
| RECEIPTS: | | |
| Royalties..... | 273,250 | 394,693 |
| Interest..... | <u>9,054</u> | <u>13,552</u> |
| | <u>282,304</u> | <u>408,245</u> |
| DISBURSEMENTS: | | |
| Rehabilitation payments..... | <u>76,181</u> | <u>184,154</u> |
| Balance, end of year..... | <u><u>1,668,383</u></u> | <u><u>1,462,260</u></u> |

THE BIODIESEL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---------------------------------|------------|------------|
| Balance, beginning of year..... | - | - |
| RECEIPTS: | | |
| Miscellaneous..... | - | - |
| DISBURSEMENTS: | | |
| Payments..... | - | - |
| Balance, end of year..... | - | - |

**THE COMMUNITY REVITALIZATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|---------------------------------|-----------------------|----------------------|
| Balance, beginning of year..... | <u>78,917</u> | <u>-</u> |
| RECEIPTS: | | |
| Levy Revenues..... | <u>904,210</u> | <u>78,917</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>825,013</u> | <u>-</u> |
| Balance, end of year..... | <u><u>158,114</u></u> | <u><u>78,917</u></u> |

THE ETHANOL FUND **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

For the Year Ended March 31, 2015
(with comparative figures for the four months ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---------------------------------------|-------------------|-------------------|
| Balance, beginning of period..... | <u>-</u> | <u>8,579,058</u> |
| RECEIPTS: | | |
| Transfer of Gasoline Tax Revenue..... | <u>17,144,717</u> | <u>6,642,771</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>17,144,717</u> | <u>15,221,829</u> |
| Balance, end of period..... | <u><u>-</u></u> | <u><u>-</u></u> |

**THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 | 2014 |
|---------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Balance, beginning of year..... | <u>544,307</u> | <u>539,514</u> |
| RECEIPTS: | | |
| Interest Revenue..... | <u>4,746</u> | <u>4,793</u> |
| DISBURSEMENTS: | | |
| Claims..... | <u>-</u> | <u>-</u> |
| Balance, end of year..... | <u><u>549,053</u></u> | <u><u>544,307</u></u> |

**FINANCIAL LITERACY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|------------------------------------|----------------------|----------------------|
| Balance, beginning of year..... | <u>81,344</u> | <u>87,048</u> |
| RECEIPTS: | | |
| Department of Family Services..... | <u>24,500</u> | <u>22,000</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>6,176</u> | <u>27,704</u> |
| Balance, end of year..... | <u><u>99,668</u></u> | <u><u>81,344</u></u> |

**THE FISH AND WILDLIFE ENHANCEMENT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 | 2014 |
|---------------------------------|-------------------------|-----------------|
| | \$ | \$ |
| Balance, beginning of year..... | <u>-</u> | <u>-</u> |
| RECEIPTS: | | |
| Miscellaneous..... | <u>2,162,773</u> | <u>-</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>647,652</u> | <u>-</u> |
| Balance, end of year..... | <u><u>1,515,121</u></u> | <u><u>-</u></u> |

**LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|---------------------------------|-----------------------|-----------------------|
| Balance, beginning of year..... | <u>279,200</u> | <u>355,666</u> |
| RECEIPTS: | | |
| Premiums..... | <u>-</u> | <u>53,217</u> |
| DISBURSEMENTS: | | |
| Claims..... | <u>-</u> | <u>129,683</u> |
| Balance, end of year..... | <u><u>279,200</u></u> | <u><u>279,200</u></u> |

MANITOBA LAW REFORM COMMISSION

STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|-------------------------------------|----------------------|----------------------|
| Balance, beginning of year..... | <u>93,334</u> | <u>96,248</u> |
| RECEIPTS: | | |
| Department of Justice..... | <u>85,000</u> | <u>85,000</u> |
| DISBURSEMENTS: | | |
| Claims..... | 41,520 | 34,555 |
| Program and Operating Expenses..... | <u>49,339</u> | <u>53,359</u> |
| | <u>90,859</u> | <u>87,914</u> |
| Balance, end of year..... | <u><u>87,475</u></u> | <u><u>93,334</u></u> |

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---------------------------------|-------------------------|-------------------------|
| Balance, beginning of year..... | <u>1,464,833</u> | <u>1,151,772</u> |
| RECEIPTS: | | |
| Contributions..... | - | - |
| Interest..... | 12,906 | 2,373 |
| Miscellaneous..... | <u>-</u> | <u>310,688</u> |
| | 12,906 | 313,061 |
| DISBURSEMENTS: | | |
| Payments..... | <u>-</u> | <u>-</u> |
| Balance, end of year..... | <u><u>1,477,739</u></u> | <u><u>1,464,833</u></u> |

**THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|---|--------------------------|--------------------------|
| Balance, beginning of year..... | <u>17,072,382</u> | <u>17,543,118</u> |
| RECEIPTS: | | |
| Transfer of Mining Tax Revenues..... | 155,021 | 533,253 |
| Interest received during the year..... | <u>88,881</u> | <u>115,903</u> |
| | <u>243,902</u> | <u>649,156</u> |
| DISBURSEMENTS: | | |
| Manitoba Geological Survey's Far North Geomapping Initiative Inc..... | - | - |
| Leaf Rapids Town Properties Inc..... | - | - |
| Transfer to General Revenue Initiative..... | - | - |
| MEAP Payments..... | 490,670 | 845,529 |
| MPAP Payments..... | 35,969 | 16,363 |
| Leaf Rapids Housing Renewal..... | - | - |
| Lynn Lake Economic Development Office..... | 99,434 | - |
| Lynn Lake Airport Funding..... | - | 18,000 |
| Leaf Rapids Community Economic Development Office..... | 75,000 | - |
| Northern Mining Academy..... | - | - |
| Leaf Rapids Municipal Budget Shortfall..... | 485,400 | - |
| MGS - New Geoscience Initiative..... | 303,000 | 240,000 |
| TNB Economic Development Fund..... | - | - |
| | <u>1,489,473</u> | <u>1,119,892</u> |
| Balance, end of year..... | <u><u>15,826,811</u></u> | <u><u>17,072,382</u></u> |

THE MINING REHABILITATION RESERVE FUND **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---------------------------------|--------------------------|--------------------------|
| Balance, beginning of year..... | <u>13,560,897</u> | <u>14,413,597</u> |
| RECEIPTS: | | |
| Royalties..... | - | - |
| Interest..... | <u>11,139</u> | <u>11,308</u> |
| | <u>11,139</u> | <u>11,308</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>126,467</u> | <u>864,008</u> |
| Balance, end of year..... | <u><u>13,445,569</u></u> | <u><u>13,560,897</u></u> |

THE QUARRY REHABILITATION RESERVE FUND **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---------------------------------|-------------------------|-------------------------|
| Balance, beginning of year..... | <u>5,070,259</u> | <u>5,846,227</u> |
| RECEIPTS: | | |
| Royalties..... | 2,842,887 | 2,528,510 |
| Interest..... | <u>27,128</u> | <u>36,567</u> |
| | <u>2,870,015</u> | <u>2,565,077</u> |
| DISBURSEMENTS: | | |
| Rehabilitation payments..... | <u>3,137,777</u> | <u>3,341,045</u> |
| Balance, end of year..... | <u><u>4,802,497</u></u> | <u><u>5,070,259</u></u> |

THE VETERINARY SCIENCE SCHOLARSHIP FUND **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)

| | 2015 \$ | 2014 \$ |
|---|---------------------|---------------------|
| Balance, beginning of year..... | <u>7,850</u> | <u>7,978</u> |
| RECEIPTS: | | |
| Repayment of bursaries..... | <u>9,000</u> | <u>12,247</u> |
| DISBURSEMENTS: | | |
| Payment of bursaries awarded under the Veterinary Science Scholarship Act..... | <u>11,250</u> | <u>12,375</u> |
| Balance, end of year..... | <u><u>5,600</u></u> | <u><u>7,850</u></u> |

**VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|------------------------------------|-------------------------|-------------------------|
| Balance, beginning of year..... | <u>3,112,322</u> | <u>2,734,240</u> |
| RECEIPTS: | | |
| Surcharge on Provincial Fines..... | 7,343,387 | 6,223,337 |
| Interest..... | <u>22,526</u> | <u>22,770</u> |
| | <u>7,365,913</u> | <u>6,246,107</u> |
| DISBURSEMENTS: | | |
| Grants..... | <u>5,872,703</u> | <u>5,868,025</u> |
| Balance, end of year..... | <u><u>4,605,532</u></u> | <u><u>3,112,322</u></u> |

**WASTE REDUCTION AND RECYCLING SUPPORT (WRARS) FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|-------------------------------------|---------------------------|-------------------------|
| Balance, beginning of year..... | <u>9,598</u> | <u>9,377</u> |
| RECEIPTS: | | |
| Levy Revenues..... | <u>9,890,918</u> | <u>9,607,070</u> |
| DISBURSEMENTS: | | |
| Municipal Rebates..... | 8,943,384 | 7,565,435 |
| Program and Operating Expenses..... | <u>-</u> | <u>2,041,414</u> |
| | <u>8,943,384</u> | <u>9,606,849</u> |
| Balance, end of year..... | <u><u>957,132</u></u> | <u><u>9,598</u></u> |

**WORKPLACE SAFETY AND HEALTH
PUBLIC EDUCATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**For the Year Ended March 31, 2015
(with comparative figures for the year ended March 31, 2014)**

| | 2015 \$ | 2014 \$ |
|---|----------------------|----------------------|
| Balance, beginning of year..... | <u>13,142</u> | <u>7,642</u> |
| RECEIPTS: | | |
| Department of Labour and Immigration..... | <u>32,500</u> | <u>8,000</u> |
| DISBURSEMENTS: | | |
| Payments..... | <u>-</u> | <u>2,500</u> |
| Balance, end of year..... | <u><u>45,642</u></u> | <u><u>13,142</u></u> |



CROWN ORGANIZATIONS

Addictions Foundation of Manitoba

Financial Statements
March 31, 2015



July 7, 2015

Independent Auditor's Report

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the accompanying financial statements of Addictions Foundation of Manitoba, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Addictions Foundation of Manitoba as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Addictions Foundation of Manitoba

Statement of Financial Position

As at March 31, 2015

| | 2015 \$ | 2014 \$ |
|---|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash | 10,022,138 | 8,399,117 |
| Accounts receivable | 635,263 | 541,224 |
| Prepaid expenses | 121,516 | 111,300 |
| Vacation pay recoverable from the Province of Manitoba (note 4) | 667,567 | 667,567 |
| | <u>11,446,484</u> | <u>9,719,208</u> |
| Capital assets (note 5) | 10,196,294 | 10,644,965 |
| Recoverable from Manitoba Health (note 12) | 313,222 | 332,996 |
| Recoverable from the Province of Manitoba | | |
| Pre-retirement pay (note 7) | 1,153,316 | 1,153,316 |
| Long-term pension funding (note 8) | 26,243,533 | 25,603,565 |
| | <u>49,352,849</u> | <u>47,454,050</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 2,373,624 | 1,737,873 |
| Accrued vacation pay (note 4) | 1,436,716 | 1,443,179 |
| Current obligations under capital lease (note 6) | 46,371 | 36,303 |
| | <u>3,856,711</u> | <u>3,217,355</u> |
| Obligations under capital lease (note 6) | 65,577 | 39,402 |
| Credit facility (note 12) | 311,756 | 332,996 |
| Accrued pre-retirement pay (note 7) | 2,327,195 | 2,293,196 |
| Provision for employee pension benefits (note 8) | 26,243,533 | 25,603,565 |
| Deferred contributions (note 9) | 7,566,062 | 7,920,882 |
| | <u>40,370,834</u> | <u>39,407,396</u> |
| Net assets | | |
| Invested in capital assets | 2,806,676 | 3,002,594 |
| Internally restricted (note 10) | 150,000 | 150,000 |
| Unrestricted | 6,025,339 | 4,894,060 |
| | <u>8,982,015</u> | <u>8,046,654</u> |
| | <u>49,352,849</u> | <u>47,454,050</u> |

Commitments (note 11)

Approved by the Board of Directors

Original Document Signed _____ Chair

Original Document Signed _____ Audit Committee Chair

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

Addictions Foundation of Manitoba

Statement of Operations

For the year ended March 31, 2015

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| Revenue | | |
| Government of the Province of Manitoba | | |
| Operating | 21,573,100 | 20,278,000 |
| Contract funding | | |
| 1-800 Phone Line | - | 80,004 |
| Knowledge Exchange | 3,564 | 217,499 |
| Riverpoint Centre | - | 30,000 |
| Long-term pension - net (note 8) | (193,565) | 14,811 |
| Capital (projects) | 249,450 | 123,143 |
| Manitoba Liquor & Lotteries (Social Responsibility - Gambling) | 3,253,100 | 3,692,100 |
| Manitoba Liquor & Lotteries (Social Responsibility - Liquor) | 1,450,811 | 323,000 |
| Healthy Living, Seniors and Consumer Affairs Grants | | |
| Marymound Inc. | 2,712,000 | 2,593,000 |
| Main Street Project | - | 187,800 |
| Behavioral Health Foundation | - | 10,000 |
| Family Services and Labour Funding - Youth Residential Program | 255,700 | 255,700 |
| Term Credit Facility Funding - principal | - | 133,390 |
| Term Credit Facility Funding - interest | 5,982 | 3,014 |
| FASD Addictions Services Program | 210,930 | 167,301 |
| Drug Treatment Court Program | 465,231 | 472,409 |
| Drug Treatment Housing Program | - | 243,332 |
| Amortization of deferred capital contributions (note 9(b)) | 383,575 | 383,632 |
| Other (schedule A) | 2,514,790 | 2,909,727 |
| | <u>32,884,668</u> | <u>32,117,862</u> |
| Expenses | | |
| Salaries | 14,954,903 | 14,800,113 |
| Wages | 3,062,724 | 3,086,150 |
| Amortization | 699,045 | 692,458 |
| Drug Treatment Court Program | 441,231 | 448,409 |
| Drug Treatment Housing Program | - | 221,211 |
| Employee benefits | 1,840,124 | 1,717,185 |
| Grants to external agencies | | |
| Marymound Inc. | 2,712,000 | 2,593,000 |
| Main Street | - | 187,800 |
| Behavioral Health Foundation | - | 10,000 |
| Health and post-secondary education tax levy | 384,045 | 379,360 |
| Pension (note 8) | 2,063,001 | 1,932,346 |
| Fees | 634,333 | 576,854 |
| Food and household supplies | 671,215 | 622,540 |
| Materials, repairs and maintenance | 1,087,099 | 1,110,341 |
| Medical services and supplies | 475,411 | 557,486 |
| Rent, insurance and property taxes (note 11) | 1,428,776 | 458,300 |
| Other (schedule B) | 1,495,400 | 1,378,855 |
| | <u>31,949,307</u> | <u>30,772,408</u> |
| Surplus | <u>935,361</u> | <u>1,345,454</u> |

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

Addictions Foundation of Manitoba

Statement of Changes in Net Assets

For the year ended March 31, 2015

| | 2015 | | | 2014 | |
|-------------------------------------|--|---|----------------------------|---------------------|---------------------|
| | Invested in capital assets \$ | Internally restricted \$ | Unrestricted \$ | Total \$ | Total \$ |
| Balance - Beginning of year | 3,002,594 | 150,000 | 4,894,060 | 8,046,654 | 6,701,200 |
| Surplus | (315,470) | - | 1,250,831 | 935,361 | 1,345,454 |
| Investment in capital assets | 119,552 | - | (119,552) | - | - |
| Balance - End of year | <u>2,806,676</u> | <u>150,000</u> | <u>6,025,339</u> | <u>8,982,015</u> | <u>8,046,654</u> |

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

Addictions Foundation of Manitoba

Statement of Cash Flows

For the year ended March 31, 2015

| | 2015 \$ | 2014 \$ |
|---|------------|------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Surplus | 935,361 | 1,345,454 |
| Items not affecting cash | | |
| Amortization | 699,045 | 692,458 |
| Amortization of deferred capital contributions | (383,575) | (383,632) |
| Loss on disposal of capital assets | - | 6,158 |
| | 1,250,831 | 1,660,438 |
| Changes in non-cash working capital items | | |
| Accounts receivable | (94,039) | 253,375 |
| Prepaid expenses | (10,216) | (29,769) |
| Long-term pension funding commitment | (639,968) | (741,684) |
| Accounts payable and accrued liabilities | 634,285 | 432,532 |
| Accrued vacation pay | (6,463) | (25,428) |
| Provision for employee pension benefits | 639,968 | 741,684 |
| Net change in accrued pre-retirement pay | 33,999 | 102,485 |
| Net change in deferred contributions related to future expenses | (65,824) | 22,241 |
| | 1,742,573 | 2,415,874 |
| Investing activities | | |
| Additions to capital assets | (250,374) | (556,258) |
| Financing activities | | |
| Proceeds on capital lease obligations - net of payments | 36,243 | (15,356) |
| Deferred contributions received related to capital assets | 94,579 | 301,116 |
| | 130,822 | 285,760 |
| Increase in cash during the year | 1,623,021 | 2,145,376 |
| Cash - Beginning of year | 8,399,117 | 6,253,741 |
| Cash - End of year | 10,022,138 | 8,399,117 |

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

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

1 Nature of the Foundation

Addictions Foundation of Manitoba (the Foundation) is incorporated under the *Addictions Foundation of Manitoba Act*. The Foundation is the provincial authority for providing prevention, education and treatment programs related to addictions to individuals and communities and for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the *Income Tax Act*.

2 Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for government not-for-profit organizations (GNFPO) in CICA Public Sector Accounting Handbook Section PS4200.

3 Summary of significant accounting policies

Cash

Cash includes bank balances and petty cash on hand.

Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. The amortization methods and annual rates applicable to the various classes of assets are as follows:

| | |
|-------------------------|--|
| Buildings | 5% declining balance |
| Computer equipment | 30% declining balance |
| Furniture and equipment | 20% declining balance |
| Leasehold improvements | Straight-line over the term of the lease |

Assets under capital leases are amortized on a straight-line basis over the life of the asset. Costs incurred for construction in progress are not amortized until construction is complete.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Recovery of wages, medical and treatment services is recognized as revenue upon completion of the related treatment. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

Vacation pay

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year-end. This amount is based on current remuneration.

Pension costs

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Foundation to contribute to the fund 50 percent of the pension obligation upon commencement of an employee's retirement for employees hired prior to October 1, 2002. For employees hired on or after October 1, 2002, the Foundation is required to make an equivalent contribution of 6.6 percent based upon an employee's pensionable earnings up to the yearly maximum pensionable earnings (YMPE) as based upon the Canada Pension Plan; and 8.5 percent on pensionable earnings in excess of the YMPE. These contributions are also recognized as operating expenses. In addition, a provision has been recorded in the accounts of the Foundation for the employer's share of current and past service pension obligations.

Financial instruments

Financial assets and liabilities are initially recorded at fair value and subsequently recorded at cost or amortized cost.

Amortization cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at cost or amortized cost are recognized in the Statement of Operations in the period the gain or loss occurs.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

4 Vacation pay recoverable from the Province of Manitoba

The Province of Manitoba funds a portion of the vacation pay benefits of the Foundation, limited to the amount estimated as at March 31, 1995. Accordingly, the Foundation has recorded a receivable in the amount of \$667,567 (2014 - \$667,567) from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits as at March 31, 1995. The vacation pay recoverable has no specified terms of repayment.

The Foundation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba. As at March 31, 2015, the liability for accrued vacation pay is \$1,436,716 (2014 - \$1,443,179).

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

5 Capital assets

| | 2015 | | 2014 | |
|--------------------------|------------|-----------------------------------|------------|------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ | Net \$ |
| Land | 713,106 | - | 713,106 | 713,106 |
| Buildings | 12,966,298 | 4,684,540 | 8,281,758 | 8,703,540 |
| Computer equipment | 2,132,495 | 1,665,245 | 467,250 | 514,520 |
| Furniture and equipment | 904,603 | 542,869 | 361,734 | 359,405 |
| Leasehold improvements | 642,125 | 361,900 | 280,225 | 299,574 |
| Construction in progress | 92,221 | - | 92,221 | 54,820 |
| | 17,450,848 | 7,254,554 | 10,196,294 | 10,644,965 |

Included in computer equipment are assets under capital lease with an original cost of \$235,496 (2014 - \$145,965) and accumulated amortization of \$122,547 (2014 - \$70,645).

6 Obligations under capital lease

| | 2015 \$ | 2014 \$ |
|---|------------|------------|
| 2015 | - | 39,231 |
| 2016 | 52,224 | 26,596 |
| 2017 | 38,939 | 13,311 |
| 2018 | 26,736 | 1,107 |
| 2019 | 4,353 | - |
| Net minimum lease payments | 122,252 | 80,245 |
| Less: Amount representing interest | (10,304) | (4,540) |
| Present value of net minimum capital lease payments | 111,948 | 75,705 |
| Less: Current portion | (46,371) | (36,303) |
| | 65,577 | 39,402 |

7 Province of Manitoba pre-retirement pay

The Foundation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility. As at March 31, 2015, the obligation for pre-retirement pay is estimated to be approximately \$2,327,195 (2014 - \$2,293,196) for which the Foundation has recorded an accrued pre-retirement pay liability on the statement of financial position

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

The amount of funding which will be provided by the Province of Manitoba for pre-retirement pay was initially determined based on the pre-retirement pay liability as at April 1, 1998 and was recorded as a receivable from the Province of Manitoba. Since fiscal 1999, the Foundation has received funding on an annual basis from the Province of Manitoba, which includes funding for the change in the pre-retirement pay liability and retirement payments in the year, including an interest component on the pre-retirement pay receivable. The pre-retirement pay recoverable from the Province of Manitoba at March 31, 2015, aggregates \$1,153,316 (2014 - \$1,153,316) and has no specified terms of repayment.

8 Provision for employee pension benefits

The Foundation records the actuarial pension liability and the related pension expense including an interest component, in its financial statements. Based on the most recent actuarial valuation as of December 31, 2013, the Foundation has recorded an amount of \$26,243,533 (2014 - \$25,603,565) in its financial statements, representing the estimated unfunded liability for the Foundation's employees as at March 31, 2015. Total net pension expense of \$2,063,001 (2014 - \$1,932,346) has been recorded in the statements of operations.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense including the interest component. The Foundation has therefore recorded an amount recoverable from the Province of Manitoba of \$26,243,533 (2014 - \$25,603,565) equal to the estimated value of its actuarially determined liability in its financial statements. The Foundation has recorded the associated revenue or expense for the change in the liability in the period offset by the contributions made to the Fund in the amount of \$833,533 (2014 - \$726,874). The Province of Manitoba makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

| | 2015 \$ | 2014 \$ |
|--|-------------|-------------|
| Balance - beginning of year | 25,603,565 | 24,861,881 |
| Change in trust account held by Province of Manitoba | (61,056) | (62,765) |
| Benefits accrued | 1,106,479 | 1,099,225 |
| Interest accrued (6.5%; 2014 - 6.5%) | 1,852,860 | 1,743,580 |
| Benefits paid | (2,338,481) | (2,055,518) |
| Amortization of actuarial loss (gain) | 80,166 | 17,162 |
| Balance - end of year | 26,243,533 | 25,603,565 |

The actuarial valuations as at December 31, 2013 and 2012 were completed in December 2014 and 2013, respectively, and the resulting adjustment recorded in the year ended March 31, 2015 and 2014, respectively. This resulted in higher (2014 - higher) pension expense and a corresponding adjustment to long-term pension revenue, net in the statement of revenue and expenses in 2015 and 2014.

There is a net unamortized actuarial loss of \$1,436,962 (2014 - \$(1,145,810)) to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (13 years).

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

9 Deferred contributions

| | 2015 \$ | 2014 \$ |
|---------------------|------------------|------------------|
| Future expenses (a) | 288,392 | 354,216 |
| Capital assets (b) | 7,277,670 | 7,566,666 |
| | <u>7,566,062</u> | <u>7,920,882</u> |

a) Future expenses

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| Balance - beginning of year | 354,216 | 331,975 |
| Contributions received in the current year | 272,132 | 322,341 |
| Amount recognized as revenue in the current year | <u>(337,956)</u> | <u>(300,100)</u> |
| Balance - end of year | <u>288,392</u> | <u>354,216</u> |

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount of grants, donations and other revenue received for the acquisition of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenses. The changes in the deferred contributions related to capital assets are as follows:

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| Balance - beginning of year | 7,566,666 | 7,649,182 |
| Add: Contributions received for capital purposes | 94,579 | 301,116 |
| Less: Amortization of deferred contributions | <u>(383,575)</u> | <u>(383,632)</u> |
| Balance - end of year | <u>7,277,670</u> | <u>7,566,666</u> |

Unamortized capital contributions include amounts received from the Province of Manitoba for the purchase of capital assets, including amounts to repay the operating interim construction loan credit facility in prior years for the Thompson facility. The Foundation has executed a promissory note payable to the Government of Manitoba for the contribution relating to the Thompson Facility.

Manitoba Health has agreed to fund the principal and interest payments owing on the promissory note over the 20 year term of the debt, and accordingly the loan is presented as a deferred contribution by the Foundation. In the event that such payments are not made, the principal outstanding together with interest owing shall, at the Government of Manitoba's option, become due and payable on demand.

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

The balance of the promissory note described above for the Thompson facility is as follows:

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| Thompson facility | | |
| Opening balance | 6,893,312 | 7,333,312 |
| Less: Payments made by Manitoba Health | (440,000) | (440,000) |
| | <u>6,453,312</u> | <u>6,893,312</u> |

10 Internally restricted net assets

Internally restricted net assets represent commitments for future expenditures on projects and capital expenditures. At the time the commitments are settled, expenditures are recorded in the statement of financial position or statement of revenue and expenses as appropriate and the restrictions are removed.

Internal restrictions in the amount of \$150,000 (2014 - \$150,000) have been imposed relating to the potential cancellation of Ontario Health referrals.

11 Commitments

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2015 and 2019. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

| | \$ |
|------|---------|
| 2016 | 320,496 |
| 2017 | 239,978 |
| 2018 | 186,894 |
| 2019 | 150,719 |
| 2020 | 10,351 |

The Foundation is currently negotiating a long-term lease agreement with Manitoba Housing for their new facility for the Men's Program. The associated rent expense, representing the last 10 months of the fiscal year, is \$989,000.

12 Credit facility

The Foundation executed a credit facility with a maximum term of 20 years bearing interest at prime less 0.90%. The debt was used to repair and complete necessary upgrades to the facilities. Manitoba Health has agreed to fund the project, and will be paying the annual principal of \$35,340. Total principal and interest payments for the year amounted to \$45,239 (2014 - \$7,660).

Addictions Foundation of Manitoba

Notes to Financial Statements

March 31, 2015

13 Financial instruments

The fair value of the pre-retirement pay recoverable, credit facility, capital leases and the long-term pension funding recoverable from the Province of Manitoba approximates the carrying value as the interest component (see notes 6, 7, 8 and 12) is comparable to current market rates.

The fair value of accounts receivable, vacation pay recoverable, accounts payable and accrued liabilities and accrued vacation pay approximates their carrying value due to the short-term nature of these instruments.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and expenses. This risk arises from differences in the timing and amount of cash flows related to the Foundation's liabilities. This risk is not significant to the Foundation as there is minimal debt held by the Foundation subject to floating interest rates.

Credit risk

Credit risk is the risk that a financial loss could arise from a counterparty not being able to meet its obligations. The Foundation's financial assets that are exposed to credit risk consist of accounts receivable. The Foundation performs regular assessments on the collectability of its accounts receivable. The risk is not significant to the Foundation as substantially all of the receivables are from the government.

14 Comparative figures

Certain prior year balances have been reclassified to conform to the current year financial statement presentation.

Addictions Foundation of Manitoba

Other Revenue

Schedule A

For the year ended March 31, 2015

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| Impaired Drivers' Program fees | 1,041,070 | 1,065,030 |
| School Support Program | 666,469 | 673,876 |
| Recovery of wages, medical and treatment services and travel expenses | 476,517 | 868,761 |
| Rosaire House Contract Funding | 106,333 | 87,000 |
| Training course fees | 41,827 | 53,569 |
| Donations | 20,534 | 19,026 |
| Interest | 107,706 | 78,890 |
| Property and parking rentals | 29,081 | 31,810 |
| Manitoba Government and General Employees' Union | 20,782 | 15,024 |
| Miscellaneous | 4,471 | 16,741 |
| | <u>2,514,790</u> | <u>2,909,727</u> |

Other Expenses

Schedule B

For the year ended March 31, 2015

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| Advertising and exhibits | 106,204 | 38,997 |
| Audit | 22,293 | 24,060 |
| Board of Governors' honorarium | 14,112 | 9,140 |
| Books, journals and audio-visual aids | 71,076 | 79,694 |
| Courier, postage and telephone | 359,874 | 342,058 |
| Interest | 13,883 | 6,625 |
| Loss on disposal of capital assets | - | 6,158 |
| Miscellaneous | 2,248 | 546 |
| Printing, stationery and office supplies | 249,593 | 227,730 |
| Staff development | 43,644 | 52,643 |
| Training | 35,704 | 24,775 |
| Transportation of clients | 36,412 | 33,495 |
| Travel and automobile | 278,966 | 252,988 |
| Utilities | 261,390 | 279,946 |
| | <u>1,495,399</u> | <u>1,378,855</u> |

Assiniboine Community College

Financial Statements

For the year ended June 30, 2014

Assiniboine Community College

Financial Statements

For the year ended June 30, 2014

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Independent Auditor's Report

To the Directors of Assiniboine Community College

We have audited the financial statements of **Assiniboine Community College**, which comprise the statement of financial position as at June 30, 2014, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **Assiniboine Community College** as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Chartered Accountants

Brandon, Manitoba
October 21, 2014

**ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014
(in thousand \$)**

| <u>ASSETS</u> | June 30, 2014 | June 30, 2013 |
|--|----------------------|----------------------|
| CURRENT | | |
| Cash and short term investments (note 2) | 8,038 | 5,326 |
| Accounts receivable (note 3) | 2,293 | 2,044 |
| Inventories (note 4) | 55 | 49 |
| Prepays | 824 | 864 |
| | 11,210 | 8,282 |
| NON-CURRENT | | |
| Due from Province of Manitoba (note 5) | 1,999 | 1,999 |
| LAND, BUILDINGS AND EQUIPMENT (note 6) | | |
| Land, buildings and equipment (note 6) | 11,484 | 11,858 |
| Library holdings (note 6) | 661 | 661 |
| | 12,145 | 12,519 |
| | 25,354 | 22,800 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (note 7) | 6,387 | 5,338 |
| Deferred revenue (note 8) | 2,980 | 2,125 |
| Current portion of long term debt (note 9) | 120 | 115 |
| | 9,486 | 7,578 |
| NON-CURRENT | | |
| Long term loan (note 9) | 246 | 355 |
| Accrued Sick Leave (note 10) | 552 | 513 |
| Accrued severance liability (note 11) | 2,692 | 2,569 |
| | 3,489 | 3,437 |
| DEFERRED CONTRIBUTIONS | | |
| Deferred contributions related to capital assets (note 12) | 6,117 | 5,933 |
| NET ASSETS | | |
| Net assets invested in capital assets | 5,663 | 6,117 |
| Net assets internally restricted (note 13) | 595 | 595 |
| Unrestricted net assets | 5 | (859) |
| | 6,262 | 5,852 |
| | 25,354 | 22,800 |

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2014
(in thousand \$)

| | Budget | 2014 | 2013 |
|---|---------------|---------------|---------------|
| REVENUES | | | |
| Academic training fees | 3,682 | 3,514 | 3,350 |
| Grants | 27,671 | 27,671 | 26,243 |
| Market driven training | 2,177 | 2,873 | 2,585 |
| Continuing studies | 1,530 | 1,553 | 1,430 |
| Ancillary services | 174 | 177 | 175 |
| Apprenticeship training | 2,701 | 2,677 | 2,517 |
| Other revenue | 578 | 818 | 592 |
| Amortization of deferred contributions | 1,419 | 1,419 | 1,425 |
| | 39,932 | 40,702 | 38,317 |
| EXPENDITURES | | | |
| Academic | 22,840 | 23,196 | 21,942 |
| Administration | 7,251 | 7,517 | 6,816 |
| Program support | 2,144 | 2,159 | 2,023 |
| Plant | 4,593 | 4,512 | 4,435 |
| Management information services | 1,112 | 919 | 1,352 |
| Library | 326 | 312 | 327 |
| Ancillary services | 20 | 30 | 19 |
| Amortization of capital assets | 1,646 | 1,646 | 1,650 |
| | 39,932 | 40,291 | 38,564 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | 411 | (247) |

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(in thousand \$)

| | 2014 | 2013 |
|---|--------------|--------------|
| Cash from operating activities | | |
| Excess of revenues over expenditures | 411 | (247) |
| Amortization of capital assets | 1,646 | 1,650 |
| Amortization of deferred capital contributions | (1,419) | (1,425) |
| Change in non-cash working capital items | 1,743 | 1,551 |
| Net cash generated through operating activities | 2,381 | 1,529 |
| Financing and investing activities | | |
| Purchase of capital assets | (1,272) | (2,035) |
| Donated capital assets | - | (115) |
| Contributions received for capital purposes | 1,603 | 1,709 |
| Net cash used in financing and investing activities | 331 | (441) |
| Net increase (decrease) in cash and short term investments | 2,712 | 1,088 |
| Cash and short term investments, beginning of year | 5,326 | 4,238 |
| Cash and short term investments, end of year | 8,038 | 5,326 |

**ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014
(In thousand \$)**

| | INVESTED IN CAPITAL ASSETS | INTERNALLY RESTRICTED | UNRESTRICTED | 2014 TOTAL | 2013 TOTAL |
|--|---|----------------------------------|---------------------|-----------------------|-----------------------|
| Balance - beginning of year | 6,116 | 595 | (859) | 5,852 | 6,099 |
| Excess of revenue over expenditures | | | 411 | 411 | (247) |
| Transfer to Internally restricted | | | | | |
| Investment in capital assets | (453) | | 453 | | |
| Balance - end of year | 5,663 | 595 | 5 | 6,263 | 5,852 |

Assiniboine Community College

Notes to Financial Statements

June 30, 2014

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the Income Tax Act.

In accordance with the activities or objectives specified by donors and other sources outside the College and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

Management's Responsibility for the Financial Statements

The financial statements of the organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded on an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to the endowment fund are recognized directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs related to the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Land, Buildings and Equipment Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at the following rates:

| | |
|---------------------------|------|
| Buildings | 2 % |
| Buildings - greenhouse | 10 % |
| Computers and electronics | 33 % |
| Computer systems | 10 % |
| Computer equipment | 20 % |
| Furniture and equipment | 10 % |
| Leasehold improvements | 2 % |
| Laptop program | 50 % |
| Vehicles | 30 % |

No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant. The base stock is reviewed annually to determine if adjustments are required to the total library stock held.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Government grants are recognized when the amount to be received is readily determinable and revenue is earned.

Tuition and other training revenue is recognized when collection is expected and the revenue has been earned.

The deferral method of accounting for contributions is used. Restricted contributions are deferred and matched with the related expenses when incurred.

Donations are reported when received. Donations of capital assets are reported at fair market value.

Employee Future Benefits

The college provides severance benefits based on length of service and final earnings, payable on retirement, death, or permanent layoff. Accounting standards require the recognition of a liability and an expense for such employee future benefits in the period in which the employee renders service in return for the benefits. The recognition date begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these future benefits earned by employees is determined by an actuary using the projected benefit method pro rated on service and management's best estimates for the discount rate for liabilities, the rate of salary escalation and the ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. There are no assets supporting the plan benefits.

Actuarial gains and losses are fully recognized in the year immediately following the year in which they arise.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates included in the financial statements are:

- Allowance for doubtful accounts
- Accrued severance liability
- Accrued sick pay liability
- Valuation of library holdings

2. Cash and Short Term Investments

| | 2014 | 2013 |
|----------------------------------|--------------|--------------|
| Cash | 151 | 443 |
| Term deposits - Manitoba Finance | 7,887 | 4,883 |
| | 8,038 | 5,326 |

Cash and cash equivalents includes bank accounts and term deposits with maturity dates three months or less.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

3. Accounts Receivable

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|--------------|--------------|
| Current | | |
| Tuition and contract training | 1,987 | 1,554 |
| Goods and Services Tax rebate | 36 | 61 |
| Allowance for doubtful accounts | <u>(200)</u> | <u>(83)</u> |
| | <u>1,823</u> | <u>1,532</u> |
| Non-current | | |
| Payroll advance | <u>471</u> | <u>512</u> |
| | <u>2,294</u> | <u>2,044</u> |

The payroll advance represents funds advanced to employees as a result of timing differences in payroll dates due a system conversion. The amounts are to be repaid to the College when employment ceases.

4. Inventories

| | <u>2014</u> | <u>2013</u> |
|--------------------|-------------|-------------|
| Books and supplies | <u>55</u> | <u>49</u> |

Inventory expensed during the fiscal year was \$1,832,963 (in actual \$) (2013 - \$1,739,165).

Assiniboine Community College Notes to Financial Statements

June 30, 2014

5. Due from Province of Manitoba

| | <u>2014</u> | <u>2013</u> |
|--------------------|---------------------|--------------|
| Non-current | | |
| Severance pay | 1,124 | 1,124 |
| Vacation pay | 875 | 875 |
| | <u>1,999</u> | <u>1,999</u> |

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of \$1,999,250 (in actual \$). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out \$1,784,251 in severance pay relating to pre-1998 employee service (in actual \$). No payments have been received from the Province with respect to this receivable.

6. Land, buildings and equipment

| | <u>2014</u> | | <u>2013</u> | |
|--|---------------|-----------------------------|---------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | 4 | - | 4 | - |
| Buildings | 3,206 | 286 | 3,187 | 119 |
| Computer systems, equipment and electronics | 10,679 | 8,826 | 10,068 | 8,135 |
| Furniture and equipment | 17,272 | 13,153 | 16,675 | 12,418 |
| Leasehold improvements | 4,072 | 1,491 | 4,027 | 1,441 |
| Laptop program | 107 | 107 | 107 | 107 |
| Vehicles | 10 | 3 | 10 | - |
| | <u>35,350</u> | <u>23,866</u> | <u>34,078</u> | <u>22,220</u> |
| Net book value | | <u>11,484</u> | | <u>11,858</u> |
| Library holdings, at estimated value | | | <u>661</u> | <u>661</u> |

Assiniboine Community College Notes to Financial Statements

June 30, 2014

7. Accounts Payable and Accrued Liabilities

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|--------------|--------------|
| Trade payables | 1,686 | 1,242 |
| Accrued wages and vacation pay | 4,701 | 4,096 |
| | <u>6,387</u> | <u>5,338</u> |

8. Deferred Revenue

| | <u>2014</u> | <u>2013</u> |
|--|-----------------|----------------|
| Opening tuition and commitment fees | 316 | 230 |
| Opening contract training fees | 744 | 714 |
| Opening other deferrals/revenue | 304 | 304 |
| Opening provincial grant | 761 | 682 |
| Total opening deferred revenue | <u>2,125</u> | <u>1,930</u> |
| Tuition and commitment fees received | 393 | 529 |
| Contract training fees received | 9,117 | 6,987 |
| Other deferrals/revenue received | 367 | 211 |
| Provincial grant received | 5,898 | 1,939 |
| Total received | <u>15,775</u> | <u>9,666</u> |
| Tuition and commitment fees recognized | (431) | (443) |
| Contract training fees recognized | (9,022) | (6,957) |
| Other deferrals/revenue recognized | (253) | (211) |
| Provincial grant recognized | (5,214) | (1,860) |
| Total recognized | <u>(14,920)</u> | <u>(9,471)</u> |
| Ending tuition and commitment fees | 278 | 316 |
| Ending contract training fees | 839 | 744 |
| Other deferrals/revenue | 418 | 304 |
| Ending provincial grant | 1,445 | 761 |
| | <u>2,980</u> | <u>2,125</u> |

Assiniboine Community College Notes to Financial Statements

June 30, 2014

9. Long-term Debt

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Loan payable to Province of Manitoba at the rate of 4.75%, due in 2017, repayable in monthly installments of \$11,193 principal and interest. | 366 | 470 |
| Less amounts due within one year included in current liabilities | <u>120</u> | <u>115</u> |
| | <u>246</u> | <u>355</u> |

Principal repayments for the next five years and thereafter are as follows:

| | |
|------|------------|
| 2015 | 120 |
| 2016 | 125 |
| 2017 | <u>121</u> |
| | <u>366</u> |

10. Accrued Sick Leave

Assiniboine Community College provides sick days to their employees. The most recent actuarial valuation was at June 30, 2014.

The accrued benefit liability for accrued sick pay is reported in the college's Statement of Financial Position under Accrued Sick Pay Obligation.

Information about the college's accrued sick pay is as follows:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|-------------|-------------|
| Accrued sick pay obligation | <u>552</u> | <u>513</u> |

The significant actuarial assumptions adopted in measuring the college's accrued sick pay obligation are as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|
| Discount rate | 6.0 | 6.0 |
| Rate of compensation increase | 3.75 | 3.75 |

Assiniboine Community College Notes to Financial Statements

June 30, 2014

11. Accrued Severance Liability

Assiniboine Community College provides certain severance benefits payable upon retirement. The most recent actuarial valuation was at June 30, 2014.

The accrued benefit liability for employee future benefits is reported in the college's Statement of Financial Position under Accrued Severance Liability.

Information about the college's employee future benefits is as follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| Accrued severance liability to date | 2,692 | 2,658 |
| Prior year adjustment | - | (89) |
| Accrued severance liability on statement of financial position | <u>2,692</u> | <u>2,569</u> |
| Interest cost | 164 | 186 |
| Current service cost | <u>200</u> | <u>207</u> |
| Current year severance expense | <u>364</u> | <u>393</u> |
| Accumulated benefits paid | <u>1,785</u> | <u>1,707</u> |

The significant actuarial assumptions adopted in measuring the college's accrued severance liability and cost are as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|
| Discount rate | 6.0 | 6.0 |
| Rate of compensation increase | 3.75 | 3.75 |

12. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

| | <u>2014</u> | <u>2013</u> |
|--|----------------|----------------|
| Net book value, beginning of year | 5,933 | 5,650 |
| Add: Capital contributions during the year | 1,603 | 1,708 |
| Less: Current year amortization | <u>(1,419)</u> | <u>(1,425)</u> |
| Net book value, end of year | <u>6,117</u> | <u>5,933</u> |

Assiniboine Community College Notes to Financial Statements

June 30, 2014

13. Net Assets Internally Restricted

| | 2014 | 2013 |
|----------------------------------|-------------|-------------|
| General Reserve, opening balance | 595 | 595 |
| Appropriations | - | - |
| Withdrawals | - | - |
| General Reserve, ending balance | 595 | 595 |

14. COPSE Grants

| | 2014 | 2013 |
|--------------------------------|----------------|-------------|
| Grants Received | 29,089 | 27,622 |
| Add: | | |
| Less: | | |
| Deferred capital contributions | (1,418) | (1,114) |
| | 27,671 | 26,508 |
| Represented by: | | |
| Base | 27,671 | 26,243 |
| Market Driven Training | - | 265 |
| | 27,671 | 26,508 |

15. Pension Costs and Obligations

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experience gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2009, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

16. Commitments

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments (in actual dollars):

| | |
|---------|-----------|
| 2014/15 | 1,565,562 |
| 2015/16 | 628,239 |
| 2016/17 | 602,685 |
| 2017/18 | 475,854 |
| 2018/19 | 319,208 |

17. Economic Dependence

The College presently receives annual funding of approximately \$27,670,990 (\$26,242,696 in 2013) from the Province of Manitoba to finance operations and capital acquisitions (in actual \$). The College is economically dependent on the Province of Manitoba for funding.

18. Cash Flows - Supplemental Information

The college paid interest on long term debt in the year of \$20,299 (2013 - \$25,147) (in actual \$). In the year, the college received interest of \$104,462 (2013 - \$81,304) (in actual \$).

Assiniboine Community College Notes to Financial Statements

June 30, 2014

19. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a monthly basis to determine if there any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash and short-term investments, receivables and payables, accrued liabilities and long-term debt.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments of the entity are held for trading instruments which are exposed to interest rate risk. The long term debt is also affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The US bank account of the entity is exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The entity's receivables relate primarily to tuition, sponsorships, refundable GST, and various other trade receivables. The credit risk is minimal.

20. Income Taxes

The College is exempt from income taxes.

Assiniboine Community College Notes to Financial Statements

June 30, 2014

21. Consolidation

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of these entities on the financial statements of the College, had these entities been consolidated, would be as follows (in actual dollars):

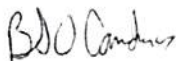
| | Increase (Decrease) |
|----------------------------|------------------------|
| Cash | 159,025 |
| Accounts receivable | 23,205 |
| Investments | 2,485,208 |
| Equipment | 10,594 |
| Accounts payable | 7,718 |
| Deferred revenue | 1,148,759 |
| Deferred contributions | 90,595 |
| Unrestricted net assets | (20,785) |
| Endowment funds | 1,441,150 |
| Invested in capital assets | 10,595 |
| Revenue | 446,314 |
| Expenditures | 454,995 |

Auditor's Comments on Supplementary Financial Information

**To the Directors of
Assiniboine Community College**

We have audited the financial statements of Assiniboine Community College, which comprise the statement of financial position as at June 30, 2014, and the statement of operations, statement of changes in net assets, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated October 21, 2014 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting records and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.



Chartered Accountants

Brandon, Manitoba
October 21, 2014

ASSINIBOINE COMMUNITY COLLEGE
UNAUDITED SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2014
(In thousand \$)

Schedule 1

| | Budget | 2014 | 2013 |
|---|----------------------|----------------------|----------------------|
| Academic Training Fees | | | |
| Day program tuition fees | <u>3,682</u> | <u>3,514</u> | <u>3,350</u> |
| Grants | | | |
| Provincial (note 14) | <u>27,671</u> | <u>27,671</u> | <u>26,243</u> |
| Market Driven / Contract Training (schedule 2) | <u>2,177</u> | <u>2,873</u> | <u>2,585</u> |
| Continuing Studies (schedule 3) | <u>1,530</u> | <u>1,553</u> | <u>1,430</u> |
| Ancillary Services (schedule 4) | <u>174</u> | <u>177</u> | <u>175</u> |
| Apprenticeship Training (schedule 5) | <u>2,701</u> | <u>2,677</u> | <u>2,517</u> |
| Sundry and Other Revenue | | | |
| Interest | 64 | 104 | 81 |
| Other | <u>515</u> | <u>714</u> | <u>511</u> |
| | <u>578</u> | <u>818</u> | <u>592</u> |
| Amortization of Deferred Capital Contributions | <u>1,419</u> | <u>1,419</u> | <u>1,425</u> |
| Total Revenue | <u><u>39,932</u></u> | <u><u>40,702</u></u> | <u><u>38,318</u></u> |

ASSINIBOINE COMMUNITY COLLEGE
UNAUDITED SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2014
(in thousand \$)

Schedule 1
Continued

| | Budget | 2014 | 2013 |
|--|----------------------|----------------------|----------------------|
| Academic | | | |
| Salaries | | | |
| Instructional | 13,408 | 13,966 | 13,172 |
| Administrative | 3,091 | 2,917 | 2,890 |
| Program Support | 207 | 210 | 228 |
| Fringe Benefits | 2,299 | 2,199 | 2,070 |
| Operating | 3,835 | 3,904 | 3,582 |
| | <u>22,840</u> | <u>23,196</u> | <u>21,942</u> |
| Administration | | | |
| Salaries | 4,135 | 4,002 | 3,299 |
| Fringe Benefits | 1,130 | 1,052 | 1,012 |
| Operating | 1,985 | 2,463 | 2,505 |
| | <u>7,251</u> | <u>7,517</u> | <u>6,816</u> |
| Program Support | | | |
| Salaries | 1,697 | 1,712 | 1,592 |
| Fringe Benefits | 242 | 244 | 218 |
| Operating | 205 | 203 | 213 |
| | <u>2,144</u> | <u>2,159</u> | <u>2,023</u> |
| Plant | | | |
| Salaries | 613 | 660 | 586 |
| Fringe Benefits | 101 | 99 | 85 |
| Operating | 3,879 | 3,753 | 3,764 |
| | <u>4,593</u> | <u>4,512</u> | <u>4,435</u> |
| Management Information Services | | | |
| Salaries | 517 | 516 | 838 |
| Fringe Benefits | 78 | 70 | 114 |
| Operating | 517 | 333 | 400 |
| | <u>1,112</u> | <u>919</u> | <u>1,352</u> |
| Library | | | |
| Salaries | 221 | 209 | 213 |
| Fringe Benefits | 35 | 32 | 30 |
| Operating | 70 | 71 | 84 |
| | <u>326</u> | <u>312</u> | <u>327</u> |
| Ancillary Services (schedule 4) | <u>20</u> | <u>30</u> | <u>19</u> |
| Amortization of Capital Assets | <u>1,646</u> | <u>1,646</u> | <u>1,650</u> |
| Total Expenditures | <u><u>39,932</u></u> | <u><u>40,291</u></u> | <u><u>38,564</u></u> |

**ASSINIBOINE COMMUNITY COLLEGE
MARKET DRIVEN TRAINING
UNAUDITED SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2014
(in thousand \$)**

Schedule 2

| | Budget | 2014 | 2013 |
|--|--------------|--------------|--------------|
| Revenue | | | |
| Tuition fee contracts | 93 | 176 | 127 |
| Contract training | 658 | 1,140 | 1,224 |
| Grants | 1,187 | 1,313 | 1,136 |
| Other revenue | 239 | 244 | 98 |
| Total Revenue | <u>2,177</u> | <u>2,873</u> | <u>2,585</u> |
| Expenditures | | | |
| Direct Expenditures | | | |
| Instructional salaries | 880 | 1,346 | 1,196 |
| Fringe benefits | 108 | 162 | 130 |
| Operating | 380 | 635 | 440 |
| | <u>1,368</u> | <u>2,143</u> | <u>1,766</u> |
| Indirect Expenditures | | | |
| Administrative salaries | 227 | 181 | 175 |
| Fringe benefits | 33 | 25 | 23 |
| Operating | 51 | 61 | 57 |
| | <u>311</u> | <u>267</u> | <u>255</u> |
| Total Expenditures | <u>1,679</u> | <u>2,410</u> | <u>2,021</u> |
| Excess of Revenue over Expenditures | <u>498</u> | <u>462</u> | <u>563</u> |

**ASSINIBOINE COMMUNITY COLLEGE
CONTINUING STUDIES
UNAUDITED SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2014
(In thousand \$)**

Schedule 3

| | Budget | 2014 | 2013 |
|--|---------------|--------------|--------------|
| Revenue | | | |
| Brandon campus | 664 | 553 | 468 |
| Dauphin campus | 124 | 78 | 60 |
| Winnipeg campus | 119 | 167 | 32 |
| Regional centres | 623 | 755 | 870 |
| Total Revenue | <u>1,530</u> | <u>1,553</u> | <u>1,430</u> |
| Expenditures | | | |
| Direct Expenditures | | | |
| Instructional salaries | 501 | 387 | 417 |
| Fringe benefits | 47 | 35 | 39 |
| Operating | 222 | 203 | 190 |
| | <u>770</u> | <u>625</u> | <u>646</u> |
| Indirect Expenditures | | | |
| Administrative salaries | 431 | 405 | 423 |
| Fringe benefits | 66 | 63 | 55 |
| Operating | 112 | 140 | 91 |
| | <u>609</u> | <u>608</u> | <u>569</u> |
| Total Expenditures | <u>1,380</u> | <u>1,233</u> | <u>1,215</u> |
| Excess of Revenue over Expenditures | <u>150</u> | <u>320</u> | <u>215</u> |

**ASSINIBOINE COMMUNITY COLLEGE
 ANCILLARY SERVICES
 UNAUDITED SCHEDULE OF REVENUE AND EXPENDITURES
 YEAR ENDED JUNE 30, 2014
 (in thousand \$)**

Schedule 4

| | Budget | 2014 | 2013 |
|--|---------------|-------------|-------------|
| Revenue | <u>174</u> | <u>177</u> | <u>175</u> |
| Expenditures | | | |
| Salaries & benefits | 0 | 0 | 0 |
| Operating | <u>20</u> | <u>29</u> | <u>19</u> |
| Total Expenditures | <u>20</u> | <u>29</u> | <u>19</u> |
| Excess of Revenue over Expenditures | <u>154</u> | <u>148</u> | <u>156</u> |

ASSINIBOINE COMMUNITY COLLEGE
APPRENTICESHIP
UNAUDITED SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2014
(In thousand \$)

Schedule 5

| | Budget | 2014 | 2013 |
|--|---------------|--------------|--------------|
| Revenue | | | |
| Tuition Revenue | 2,701 | 2,677 | 2,517 |
| Expenditures | | | |
| Direct Expenditures | | | |
| Instructional salaries | 2,015 | 2,027 | 1,878 |
| Fringe benefits | 299 | 275 | 248 |
| Operating | 533 | 465 | 537 |
| Total Expenditures | 2,847 | 2,767 | 2,663 |
| Deficiency of Revenue Over Expenditures | (146) | (90) | (146) |

Assiniboine Community College
Schedule 6 - Schedule of Board Member Compensation

For the year ended June 30

2014

| | |
|-----------------------|-----------|
| Alexander Murray | \$ 1,500 |
| Andrew Humphreys | 900 |
| Henry Bart | 450 |
| J Crookshanks | 750 |
| Jana Schott | 750 |
| Janet Chaboyer | 450 |
| John Andrew | 1,350 |
| Laura Kempthorne | 1,800 |
| Martijn Van Luijn | 2,900 |
| Michael Cox | 2,300 |
| Randolph Brown | 1,800 |
| Raymond Berthelette | 1,800 |
| Richard Baker | 1,350 |
| Taylor Johnson | 1,050 |
| Terry Parlow | 1,500 |
| Vickie Hanwell-McLean | 1,800 |
| | <hr/> |
| | \$ 22,450 |

(In actual dollars)

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The statements are examined by the Auditor General of Manitoba, whose opinion is included herein.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

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William Schaffer
Treasurer, Board of Governors

Original Document Signed

Scott J. B. Lamont, FCGA, MBA
Vice-President (Administration & Finance)

June 27, 2015



INDEPENDENT AUDITOR'S REPORT

To the Lieutenant Governor-in-Council
To the Legislative Assembly of Manitoba
To the Board of Governors of Brandon University

We have audited the accompanying financial statements of Brandon University, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brandon University as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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June 27, 2015
Winnipeg, Manitoba

Norm Ricard, CA
Auditor General

Brandon University

Statement of Financial Position as at March 31, 2015

| | 2015 | 2014 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 4,036,348 | \$ 2,476,171 |
| Short-term investments | 1,000,000 | 700,000 |
| Accounts receivable (note 3) | 1,984,779 | 2,589,465 |
| Inventories (note 8) | 605,245 | 581,169 |
| Prepaid expenses | <u>375,019</u> | <u>462,615</u> |
| | <u>8,001,391</u> | <u>6,809,420</u> |
| Long-term Investments (note 4) | <u>1,000,000</u> | <u>600,000</u> |
| Capital Assets and Collections (notes 21 and 9) | <u>62,205,261</u> | <u>60,895,306</u> |
| | <u>\$ 71,206,652</u> | <u>\$ 68,304,726</u> |
| LIABILITIES & NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,948,772 | \$ 3,756,141 |
| Unearned revenue | 169,099 | 103,481 |
| Deferred contributions (note 10) | 3,048,627 | 2,807,650 |
| Current portion of long-term debt (note 13) | <u>82,006</u> | <u>71,281</u> |
| | <u>7,248,504</u> | <u>6,738,553</u> |
| Long-Term Liabilities | | |
| Unfunded post-employment benefits (note 12) | 1,512,729 | 1,481,961 |
| Unfunded pension liability (note 11) | 21,559,000 | 25,098,000 |
| Mortgages payable (note 13) | <u>1,113,385</u> | <u>698,797</u> |
| | <u>24,185,114</u> | <u>27,278,758</u> |
| Unamortized Deferred Capital Contributions (note 10) | <u>50,263,259</u> | <u>48,795,107</u> |
| Net Assets | | |
| Unrestricted net assets | | |
| Operating | 2,057,154 | 2,335,401 |
| Post-employment benefits and compensated absences | (1,705,380) | (1,542,857) |
| Pension liability | (21,559,000) | (25,098,000) |
| Vacation pay | <u>(900,838)</u> | <u>(873,651)</u> |
| | <u>(22,108,064)</u> | <u>(25,179,107)</u> |
| Internally restricted net assets (note 7) | 1,310,588 | 1,008,951 |
| Investment in capital assets and collections | <u>10,307,251</u> | <u>9,662,464</u> |
| | <u>(10,490,225)</u> | <u>(14,507,692)</u> |
| | <u>\$ 71,206,652</u> | <u>\$ 68,304,726</u> |

Approved by the Brandon University
Board of Governors on June 27, 2015

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Treasurer

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

Original Document Signed

Vice-President (Administration & Finance)

Brandon University

Statement of Changes in Net Assets for the year ended March 31, 2015

| | Unrestricted Net Assets | Internally Restricted Net Assets | Investment in Capital Assets and Collections | Total 2015 | Total 2014 |
|---|----------------------------|--|--|------------------------|------------------------|
| Balance, beginning of year | \$ (25,179,107) | \$ 1,008,951 | \$ 9,662,464 | \$ (14,507,692) | \$ (14,554,292) |
| Excess of revenues over expenses | 4,017,467 | | | 4,017,467 | 40,350 |
| Direct increases to net assets | | | | | |
| Donations of capital assets | | | | | 6,250 |
| Transfers | | | | | |
| Internally funded | | | | | |
| Capital asset additions | (1,671,572) | | 1,671,572 | | |
| Capital disposals (net) | 4,869 | | (4,869) | | |
| Amortization | 1,096,603 | | (1,096,603) | | |
| Repayment of long-term debt | (74,687) | | 74,687 | | |
| Allocation to internally restricted net assets | (316,212) | 316,212 | | | |
| Internally restricted net asset purchases | <u>14,575</u> | <u>(14,575)</u> | <u> </u> | <u> </u> | <u> </u> |
| Balance, end of year | \$ <u>(22,108,064)</u> | \$ <u>1,310,588</u> | \$ <u>10,307,251</u> | \$ <u>(10,490,225)</u> | \$ <u>(14,507,692)</u> |

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

Brandon University

Statement of Operations

for the year ended March 31, 2015

| | 2015 | 2014 |
|--|---------------------|-------------------|
| Revenues | | |
| Tuition fees and other student fees | \$ 9,092,676 | \$ 8,799,780 |
| Grants | | |
| Advanced Learning Division | 38,199,149 | 37,356,060 |
| Province of Manitoba | 329,236 | 506,237 |
| Government of Canada | 1,519,438 | 1,543,967 |
| Sales of goods and services | 6,518,608 | 6,316,068 |
| Brandon University Foundation | 2,992,490 | 2,029,441 |
| Amortization of deferred capital contributions | 2,267,059 | 2,261,793 |
| Interest income | 60,628 | 54,232 |
| Miscellaneous | <u>921,771</u> | <u>839,022</u> |
| | <u>61,901,055</u> | <u>59,706,600</u> |
| Expenses | | |
| Salaries - academic | 24,104,292 | 22,335,407 |
| Salaries - support | 13,499,928 | 13,037,892 |
| Benefits | 4,128,956 | 7,584,281 |
| Travel | 1,652,251 | 1,619,681 |
| Supplies and consumable expenses | 6,828,830 | 7,140,945 |
| Major renovations | 239,347 | 325,330 |
| Property taxes | 105,392 | 134,573 |
| Utilities | 986,342 | 1,146,415 |
| Cost of goods sold | 1,558,370 | 1,602,123 |
| Scholarships and bursaries | 1,332,688 | 1,277,669 |
| Interest on long-term debt | 79,532 | 67,627 |
| Amortization expense | 3,363,672 | 3,394,307 |
| Loss on disposal of capital assets | <u>3,988</u> | <u> </u> |
| | <u>57,883,588</u> | <u>59,666,250</u> |
| Excess of revenues over expenses | <u>\$ 4,017,467</u> | <u>\$ 40,350</u> |

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

Brandon University

Statement of Cash Flow

for the year ended March 31, 2015

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Cash Provided By (Used In) Operating Activities | | |
| Net excess of revenues over expense before interest | \$ 4,036,371 | \$ 53,745 |
| Interest received | 60,628 | 54,232 |
| Interest paid | <u>(79,532)</u> | <u>(67,627)</u> |
| Excess of revenues over expenses | 4,017,467 | 40,350 |
| Items not affecting cash flow | | |
| Amortization of deferred capital contributions | (2,267,059) | (2,261,793) |
| Amortization of capital assets | 3,363,672 | 3,394,307 |
| Loss on disposal of capital assets | (3,988) | |
| Net change in non-cash operating working capital | | |
| Accounts receivable | 604,686 | (718,451) |
| Accounts payable and accrued liabilities | 192,631 | (1,239,539) |
| Deferred contributions | 240,977 | (1,139) |
| Unfunded post-employment benefits and compensated absences | 30,768 | 12,344 |
| Unfunded pension liability | (3,539,000) | (1,307,000) |
| Other non-cash working capital | <u>129,138</u> | <u>(169,092)</u> |
| | <u>2,769,292</u> | <u>(2,250,013)</u> |
| Cash Provided By (Used In) Capital Activities | | |
| Capital asset additions | (4,678,496) | (2,500,870) |
| Proceeds on disposal of capital assets | <u>8,857</u> | |
| | <u>(4,669,639)</u> | <u>(2,500,870)</u> |
| Cash Used In Investing Activities | | |
| Purchase of short-term investments | (300,000) | (600,000) |
| Purchase of long-term investments | <u>(400,000)</u> | <u>(600,000)</u> |
| | <u>(700,000)</u> | <u>(1,200,000)</u> |
| Cash Provided By (Used In) Financing Activities | | |
| Long-term debt repayments | (74,687) | (65,745) |
| Mortgage on 215 & 223 18th Street | 500,000 | |
| Capital contributions | <u>3,735,211</u> | <u>3,279,218</u> |
| | <u>4,160,524</u> | <u>3,213,473</u> |
| Increase/(Decrease) in cash and cash equivalents | 1,560,177 | (2,737,410) |
| Cash and cash equivalents, beginning of year | <u>2,476,171</u> | <u>5,213,581</u> |
| Cash and cash equivalents, end of year | <u>\$ 4,036,348</u> | <u>\$ 2,476,171</u> |

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

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music, health studies, environmental & life sciences and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

Brandon University's financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPOs), including the 4200 series of standards as issued by the Public Sector Accounting Board.

B. Fund Accounting

The University uses fund accounting to segregate accounts to be used for specific purposes.

Restricted funds include the research and special project fund, special program fund, and capital fund. The purpose of the research and special project fund is to report the restricted revenues and expenses for these activities. The special program fund reports revenues and expenses for the education programs of PENT, CBE and BUGDEP. The capital fund reports revenues and expenses for major renovation projects and for the acquisition of capital assets.

Unrestricted funds include the general operating fund and Ancillary Services. The purpose of the general operating fund is to report revenues and expenses for operating, research and special projects, and capital activities funded from unrestricted revenues. The purpose of the Ancillary Services fund is to report the revenues and expenses of the residences, food services, bookstore and parking. Ancillary Service funds include a grant for payment of mortgages and sales of goods and services.

C. Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered and collection is reasonably assured.

The University accounts for contributions using the deferral method. Externally restricted non-capital contributions are recorded as deferred contributions when received or receivable and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received or receivable, and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

D. Capital Grants

The University entered into promissory notes with the Provincial Government, for the the construction of capital assets and for deferred maintenance projects. These will be repaid from future funding provided by the Provincial Government through Advanced Learning Division (ALD), and are, in substance, capital grants. These grants, under the deferral method of accounting, are reflected as deferred capital contributions and unamortized deferred capital contributions in the statement of financial position. The interest expense and related funding from ALD, over the terms of the promissory notes, to offset the principal payments and interest expense, are both excluded from the statement of operations.

E. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, cash balances with Canadian banks and highly liquid temporary money market instruments convertible to cash within three months or less.

F. Short-Term Investments

Short-term investments are recorded at amortized cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. These investments are acquired principally for the purpose of selling in the near term and are part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking.

G. Long-Term Investments

Long-term investments are fixed income financial instruments, with maturity dates that exceed one year, that are part of a portfolio of identified instruments that are managed together. They are recorded at amortized cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University.

H. Brandon University Foundation

Contributions from the Brandon University Foundation to the University are recorded as revenue in accordance with the University's revenue recognition accounting policy.

The accounts of the Brandon University Foundation do not form part of the financial statements of the University. The financial statements of the Foundation are audited on an annual basis.

I. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

| | |
|-----------------------|----------|
| Buildings | 50 years |
| Furniture & equipment | 10 years |
| Library collections | 10 years |
| Computer equipment | 5 years |
| Vehicles | 5 years |

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

J. Inventories

Inventories are measured at the lower of cost and net realizable value using a valuation allowance.

K. Pension Plan

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. The pension expense is determined actuarially using the projected unit credit actuarial cost method pro-rated on service and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of active employees (EARS), commencing in the year following the year the respective annual actuarial gains or losses arise.

The accounts of the Brandon University Retirement Plan are not consolidated in the financial statements of the University. The financial statements of the Plan are audited.

The University's pension liability is the net of pension obligations less Plan assets and adjusted for any unamortized actuarial gains or losses.

L. Other Post-Employment Benefits and Compensated Absences

The University provides severance and retiring allowance benefits based on length of service and final earnings, payable on retirement. Accounting standards require the recognition of a liability and an expense for such post-employment benefits in the period in which the employee renders service in return for the benefits. The recognition date for rendered service begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these post-employment benefits earned by employees is determined by an actuary using the projected benefit method pro-rated on service and management's best estimates for the discount rate, the rate of salary escalation and the retirement ages of employees. The discount rate used to determine the accrued benefit obligation was the same rate as used to value the University pension plan. There are no assets supporting the plan benefits. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life (EARS), commencing in the year following the year the respective annual actuarial gains or losses arise.

The University provides for compensated absences to certain employee groups for sick leave benefits that accumulate but do not vest. The cost of this benefit is estimated using the discounted cash flows of the average of the cost of the excess sick leave taken over the annual entitlement earned, as a series of payments over the average remaining service life of employees (EARS). The discount rate used was the same rate used to estimate the University pension liability.

Certain other employees are entitled to 180 days of sick leave that are non-vesting, non-accumulating and are event driven. The benefit expense and liability are recorded when the event occurs.

M. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, determination of useful lives of capital assets for amortization and of the liabilities for pension, severance and retiring allowances, and other compensated absences. Actual results could differ from these estimates.

N. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt.

In the Statement of Financial Position, cash and cash equivalents are measured at cost; short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt at amortized cost, using the effective interest rate method.

3. Accounts Receivable

| | 2015 | 2014 |
|---------------------------------------|---------------------|---------------------|
| Student receivables | \$ 912,591 | \$ 787,854 |
| Brandon University Foundation | 757,645 | 712,516 |
| Government of Canada | | 531,000 |
| Province of Manitoba | 118,318 | 372,199 |
| Miscellaneous | 223,225 | 212,896 |
| Less: allowance for doubtful accounts | (27,000) | (27,000) |
| | <u>\$ 1,984,779</u> | <u>\$ 2,589,465</u> |

4. Long-Term Investments

| | 2015 | 2014 |
|--|--------------|------------|
| Guaranteed investment certificates, interest bearing at 1.97% to 2.05%, maturing September 26, 2016 | \$ 1,000,000 | \$ 600,000 |

The fair value at March 31, 2015 is \$1,000,000.

5. Financial Risk Management

Financial instruments are exposed to risk through the normal course of operations. These risks are managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

i) Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of these three types of risk: interest rate risk, foreign currency risk and other price risk.

Interest rate risk is the risk fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is exposed to this risk through its interest bearing investments. The University's short-term and long-term investments are guaranteed investment certificates. Interest rates range from 1.75% to 2.05%. \$1,000,000 matures on July 2, 2016 and \$1,000,000 matures on September 26, 2016.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

Foreign currency risk is the risk the value of non-Canadian investments measured in Canadian dollars will fluctuate due to changes in foreign exchange rates. Brandon University has no investments held in foreign currencies.

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

ii) Liquidity Risk

Liquidity risk is the risk the University will encounter difficulty in having available sufficient funds to meet its commitments.

The cash flow of operating funds is prepared on a just in time basis. The short-term and long-term investments of the University are invested so maturity dates coincide with cash requirements. As well, the University has access to a short-term line of credit with CIBC which is designed to ensure sufficient funds are available as required.

iii) Credit Risk

Credit risk arises from the possibility a loss may occur from the failure of another party to perform according to the terms of a contract.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at March 31 was:

| | Carrying Amount | |
|---|---------------------|---------------------|
| | 2015 | 2014 |
| Cash, cash equivalents and short-term investments | \$ 5,036,348 | \$ 3,176,171 |
| Long-term investments | 1,000,000 | 600,000 |
| Accounts receivable | <u>1,984,779</u> | <u>2,589,465</u> |
| Totals | <u>\$ 8,021,127</u> | <u>\$ 6,365,636</u> |

The short-term and long-term investments of the University are purchases made with excess cash intended to be for short periods of time and are held in high quality instruments with a guaranteed credit rating of R1 or backed by an extremely strong borrower.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students and the balance from government agencies. Credit risk from student receivables is managed through registration cancellations and by maintaining standard collection procedures.

There have been no substantive changes in the University's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

6. Brandon University Foundation

The Brandon University Foundation operates under the authority of the Brandon University Foundation Act. The Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising funds for future operation and capital expenditures, research and student awards.

Brandon University Foundation is not a controlled entity of Brandon University however, in the event of the dissolution of the Foundation, after the payment of all debts and liabilities, any remaining rights, property and assets of the Foundation shall be transferred or assigned to Brandon University as long as it is at that time a charitable, non-profit corporation.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

The Foundation statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Brandon University Foundation has adopted Part III - Accounting Standards for Not-For-Profit Organizations following the deferral method of accounting for contributions. The investments of the Foundation are recorded at fair value. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Assets | <u>\$ 60,844,857</u> | <u>\$ 54,184,483</u> |
| Liabilities | <u>\$ 986,740</u> | <u>\$ 1,334,407</u> |
| Deferred contributions | <u>4,374,130</u> | <u>3,842,521</u> |
| Net Assets | | |
| Unrestricted and internally restricted net assets | 14,054,725 | 14,121,935 |
| Endowment funds | <u>41,429,262</u> | <u>34,885,620</u> |
| | <u>55,483,987</u> | <u>49,007,555</u> |
| Total Liabilities and Net Assets | <u>\$ 60,844,857</u> | <u>\$ 54,184,483</u> |

Statement of Operations

| | 2014 | 2013 |
|--------------------------------|---------------------|---------------------|
| Revenue | | |
| Realized income | \$ 1,007,273 | \$ 1,721,144 |
| Unrealized income/(loss) | <u>(103,784)</u> | <u>7,545,312</u> |
| Net investment income | 903,489 | 9,266,456 |
| Donations | 1,027,060 | 780,037 |
| Other contributions | <u>1,785,057</u> | <u>108,241</u> |
| | <u>3,715,606</u> | <u>10,154,734</u> |
| Expense | | |
| Grants to Brandon University | 2,891,403 | 1,685,070 |
| Scholarships and bursaries | 872,165 | 943,702 |
| Campaign expenses | 257,619 | 246,277 |
| Other expenses | <u>29,702</u> | <u>25,346</u> |
| | <u>4,050,889</u> | <u>2,900,395</u> |
| Net income/(loss) for the year | <u>\$ (335,283)</u> | <u>\$ 7,254,339</u> |

The net result of the transactions from January 1, 2015 to March 31, 2015 was a gain of \$2,657,030 (2014 - \$2,741,599) which includes unrealized investment gains of \$646,766 (2014 - \$313,759).

The value of outstanding pledges to the Foundation as at March 31, 2015 is \$400,273 (2014 - \$956,156). These will be recorded as revenue in the Foundation when received.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

7. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

| | 2014 Opening Balance | Current Provision | Purchases | 2015 Closing Balance |
|--------------------------|----------------------------|----------------------|--------------------|----------------------------|
| Ancillary Services | \$ 587,097 | \$ 35,175 | \$ | \$ 622,272 |
| Healthy Living Centre | 22,576 | | (14,575) | 8,001 |
| Kiln Replacement | 19,000 | | | 19,000 |
| Mail & Print Services | 5,900 | 3,000 | | 8,900 |
| Scholarships & bursaries | | 221,882 | | 221,882 |
| Telephone replacement | 349,990 | 56,155 | | 406,145 |
| Vehicle replacement | <u>24,388</u> | <u></u> | <u></u> | <u>24,388</u> |
| | <u>\$ 1,008,951</u> | <u>\$ 316,212</u> | <u>\$ (14,575)</u> | <u>\$ 1,310,588</u> |

8. Inventories

Inventories are measured at the lower of cost and net realizable value. The year end carrying values and the amounts recognized as expense during the year were as follows:

| | 2015 Cost of Sales | | 2015 Carrying Values | | 2014 Carrying Values | |
|---------------|-----------------------|---------------------|-------------------------|-------------------|-------------------------|--|
| Athletics | \$ 6,779 | \$ 11,148 | \$ 24,973 | \$ 26,296 | | |
| Bookstore | 1,005,346 | 1,060,732 | 531,654 | 477,139 | | |
| Food Services | 553,024 | 541,391 | 30,280 | 45,166 | | |
| Print Shop | <u>43,982</u> | <u>40,703</u> | <u>18,338</u> | <u>32,568</u> | | |
| | <u>\$ 1,609,131</u> | <u>\$ 1,653,974</u> | <u>\$ 605,245</u> | <u>\$ 581,169</u> | | |

9. Capital Assets and Collections

| | 2015 Accumulated Cost Amortization | | 2015 Net Book Value | | 2014 Accumulated Cost Amortization | | 2014 Net Book Value | |
|-----------------------|--|------------------------|---------------------------|-----------------------|--|----------------------|---------------------------|--|
| Land | \$ 1,518,666 | \$ | \$ 1,518,666 | \$ 498,680 | \$ | \$ 498,680 | | |
| Buildings | 93,164,361 | (42,670,756) | 50,493,605 | 91,397,689 | (40,906,424) | 50,491,265 | | |
| Furniture & equipment | 23,129,379 | (16,492,184) | 6,637,195 | 22,911,065 | (16,693,922) | 6,217,143 | | |
| Library collections | 11,909,210 | (9,562,287) | 2,346,923 | 11,538,794 | (9,059,448) | 2,479,346 | | |
| Collections | <u>1,208,872</u> | <u></u> | <u>1,208,872</u> | <u>1,208,872</u> | <u></u> | <u>1,208,872</u> | | |
| | <u>\$ 130,930,488</u> | <u>\$ (68,725,227)</u> | <u>\$ 62,205,261</u> | <u>\$ 127,555,100</u> | <u>\$ (66,659,794)</u> | <u>\$ 60,895,306</u> | | |

Capital asset additions during the year included donations in kind in the amount of \$ - (2014- \$6,250).

Buildings include assets under construction of \$141,274 (2014 - \$ 57,782)

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

10. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions and deferred capital contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions, deferred capital contributions and unamortized deferred capital contributions balances are as follows:

| | 2015 Deferred Contributions | 2015 Unamortized Deferred Capital Contributions | 2014 Deferred Contributions | 2014 Unamortized Deferred Capital Contributions |
|--|-----------------------------------|---|-----------------------------------|---|
| Balance, beginning of year | \$ 2,807,650 | \$ 48,795,107 | \$ 2,808,789 | \$ 47,783,932 |
| Contributions received and receivable | | | | |
| Tuition and miscellaneous | 1,673,060 | | 1,939,418 | |
| COPSE | 3,817,960 | | 1,775,000 | |
| Province of Manitoba | 594,631 | | 1,353,828 | |
| Government of Canada | 1,666,158 | | 2,023,934 | |
| City of Brandon | | | | |
| Brandon University Foundation | <u>1,721,928</u> | | <u>1,669,392</u> | |
| | 9,473,737 | | 8,761,572 | |
| Transfers to revenue | | | | |
| Tuition, grants and contributions | (5,497,549) | | (5,489,743) | |
| Amortization of assets acquired from capital assets | | (2,267,059) | | (2,261,793) |
| Transferred to acquire capital assets | <u>(3,735,211)</u> | <u>3,735,211</u> | <u>(3,272,968)</u> | <u>3,272,968</u> |
| Balance, end of year | <u>\$ 3,048,627</u> | <u>\$ 50,263,259</u> | <u>\$ 2,807,650</u> | <u>\$ 48,795,107</u> |
| Balance consists of: | | | | |
| Research | \$ 2,501,697 | | \$ 2,197,235 | |
| Special programs | <u>546,930</u> | | <u>610,415</u> | |
| Deferred contributions | <u>\$ 3,048,627</u> | | <u>\$ 2,807,650</u> | |

11. Pension Plan

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held in trust in the name of ten Trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The Trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. An asset manager invests the Plan assets according to the terms of an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba and the Income Tax Act (Canada). Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

An actuarial valuation of the plan, as required by The Pension Benefits Act of Manitoba, was conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2014. The next actuarial valuation is required as at December 31, 2015 and will be completed in 2016.

The defined benefit obligation has been calculated pursuant to CPA Canada Handbook section PS3250, using the projected unit credit actuarial method, prorated on service, and assumptions developed using management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality.

The University uses a December 31 measurement date for reporting plan assets and obligations.

Plan assets are comprised of:

| | (in thousands of dollars) | |
|---------------------------------|-----------------------------|-----------------------------|
| | December 31 2014 | December 31 2013 |
| Accounts receivable and other | \$ 28 | \$ 510 |
| Cash and short-term investments | 7,335 | 3,813 |
| Bonds and debentures | 55,184 | 47,007 |
| Canadian equities | 52,902 | 52,998 |
| Foreign equities | <u>40,279</u> | <u>40,102</u> |
| Total Assets | <u>\$ 155,728</u> | <u>\$ 144,430</u> |

The fair value of plan assets and the actuarial present value of benefits, as of December 31, were as follows:

| | (in thousands of dollars) | |
|--|-----------------------------|-----------------------------|
| | December 31 2014 | December 31 2013 |
| Reconciliation of Plan Assets | | |
| Fair value, beginning of year | \$ 144,430 | \$ 123,392 |
| Employer contributions | 4,451 | 6,100 |
| Employee contributions | 2,169 | 2,095 |
| Transfers from other plans | | 193 |
| Benefit payments | (7,602) | (7,440) |
| Actual return on plan assets (net of expenses) | <u>12,280</u> | <u>20,090</u> |
| Fair value, end of year | <u>\$ 155,728</u> | <u>\$ 144,430</u> |

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

| | | |
|---|---------------------------|-------------------------|
| | (in thousands of dollars) | |
| | December 31 2014 | December 31 2013 |
| Reconciliation of Accrued Benefit Obligation | | |
| Accrued benefit obligation, beginning of year | \$ 151,952 | \$ 151,717 |
| Employer service cost | 4,794 | 5,019 |
| Interest cost | 8,657 | 7,907 |
| Benefit payments | (7,602) | (7,440) |
| Transfers from other plans | | 193 |
| Actuarial (gains)/losses | <u>2,621</u> | <u>(5,444)</u> |
| Accrued benefit obligation, end of year | <u>\$ 160,422</u> | <u>\$ 151,952</u> |

| | | |
|---|---------------------------|-------------------------|
| | (in thousands of dollars) | |
| | December 31 2014 | December 31 2013 |
| Reconciliation of Unamortized Actuarial (Gains)/Losses | | |
| Net unamortized actuarial (gains)/ losses, beginning of year | \$ (18,691) | \$ 379 |
| Net actuarial gains | (1,383) | (19,031) |
| Amortization of actuarial gain/(loss) | <u>2,225</u> | <u>(39)</u> |
| Net unamortized actuarial gains, end of year | <u>\$ (17,849)</u> | <u>\$ (18,691)</u> |

The accrued pension liability and the net pension plan expense, as at March 31, are as follows:

| | | |
|--|---------------------------|----------------------|
| | (in thousands of dollars) | |
| | March 31 2015 | March 31 2014 |
| Accrued Pension Liability | | |
| Accrued pension liability, beginning of year | \$ (25,098) | \$ (26,405) |
| Employer contributions | 4,320 | 5,674 |
| Net pension plan expense | <u>(781)</u> | <u>(4,367)</u> |
| Accrued pension liability, end of year | <u>\$ (21,559)</u> | <u>\$ (25,098)</u> |

| | | |
|---|---------------------------|----------------------|
| | (in thousands of dollars) | |
| | March 31 2015 | March 31 2014 |
| Reconciliation of Deficit to Accrued Liability | | |
| Deficit | \$ (4,694) | \$ (7,522) |
| Net unamortized actuarial gains | (17,849) | (18,691) |
| Employer contribution after measurement date | <u>984</u> | <u>1,115</u> |
| Accrued pension liability, end of year | <u>\$ (21,559)</u> | <u>\$ (25,098)</u> |

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

| | (in thousands of dollars) | |
|---|---------------------------|------------------|
| | March 31 2015 | March 31 2014 |
| Net Pension Plan Expense | | |
| Current service cost, net of employee contributions | \$ 2,625 | \$ 2,924 |
| Interest accrued on benefits | 8,657 | 7,907 |
| Expected return on plan assets | (8,276) | (6,503) |
| Amortization of actuarial (gain)/loss | <u>(2,225)</u> | <u>39</u> |
| Net pension plan expense | <u>\$ 781</u> | <u>\$ 4,367</u> |

Significant Long-term Actuarial Assumptions Used in Measurement of the Pension Expense

| | 2015 | 2014 |
|-------------------------|---|--|
| Discount rate | 5.75 % | 5.25 % |
| Rate of salary increase | 3.00 % | 3.00 % |
| Mortality rate | CPM2014 Public Sector Table projected with Scale CPM-B | 75% of UP1994 Table projected with Scale AA |

Significant Long-term Actuarial Assumptions Used in Measurement of the End of Year Obligations

| | 2015 | 2014 |
|-------------------------|--|--------|
| Discount rate | 5.65 % | 5.75 % |
| Rate of salary increase | 3.00 % | 3.00 % |
| Mortality rate | CPM2014 Public Sector Table projected with Scale CPM-B | |

The unamortized net actuarial gains will be amortized over the expected average remaining service life (EARS) which is 2015 - 8.5 years (2014 - 8.4 years).

Solvency Deficiency Exemption

The Brandon University Retirement Plan is subject to the Manitoba Pension Benefits Act and Regulations. The University Pension Plans Exemption Regulation 141/2007 allowed the University to make an election to be exempt from solvency and transfer deficiency payments. "2(1) an employer in relation to a university plan may, by filing an election with the plan administrator, elect to be exempt from the solvency and transfer deficiency provisions." On January 19, 2009 the University filed such an election.

Funding of Going-Concern Deficiencies

With the exemption, the Plan will continue to be subject to the going-concern funding provisions of the Act. The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs. The funding deficit of \$12,480,000 is required to be funded over a maximum of 15 years. The existing funding deficit will be funded over 12 years. Special payments totaling \$1,473,000 will be made in 2015 (2014 - \$1,698,000). The next going-concern valuation will be performed as at December 31, 2015 and will be completed in 2016.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

12. Other Post-employment Benefits and Compensated Absences

Other Post-employment Benefits

Brandon University provides certain severance and retiring allowance benefits payable upon retirement. An actuarial valuation, using the accrued benefit method, to determine the value of severance pay and retiring allowance benefits is carried out every three years. The most recent actuarial valuation was as at March 31, 2013 with the next valuation due at at March 31, 2016.

Information about the University's employee future benefits is as follows:

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Accrued Benefit Obligation | | |
| Accrued benefit obligation, beginning of year | \$ 1,166,000 | \$ 1,244,000 |
| Employer service cost | 50,000 | 53,000 |
| Interest cost | 67,000 | 65,000 |
| Benefit payments | (117,000) | (107,000) |
| Actuarial (gains)/losses | <u>7,000</u> | <u>(89,000)</u> |
| Accrued benefit obligation, end of year | <u>\$ 1,173,000</u> | <u>\$ 1,166,000</u> |
| | 2015 | 2014 |
| Accrued Benefit Liability | | |
| Accrued benefit liability, beginning of year | \$ 1,290,000 | \$ 1,284,000 |
| Employer contributions | (117,000) | (107,000) |
| Benefit expense | <u>102,000</u> | <u>113,000</u> |
| Accrued benefit liability, end of year | <u>\$ 1,275,000</u> | <u>\$ 1,290,000</u> |
| | 2015 | 2014 |
| Benefit Plan Expense | | |
| Employer service cost | \$ 50,000 | \$ 53,000 |
| Interest cost | 67,000 | 65,000 |
| Amortization of net actuarial loss | <u>(15,000)</u> | <u>(5,000)</u> |
| Total benefit plan expense | <u>\$ 102,000</u> | <u>\$ 113,000</u> |

The significant actuarial assumptions adopted in measuring the University's accrued benefit liability and benefit costs are as follows:

| | 2015 | 2014 |
|--|-------|-------|
| Discount rate (accrued benefit obligation) | 5.65% | 5.75% |
| Rate of compensation increase (weighted average) | 4.31% | 5.15% |

The unamortized net actuarial gains of \$102,000 (2014 - \$124,000) will be amortized over the expected average remaining service life (EARSL) which is 8.5 years (2014 - 8.5 years).

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

Compensated Absences

The University provides certain employee groups with a sick leave entitlement that accumulates but does not vest. These plans accumulate at a rate of 1/2 day for each pay period to a maximum of 12 days per year. Each plan has a total accumulation allowed. Accumulated sick days may be used in future years. Sick leave, when paid, is paid at the salary in effect at the time of usage. The sick leave benefit is a consideration of the expectation of future benefit utilization. The expected cost of the liability is estimated using the discounted cash flows of the average cost of the excess sick leave taken over the annual entitlement earned, as a series of payments, over EARS which is 10 years.

| | 2015 | 2014 |
|---------------------------|-------------------|-------------------|
| Accrued benefit liability | \$ <u>237,729</u> | \$ <u>191,961</u> |
| Net benefit cost | \$ 45,768 | \$ 6,345 |
| Discount rate | 5.65% | 5.75% |

The University provides certain other employees with their maximum sick leave entitlement of 180 days upon start of employment. This sick leave neither vests nor accumulates. The expected cost of the liability is recognized in the period in which the event occurs and is based on the salary that will be paid for the sick leave.

| | 2015 | 2014 |
|--|-------------------|------------------|
| Accrued benefit liability and benefit cost | \$ <u>192,651</u> | \$ <u>60,896</u> |

The accrued benefit liability for post-employment and other compensated benefits is reported in the University's Statement of Financial Position under accounts payable and accrued liabilities and long-term liabilities.

13. Long-term Liabilities

Mortgages Payable

The mortgage is a building mortgage. The building forms part of the security for the full amount of the moneys secured by the mortgage.

| | 2015 | 2014 |
|--|---------------------|-------------------|
| McMaster Hall, Canada Mortgage and Housing Corporation 8 1/4% mortgage, \$66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021 | \$ 698,797 | \$ 770,078 |
| 215 & 223 18th Street, Province of Manitoba 4.5% mortgage, \$2,247.81 combined principal and interest payable monthly to June 20, 2054 | <u>496,594</u> | <u> </u> |
| | 1,195,391 | 770,078 |
| Current portion of long-term debt | <u>82,006</u> | <u>71,281</u> |
| Mortgage payable | \$ <u>1,113,385</u> | \$ <u>698,797</u> |
| Interest expense | \$ <u>79,532</u> | \$ <u>67,627</u> |

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

Principal payments in the next five years are as follows:

| | | |
|------------|----|---------|
| 2016 | \$ | 82,007 |
| 2017 | \$ | 88,721 |
| 2018 | \$ | 96,013 |
| 2019 | \$ | 103,900 |
| 2020 | \$ | 112,441 |
| Thereafter | \$ | 712,310 |

14. **Brandon Centennial Auditorium Corporation Inc.**

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of \$1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

15. **Knowles-Douglas Student Union Centre**

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of \$1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

16. **Contractual Obligations**

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to \$ 0 for the year ended March 31, 2015 (2014 - \$6,158).

The Brandon University signed an agreement with Penn-Co Construction Canada (2003) Ltd. on July 20, 2011 for the construction of the Healthy Living Centre which involves the construction of a new facility and renovations of the existing facility. The project was substantially complete on November 20, 2013. The project is funded by the Building Canada Fund - Major Infrastructure Component with a federal and provincial share, a municipal contribution from the City of Brandon and through fundraising of the Brandon University Foundation. The total contract is \$18,170,567 with a balance of work still to finish of \$115,525.

17. **Related Party Transactions**

The University is related in terms of common control to all Province of Manitoba created departments, agencies and crown corporations. The University may enter into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Brandon University

Notes to the Financial Statements for the year ended March 31, 2015

18. Comparative Figures

Comparative figures for the year ended March 31, 2014 have been reclassified where necessary to conform with the presentation adopted for the year ended March 31, 2015.

Brandon University

Additional Financial Information for the year ended March 31, 2015

The foregoing consolidated financial statements and accompanying notes to the financial statements have been audited by the Auditor General for Manitoba and are the subject of the audit report dated June 27, 2015.

The following schedules 1 through 7 have been prepared to provide additional information and are not covered in the Auditor's report. The information in schedule 6 is used for the program costing calculations.

Brandon University

Detailed Schedule of Operations - Unrestricted for the Year Ended March 31, 2015

| | General Operating | Ancillary Services | Total 2015 | Total 2014 |
|--|----------------------|-----------------------|---------------------|-------------------|
| REVENUES | | | | |
| Tuition and other student fees | \$ 7,973,984 | \$ | \$ 7,973,984 | \$ 7,804,880 |
| Grants - Advanced Learning Division | 36,775,028 | 133,372 | 36,908,400 | 36,019,401 |
| Sales of goods and services | | 4,481,920 | 4,481,920 | 4,260,178 |
| Brandon University Foundation | 2,345,847 | | 2,345,847 | 1,458,496 |
| Amortization of deferred capital contributions | 2,267,059 | | 2,267,059 | 2,261,793 |
| External cost recoveries | 2,036,688 | | 2,036,688 | 2,055,890 |
| Interest income | 60,628 | | 60,628 | 54,232 |
| Miscellaneous | <u>114,255</u> | | <u>114,255</u> | <u>153,846</u> |
| | <u>51,573,489</u> | <u>4,615,292</u> | <u>56,188,781</u> | <u>54,068,716</u> |
| EXPENSES | | | | |
| Salaries - academic | 22,227,050 | | 22,227,050 | 20,697,734 |
| Salaries - support | 10,849,099 | 1,391,524 | 12,240,623 | 11,955,346 |
| Benefits | 3,515,678 | 187,854 | 3,703,532 | 7,202,158 |
| Travel | 1,208,808 | 5,477 | 1,214,285 | 1,233,982 |
| Supplies and consumable expenses | 4,576,297 | 677,588 | 5,253,885 | 5,221,948 |
| Major renovations | 101,955 | | 101,955 | 94,484 |
| Property taxes | 105,392 | | 105,392 | 134,573 |
| Utilities | 694,122 | 292,220 | 986,342 | 1,146,415 |
| Cost of goods sold | | 1,558,370 | 1,558,370 | 1,602,123 |
| Scholarships and bursaries | 1,249,742 | 82,946 | 1,332,688 | 1,277,669 |
| Interest on long-term liabilities | | 79,532 | 79,532 | 67,627 |
| Amortization | 3,363,672 | | 3,363,672 | 3,394,307 |
| Loss on disposal of capital assets | <u>3,988</u> | | <u>3,988</u> | |
| | <u>47,895,803</u> | <u>4,275,511</u> | <u>52,171,314</u> | <u>54,028,366</u> |
| Excess of revenues over expenses | <u>\$ 3,677,686</u> | <u>\$ 339,781</u> | <u>\$ 4,017,467</u> | <u>\$ 40,350</u> |

Brandon University

**Detailed Schedule of Operations - Restricted
for the Year Ended March 31, 2015**

| | Research & Special Projects | Special Programs | Restricted Capital | Total 2015 | Total 2014 | Deferred Contributions 2015 | 2014 | Transfer To Statement of Operations 2015 | 2014 |
|-------------------------------|--------------------------------|---------------------|-----------------------|---------------------|---------------------|--------------------------------|-----------------------|--|------------------|
| Revenues | | | | | | | | | |
| Tuition fees | \$ | \$ 1,070,093 | \$ | \$ 1,070,093 | \$ 918,912 | \$ 48,599 | \$ 75,988 | \$ 1,118,692 | \$ 994,900 |
| Grants | | | | | | | | | |
| Advanced Learning | | | | | | | | | |
| Division | 1,280,000 | | 2,537,960 | 3,817,960 | 1,775,000 | (2,527,211) | (438,341) | 1,290,749 | 1,336,659 |
| Province of Manitoba | 565,324 | | 29,307 | 594,631 | 1,353,828 | (265,395) | (847,591) | 329,236 | 506,237 |
| Government of Canada | 1,666,158 | | | 1,666,158 | 2,023,934 | (146,720) | (479,967) | 1,519,438 | 1,543,967 |
| Brandon University Foundation | 646,643 | | 1,075,285 | 1,721,928 | 1,669,392 | (1,075,285) | (1,098,447) | 646,643 | 570,945 |
| Miscellaneous | <u>574,463</u> | <u></u> | <u>28,504</u> | <u>602,967</u> | <u>1,020,506</u> | <u>204,549</u> | <u>(335,330)</u> | <u>807,516</u> | <u>685,176</u> |
| | <u>4,732,588</u> | <u>1,070,093</u> | <u>3,671,056</u> | <u>9,473,737</u> | <u>8,761,572</u> | <u>(3,761,463)</u> | <u>(3,123,688)</u> | <u>5,712,274</u> | <u>5,637,884</u> |
| Expenses | | | | | | | | | |
| Salaries - academic | 1,149,671 | 727,571 | | 1,877,242 | 1,637,673 | | | 1,877,242 | 1,637,673 |
| Salaries - support | 1,204,507 | 54,798 | | 1,259,305 | 1,082,546 | | | 1,259,305 | 1,082,546 |
| Benefits | 328,753 | 96,671 | | 425,424 | 382,123 | | | 425,424 | 382,123 |
| Travel | 372,825 | 65,141 | | 437,966 | 385,699 | | | 437,966 | 385,699 |
| Supplies and other expenses | 1,385,548 | 189,397 | | 1,574,945 | 1,918,997 | | | 1,574,945 | 1,918,997 |
| Major renovations | <u></u> | <u></u> | <u>137,392</u> | <u>137,392</u> | <u>230,846</u> | <u></u> | <u></u> | <u>137,392</u> | <u>230,846</u> |
| | <u>4,441,304</u> | <u>1,133,578</u> | <u>137,392</u> | <u>5,712,274</u> | <u>5,637,884</u> | <u></u> | <u></u> | <u>5,712,274</u> | <u>5,637,884</u> |
| Excess/(deficiency) of | | | | | | | | | |
| revenues over expenses | \$ <u>291,284</u> | \$ <u>(63,485)</u> | \$ <u>3,533,664</u> | \$ <u>3,761,463</u> | \$ <u>3,123,688</u> | \$ <u>(3,761,463)</u> | \$ <u>(3,123,688)</u> | \$ <u>-</u> | \$ <u>-</u> |

Brandon University

Deferred Contributions and Unamortized Deferred Capital Contributions for the Year Ended March 31, 2015

| | Research & Special Projects | Special Programs | Restricted Capital | Total 2015 | Total 2014 | Unamortized Deferred Capital Contributions | |
|--|--------------------------------|---------------------|-----------------------|---------------------|---------------------|---|----------------------|
| | | | | | | 2015 | 2014 |
| Contributions received | | | | | | | |
| Tuition and related fees | \$ | \$ 1,070,093 | \$ | \$ 1,070,093 | \$ 918,912 | \$ | \$ |
| Grants | 3,511,482 | | 2,567,267 | 6,078,749 | 5,152,762 | | |
| Brandon University Foundation | 646,643 | | 1,075,285 | 1,721,928 | 1,669,392 | | |
| Miscellaneous | 574,463 | | 28,504 | 602,967 | 1,020,506 | | |
| Expenses | (4,441,304) | (1,133,578) | (137,392) | (5,712,274) | (5,637,884) | | |
| Transfers from/to: | | | | | | | |
| Unrestricted accounts | 214,725 | | | 214,725 | 148,141 | | |
| Capital acquisitions | (201,547) | | (3,533,664) | (3,735,211) | (3,272,968) | 3,735,211 | 3,272,968 |
| Amortization of deferred capital contributions | <u>304,462</u> | <u>(63,485)</u> | | <u>240,977</u> | <u>(1,139)</u> | <u>(2,267,059)</u> | <u>(2,261,793)</u> |
| | | | | | | <u>1,468,152</u> | <u>1,011,175</u> |
| Deferred balance, beginning of year | <u>2,197,235</u> | <u>610,415</u> | | <u>2,807,650</u> | <u>2,808,789</u> | <u>48,795,107</u> | <u>47,783,932</u> |
| Deferred balance, end of year | <u>\$ 2,501,697</u> | <u>\$ 546,930</u> | <u>\$ -</u> | <u>\$ 3,048,627</u> | <u>\$ 2,807,650</u> | <u>\$ 50,263,259</u> | <u>\$ 48,795,107</u> |

Brandon University

Schedule of Investment in Capital Assets and Collections for the Year Ended March 31, 2015

| | Total 2015 | Total 2014 |
|---|-----------------------|-----------------------|
| Balance, beginning of year | \$ 9,662,464 | \$ 9,933,731 |
| Internally funded capital asset additions | | |
| General operating funds | | |
| Land and buildings | 525,381 | 1,844 |
| Furniture and equipment | 1,265,504 | 350,060 |
| Library acquisitions | 370,416 | 400,392 |
| Ancillary services | | |
| Furniture and equipment | <u>10,271</u> | <u>36,956</u> |
| | <u>2,171,572</u> | <u>789,252</u> |
| Non-amortizable capital asset donations | | 6,250 |
| Disposals (net book value) - internally funded capital assets | (4,869) | |
| Amortization of internally funded capital assets | (1,096,603) | (1,132,514) |
| Mortgage on 215 & 223 18th Street | (500,000) | |
| Repayment of long-term debt | <u>74,687</u> | <u>65,745</u> |
| Balance, end of year | \$ <u>10,307,251</u> | \$ <u>9,662,464</u> |

Brandon University

**Schedule of Operating Revenues
for the Year Ended March 31, 2015**

| | Total 2015 | Total 2014 |
|---------------------------------|-----------------------------|-----------------------------|
| Grants | | |
| Advanced Learning Division | | |
| Operating | \$ 36,445,028 | \$ 35,556,029 |
| Renovations and equipment | <u>330,000</u> | <u>330,000</u> |
| | <u>36,775,028</u> | <u>35,886,029</u> |
| Tuition | | |
| Campus Manitoba | | 17,548 |
| Faculty of Arts | 1,892,286 | 2,039,351 |
| Faculty of Education | 945,619 | 915,731 |
| Faculty of Science | 2,226,918 | 2,059,856 |
| School of Health Studies | 1,514,284 | 1,423,629 |
| School of Music | 390,711 | 379,041 |
| Visa Premium | <u>340,288</u> | <u>362,330</u> |
| | <u>7,310,106</u> | <u>7,197,486</u> |
| Music Conservatory | <u>373,352</u> | <u>341,079</u> |
| Other student fees | <u>290,526</u> | <u>266,315</u> |
| Brandon University Foundation | <u>1,402,163</u> | <u>466,304</u> |
| Interest income | <u>60,628</u> | <u>54,232</u> |
| Miscellaneous | <u>40,121</u> | <u>41,425</u> |
| Total Operating Revenues | \$ <u>46,251,924</u> | \$ <u>44,252,870</u> |

BRANDON UNIVERSITY

**Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2015**

| | Academic | Support | Benefits | Travel | Supplies & Other Expenses | Deduct: Cost Recoveries | Total March 31, 2015 | Total March 31, 2014 |
|---|------------------|----------------|------------------|----------------|------------------------------|----------------------------|-------------------------|-------------------------|
| Faculty of Arts | | | | | | | | |
| Office of the Dean | \$ 652,774 | \$ 196,221 | \$ 116,589 | \$ 47,305 | \$ 60,284 | \$ 6,625 | \$ 1,066,548 | \$ 1,062,262 |
| Drama | 136,485 | | 18,740 | 2,682 | 1,740 | | 159,647 | 150,202 |
| Economics | 326,599 | | 51,506 | 4,647 | 1,149 | | 383,901 | 361,814 |
| English | 662,146 | | 103,307 | 10,026 | 2,989 | | 778,468 | 757,871 |
| History | 564,785 | | 91,738 | 10,560 | 3,815 | | 670,898 | 524,428 |
| Languages | 305,273 | | 48,363 | 2,579 | 1,235 | 1,620 | 355,830 | 340,882 |
| Gender & Women's Studies | 37,286 | | 5,803 | 186 | 1,788 | | 45,063 | 32,156 |
| Philosophy | 301,908 | | 50,229 | 10,187 | 2,462 | | 364,786 | 369,236 |
| Political Science | 349,834 | | 53,241 | 8,322 | 1,494 | | 412,891 | 386,115 |
| Religion | 322,911 | | 50,853 | 5,729 | 1,068 | | 380,561 | 355,546 |
| Sociology | 490,950 | | 80,602 | 3,495 | 2,405 | | 577,452 | 542,974 |
| Native Studies | 563,953 | | 87,994 | 7,786 | 4,862 | | 664,595 | 635,256 |
| Business Administration | 394,114 | | 62,529 | 5,514 | 2,701 | | 464,858 | 427,907 |
| Fine Arts | 429,557 | 15,318 | 72,691 | 6,690 | 30,547 | 19,421 | 535,382 | 451,059 |
| Anthropology | 280,117 | | 46,602 | 6,788 | 956 | 473 | 333,990 | 287,305 |
| Rural Development | 463,242 | | 76,123 | 3,345 | 1,154 | 200 | 543,664 | 447,338 |
| Archeology Field School | | 9,451 | 842 | | 61 | 1,719 | 8,635 | (2,224) |
| | <u>6,281,934</u> | <u>220,990</u> | <u>1,017,752</u> | <u>135,841</u> | <u>120,710</u> | <u>30,058</u> | <u>7,747,169</u> | <u>7,130,127</u> |
| Faculty of Science | | | | | | | | |
| Office of the Dean | 185,269 | 148,487 | 61,372 | 60,322 | 174,701 | | 630,151 | 516,733 |
| Applied Disaster & Emergency Studies | 288,857 | 1,905 | 47,782 | 11,657 | 6,931 | | 357,132 | 341,131 |
| Biology | 1,091,534 | 27,927 | 172,755 | 12,034 | 54,897 | 8,280 | 1,350,867 | 1,388,102 |
| Chemistry | 517,461 | 8,991 | 85,793 | 10,679 | 49,416 | 22,855 | 649,485 | 681,261 |
| Environmental Science | 102,061 | | 16,349 | 2,700 | 1,066 | | 122,176 | 116,391 |
| Geography | 600,166 | 3,922 | 98,401 | 11,787 | 9,026 | 640 | 722,662 | 715,977 |
| Geology | 555,553 | 4,357 | 86,268 | 15,914 | 43,707 | 17,740 | 688,059 | 650,271 |
| Mathematics/Comp. Sci. | 1,132,196 | 26,162 | 169,441 | 12,071 | 37,530 | | 1,377,400 | 1,284,254 |
| Environmental & Life Sciences | 117,400 | 42,543 | 28,740 | 12,546 | 87,170 | | 288,399 | 19,508 |
| Physics/Astronomy | 612,409 | 5,910 | 95,419 | 7,142 | 11,678 | 480 | 732,078 | 677,492 |
| Psychology | 814,868 | 11,115 | 129,381 | 8,097 | 15,568 | 520 | 978,509 | 961,923 |
| | <u>6,017,774</u> | <u>281,319</u> | <u>991,701</u> | <u>164,949</u> | <u>491,690</u> | <u>50,515</u> | <u>7,896,918</u> | <u>7,353,043</u> |
| Faculty of Health Studies | | | | | | | | |
| Office of the Dean | 180,586 | 62,444 | 35,015 | 61,856 | 53,615 | | 393,516 | 332,897 |
| Psychiatric Nursing | 2,571,149 | 104,997 | 430,596 | 8,422 | 178,444 | 1,871 | 3,291,737 | 3,092,349 |
| Bachelor of Nursing | 1,380,565 | 89,176 | 258,830 | 3,422 | 25,477 | 2,641 | 1,754,829 | 1,579,485 |
| Indigenous Health & Human Services | 15,051 | | 9,090 | | 318 | | 24,459 | 58,218 |
| Masters Psychiatric Nursing | 16,788 | | 926 | 1,774 | 2,404 | 1,800 | 20,092 | 21,663 |
| | <u>4,164,139</u> | <u>256,617</u> | <u>734,457</u> | <u>75,474</u> | <u>260,258</u> | <u>6,312</u> | <u>5,484,633</u> | <u>5,084,612</u> |

BRANDON UNIVERSITY

**Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2015**

| | Academic | Support | Benefits | Travel | Supplies & Other Expenses | Deduct: Cost Recoveries | Total March 31, 2015 | Total March 31, 2014 |
|---|-------------------|------------------|------------------|----------------|------------------------------|----------------------------|-------------------------|-------------------------|
| Faculty of Education | | | | | | | | |
| Office of the Dean | 140,779 | 160,424 | 50,075 | 62,706 | 98,008 | 12,789 | 499,203 | 609,696 |
| Field Experience | 208,479 | 43,093 | 30,165 | 11,817 | 5,477 | 3,370 | 295,661 | 284,267 |
| Leadership & Ed Administration | 366,372 | | 49,796 | | 1,509 | 10,655 | 407,022 | 1,783,474 |
| Teaching & Learning | 690,041 | | 87,279 | | 5,034 | | 782,354 | |
| Ed Psychology & Student Services | 422,358 | | 47,143 | 966 | 3,152 | 4,308 | 469,311 | |
| Curriculum Foundations | 473,004 | | 69,998 | | 1,656 | | 544,658 | |
| Physical Education | 528,210 | | 80,023 | 9,032 | 19,472 | 14,153 | 622,584 | 633,190 |
| Graduate Studies | <u>52,776</u> | | <u>3,919</u> | <u>573</u> | <u>6,622</u> | <u>14,600</u> | <u>49,290</u> | <u>104,874</u> |
| | <u>2,882,019</u> | <u>203,517</u> | <u>418,398</u> | <u>85,094</u> | <u>140,930</u> | <u>59,875</u> | <u>3,670,083</u> | <u>3,415,501</u> |
| School of Music | 2,262,043 | 182,954 | 370,315 | 100,612 | 233,716 | 96,729 | 3,052,911 | 3,093,557 |
| Campus Manitoba | 6,907 | | 61 | | | | 6,968 | 19,334 |
| Music Conservatory | <u>269,270</u> | <u>28,518</u> | <u>4,013</u> | <u>388</u> | <u>13,146</u> | <u>1,061</u> | <u>314,274</u> | <u>380,268</u> |
| Total Academic | <u>21,884,086</u> | <u>1,173,915</u> | <u>3,536,697</u> | <u>562,358</u> | <u>1,260,450</u> | <u>244,550</u> | <u>28,172,956</u> | <u>26,476,442</u> |
| Library Services | | <u>1,257,175</u> | <u>227,465</u> | <u>11,400</u> | <u>568,965</u> | <u>114,733</u> | <u>1,950,272</u> | <u>1,807,345</u> |
| Student Services | | | | | | | | |
| Student Services | | 1,057,726 | 180,467 | 38,695 | 59,154 | 7,000 | 1,329,042 | 1,240,483 |
| Registrar | | 435,689 | 86,977 | 12,101 | 27,028 | 1,965 | 559,830 | 635,285 |
| Office of International Activities | | 168,925 | 29,078 | 33,514 | 24,241 | 150 | 255,608 | 176,645 |
| English for Academic Purposes | | 112,609 | 6,175 | 1,200 | 5,660 | 141,491 | (15,847) | (6,388) |
| Recruitment & Retention | | 249,760 | 50,379 | 30,944 | 60,219 | | 391,302 | 373,475 |
| Indigenous People's Centre | | <u>136,380</u> | <u>20,149</u> | <u>10,857</u> | <u>29,908</u> | <u>1,685</u> | <u>195,609</u> | <u>191,523</u> |
| | | <u>2,161,089</u> | <u>373,225</u> | <u>127,311</u> | <u>206,210</u> | <u>152,291</u> | <u>2,715,544</u> | <u>2,611,023</u> |
| Administration | | | | | | | | |
| Board of Governors | | | | 7,061 | 50,382 | | 57,443 | 127,411 |
| President | | 556,690 | 75,538 | 37,440 | 102,306 | | 771,974 | 614,554 |
| Vice-President (Administration & Finance) | | 271,124 | 40,145 | 7,298 | 8,508 | | 327,075 | 319,081 |
| Vice-President (Academic & Provost) | | <u>284,291</u> | <u>60,892</u> | <u>20,899</u> | <u>50,829</u> | <u>6,627</u> | <u>410,284</u> | <u>548,250</u> |
| | | <u>1,112,105</u> | <u>176,575</u> | <u>72,698</u> | <u>212,025</u> | <u>6,627</u> | <u>1,566,776</u> | <u>1,609,296</u> |
| General Support | | | | | | | | |
| Chancellor | | | | | | | | 3,424 |
| Convocation | | 1,343 | 69 | 3,228 | 25,074 | 60 | 29,654 | 40,392 |
| Information Technology Services | | 905,462 | 170,362 | 8,814 | 310,312 | 440,673 | 954,277 | 1,138,948 |
| Institutional Advancement | | 340,797 | 60,474 | 5,377 | 194,412 | 13,645 | 587,415 | 601,723 |
| Financial & Registration Services | | 704,880 | 141,280 | 6,709 | 24,623 | 83,861 | 793,631 | 771,622 |
| Human Resources | | 523,786 | 175,995 | 9,130 | 132,197 | 10 | 841,098 | 859,429 |
| Institutional membership fees | | | | | 87,212 | | 87,212 | 41,300 |
| Print/Mail Services | | 65,727 | 14,779 | | (27,043) | | 53,463 | 47,037 |
| Professional fees | | | | | <u>127,106</u> | | <u>127,106</u> | <u>156,829</u> |
| | | <u>2,541,995</u> | <u>562,959</u> | <u>33,258</u> | <u>873,893</u> | <u>538,249</u> | <u>3,473,856</u> | <u>3,660,704</u> |

BRANDON UNIVERSITY

**Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2015**

| | Academic | Support | Benefits | Travel | Supplies & Other Expenses | Deduct: Cost Recoveries | Total March 31, 2015 | Total March 31, 2014 |
|------------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|------------------------------|----------------------------|-----------------------------|-----------------------------|
| Athletic Programs | | | | | | | | |
| Athletics | | 500,979 | 74,417 | 379,169 | 298,223 | 288,163 | 964,625 | 899,343 |
| Campus Recreation | | 47,538 | 5,668 | | 12,293 | 16,409 | 49,090 | 109,460 |
| Healthy Living Centre | | <u>352,939</u> | <u>43,395</u> | <u>396</u> | <u>215,227</u> | <u>451,280</u> | <u>160,677</u> | <u>109,315</u> |
| | | <u>901,456</u> | <u>123,480</u> | <u>379,565</u> | <u>525,743</u> | <u>755,852</u> | <u>1,174,392</u> | <u>1,118,118</u> |
| Miscellaneous Initiatives | | | | | | | | |
| Bran-U-Day Care subsidy | | | | | 4,554 | | 4,554 | 4,911 |
| Research development | | | | | 133,034 | | 133,034 | 66,122 |
| Other | 211,209 | 48,523 | 1,888 | | 54,681 | | 316,301 | 257,522 |
| Pension liability payments | | | 1,642,254 | | | | 1,642,254 | 2,760,787 |
| Junior Kindergarten | | 48,357 | 9,851 | | 798 | 41,328 | 17,678 | 16,544 |
| Rural Development | | 9,184 | 875 | | 23,815 | 252 | 33,622 | 202,104 |
| International Student Scholarships | | | | 59,395 | | 59,395 | 65,256 | |
| University scholarships | | | | | <u>246,663</u> | | <u>246,663</u> | <u>209,482</u> |
| | <u>211,209</u> | <u>106,064</u> | <u>1,654,868</u> | | <u>522,940</u> | <u>41,580</u> | <u>2,453,501</u> | <u>3,582,728</u> |
| Physical Plant | | | | | | | | |
| Plant maintenance | | 868,368 | 184,277 | 16,667 | 202,963 | 99,056 | 1,173,219 | 1,224,622 |
| Buildings & grounds | | 641,672 | 213,302 | | 95,870 | | 950,844 | 987,343 |
| Insurance | | | | | 267,990 | | 267,990 | 259,449 |
| Security | | | | | 72,652 | | 72,652 | 72,205 |
| Service contracts | | | | | 66,116 | | 66,116 | 69,019 |
| Property taxes | | | | | 110,191 | | 110,191 | 133,220 |
| Utilities | | | | | <u>694,122</u> | <u>83,750</u> | <u>610,372</u> | <u>784,142</u> |
| | | <u>1,510,040</u> | <u>397,579</u> | <u>16,667</u> | <u>1,509,904</u> | <u>182,806</u> | <u>3,251,384</u> | <u>3,530,000</u> |
| Total Operating Expenses | \$ <u>22,095,295</u> | \$ <u>10,763,839</u> | \$ <u>7,052,848</u> | \$ <u>1,203,257</u> | \$ <u>5,680,130</u> | \$ <u>2,036,688</u> | \$ <u>44,758,681</u> | \$ <u>44,395,656</u> |

Brandon University

**Detailed Schedule of Ancillary Services
for the year ended March 31, 2015**

| | Bookstore | Food Services | Parking | Residence | Rental Property | Total 2015 | Total 2014 |
|---|--------------------|------------------|-------------------|-------------------|--------------------|-------------------|---------------------|
| Revenues | | | | | | | |
| Room and board fees | \$ | \$ 923,856 | \$ | \$ 1,232,088 | | \$ 2,155,944 | \$ 2,000,669 |
| Conventions | | 110,984 | | 80,008 | | 190,992 | 136,683 |
| Cash sales and vending machines | | 161,938 | | | | 161,938 | 156,826 |
| Internal functions | | 103,395 | | | | 103,395 | 93,210 |
| Other | 106,795 | 46,979 | 248,759 | 147,824 | 21,782 | 572,139 | 501,821 |
| Book sales | <u>1,297,512</u> | | | | | <u>1,297,512</u> | <u>1,370,969</u> |
| Total Revenues | <u>1,404,307</u> | <u>1,347,152</u> | <u>248,759</u> | <u>1,459,920</u> | <u>21,782</u> | <u>4,481,920</u> | <u>4,260,178</u> |
| Expenses | | | | | | | |
| Salaries | 254,667 | 514,486 | | 622,371 | | 1,391,524 | 1,505,889 |
| Staff benefits | 47,932 | 88,052 | | 51,870 | | 187,854 | 216,119 |
| Cost of goods sold | 1,005,346 | 553,024 | | | | 1,558,370 | 1,602,123 |
| Supplies and other expenses | 78,353 | 127,487 | 63,861 | 333,079 | 30,840 | 633,620 | 683,590 |
| Scholarships | | | | 82,946 | | 82,946 | 58,047 |
| Rent | 49,445 | | | | | 49,445 | 48,589 |
| Utilities | | <u>60,830</u> | <u>8,125</u> | <u>223,265</u> | | <u>292,220</u> | <u>276,952</u> |
| Total Expenses | <u>1,435,743</u> | <u>1,343,879</u> | <u>71,986</u> | <u>1,313,531</u> | <u>30,840</u> | <u>4,195,979</u> | <u>4,391,309</u> |
| Net Gain/(Loss) before specific provisions, capital acquisitions and transfers | (31,436) | 3,273 | 176,773 | 146,389 | (9,058) | 285,941 | (131,131) |
| Appropriated specific provision | | | | (35,175) | | (35,175) | 27,576 |
| Capital purchases | | (3,848) | | (6,423) | | (10,271) | (44,216) |
| Students' Union share of Bookstore profit | | | | | | | <u>(6,158)</u> |
| Net Gain/(Loss) | <u>\$ (31,436)</u> | <u>\$ (575)</u> | <u>\$ 176,773</u> | <u>\$ 104,791</u> | <u>\$ (9,058)</u> | <u>\$ 240,495</u> | <u>\$ (153,929)</u> |

Financial Statements of

CANCERCARE MANITOBA

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the accompanying financial statements of CancerCare Manitoba, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in fund balances, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2015, its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 18, 2015
Winnipeg, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG Network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CANCERCARE MANITOBA

Statement of Financial Position

As at March 31, 2015, with comparative information for 2014

| | General Fund | Capital Fund | Clinical, Basic Research and Special Projects Fund | 2015 Total | 2014 Total |
|---|---------------|---------------|--|----------------|----------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | \$ 8,670,439 | \$ - | \$ 13,599 | \$ 8,684,038 | \$ 3,568,081 |
| Restricted cash (note 3) | - | - | - | - | 2,082,473 |
| Short-term investments (schedule 1) | 3,253,150 | - | 1,057,136 | 4,310,286 | 10,700,302 |
| Due from Manitoba Health [note 4(b)] | 3,433,542 | - | - | 3,433,542 | 1,780,150 |
| Accounts receivable (note 5) | 3,678,613 | - | 6,850,590 | 10,529,203 | 7,896,472 |
| Inter-fund accounts | (1,983,845) | 2,686,978 | (703,133) | - | - |
| Prepaid expenses | 478,226 | - | - | 478,226 | 617,588 |
| Vacation entitlements receivable [note 14(c)] | 1,730,141 | - | - | 1,730,141 | 1,730,141 |
| | 19,260,266 | 2,686,978 | 7,218,192 | 29,165,436 | 28,375,207 |
| Restricted cash (note 3) | 1,418,290 | - | - | 1,418,290 | 5,898,730 |
| Retirement entitlement obligation receivable (note 6) | 1,419,400 | - | - | 1,419,400 | 1,419,400 |
| Investments (schedule 2) | 20,289,586 | - | 2,955,576 | 23,245,162 | 11,492,888 |
| Capital assets (note 7) | - | 51,123,875 | 1,313,272 | 52,437,147 | 57,010,412 |
| | \$ 42,387,542 | \$ 53,810,853 | \$ 11,487,040 | \$ 107,685,435 | \$ 104,196,637 |

Liabilities, Deferred Contributions and Fund Balances

| | | | | | |
|---|---------------|---------------|---------------|----------------|----------------|
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 15,235,394 | \$ - | \$ 19,156 | \$ 15,254,550 | \$ 14,991,947 |
| Due to Manitoba Health (note 4) | 13,854,650 | - | - | 13,854,650 | 6,859,140 |
| Deferred contributions - expenses of future periods [note 8(a)] | 2,224,374 | - | - | 2,224,374 | 2,434,479 |
| | 31,314,418 | - | 19,156 | 31,333,574 | 24,285,566 |
| Deferred contributions - capital assets [note 8(b)] | - | 53,650,404 | 741,985 | 54,392,389 | 58,240,162 |
| Employee future benefits (notes 6 and 14) | 8,004,000 | - | - | 8,004,000 | 7,770,000 |
| | 39,318,418 | 53,650,404 | 761,141 | 93,729,963 | 90,295,728 |
| Fund balances | | | | | |
| Invested in capital assets (note 9) | - | 160,449 | 571,287 | 731,736 | 756,208 |
| Externally restricted (note 10) | - | - | 9,302,804 | 9,302,804 | 9,007,001 |
| Internally restricted | 2,102,834 | - | 914,781 | 3,017,615 | 2,927,938 |
| Unrestricted | 697,590 | - | - | 697,590 | 1,289,512 |
| | 2,800,424 | 160,449 | 10,788,872 | 13,749,745 | 13,980,659 |
| Accumulated remeasurement gains (losses) | 268,700 | - | (62,973) | 205,727 | (79,750) |
| | 3,069,124 | 160,449 | 10,725,899 | 13,955,472 | 13,900,909 |
| Commitments (note 11) | | | | | |
| Contingencies (note 12) | | | | | |
| | \$ 42,387,542 | \$ 53,810,853 | \$ 11,487,040 | \$ 107,685,435 | \$ 104,196,637 |

See accompanying notes to financial statements.

Approved by the Members:

Original Document Signed

Member

Original Document Signed

Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

| | General Fund | Capital Fund | Clinical, Basic Research and Special Projects Fund | 2015 Total | 2014 Total |
|---|-----------------|-----------------|--|----------------|----------------|
| Revenue | | | | | |
| Manitoba Health (note 13) | \$ 131,883,498 | \$ — | \$ 434,591 | \$ 132,318,089 | \$ 125,950,417 |
| Other recoveries | 2,089,080 | — | — | 2,089,080 | 1,815,509 |
| Grants | — | — | 14,522,655 | 14,522,655 | 13,720,438 |
| Amortization of deferred contributions (note 8) | 317,105 | 4,968,634 | 237,329 | 5,523,068 | 5,969,793 |
| | 134,289,683 | 4,968,634 | 15,194,575 | 154,452,892 | 147,456,157 |
| Expenses | | | | | |
| Compensation | 52,221,718 | — | 8,477,908 | 60,699,626 | 59,157,429 |
| Medical remuneration | 17,211,789 | — | — | 17,211,789 | 14,616,184 |
| Building occupancy | 2,781,667 | — | 440,600 | 3,222,267 | 3,310,678 |
| Amortization of capital assets | — | 4,968,634 | 398,161 | 5,366,795 | 5,945,893 |
| General administration | 2,976,144 | — | 1,295,536 | 4,271,680 | 4,194,825 |
| Equipment rentals and maintenance | 3,019,432 | — | 134,839 | 3,154,271 | 2,689,643 |
| Supplies and other departmental expenses | 4,379,776 | — | 4,084,222 | 8,463,998 | 8,394,610 |
| Drugs | | | | | |
| Provincial oncology drug program | 45,238,647 | — | — | 45,238,647 | 41,997,059 |
| Neupogen | 3,457,348 | — | — | 3,457,348 | 4,012,495 |
| Other | 1,043,275 | — | — | 1,043,275 | 1,056,193 |
| Referred-out services | 3,152,176 | — | 150,443 | 3,302,619 | 2,886,084 |
| | 135,481,972 | 4,968,634 | 14,981,709 | 155,432,315 | 148,261,093 |
| Excess (deficiency) of revenue over expenses before the undernoted | (1,192,289) | — | 212,866 | (979,423) | (804,936) |
| Investment income | 620,728 | — | 127,781 | 748,509 | 541,653 |
| Excess (deficiency) of revenue over expenses | (571,561) | — | 340,647 | (230,914) | (263,283) |
| Fund balances, beginning of year | 3,371,985 | 160,449 | 10,448,225 | 13,980,659 | 14,243,942 |
| Fund balances, end of year | \$ 2,800,424 | \$ 160,449 | \$ 10,788,872 | \$ 13,749,745 | \$ 13,980,659 |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|-------------|-------------|
| Accumulated remeasurement losses, beginning of year | \$ (79,750) | \$ (69,478) |
| Unrealized gains (losses) attributable to investments | 302,709 | (79,750) |
| Realized losses, reclassified to statement of operations and changes in fund balances, attributable to investments | (66,498) | (69,478) |
| Unrealized foreign exchange gains on foreign currency balances | 49,266 | — |
| Net remeasurement gains (losses) for the year | 285,477 | (10,272) |
| Accumulated remeasurement gains (losses), end of year | \$ 205,727 | \$ (79,750) |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | General Fund | Capital Fund | Clinical, Basic Research and Special Projects Fund | 2015 Total | 2014 Total |
|--|---------------|--------------|--|---------------|---------------|
| Cash provided by (used in): | | | | | |
| Operating activities | | | | | |
| Excess (deficiency) of revenue over expenses | \$ (571,561) | \$ — | \$ 340,647 | \$ (230,914) | \$ (263,283) |
| Amortization of capital assets | — | 4,968,634 | 398,161 | 5,366,795 | 5,945,893 |
| Amortization of deferred contributions related to capital assets | — | (4,968,634) | (237,329) | (5,205,963) | (5,771,863) |
| Amortization of deferred contributions related to expenses of future periods | (317,105) | — | — | (317,105) | (197,930) |
| Unrealized (gain) loss on investments | (301,648) | — | (1,061) | (302,709) | 79,750 |
| Realized loss on investments | 51,267 | — | 15,231 | 66,498 | — |
| Unrealized gain on foreign exchange | 49,266 | — | — | 49,266 | — |
| Change in non-cash operating working capital (note 16) | 5,239,936 | — | (2,128,584) | 3,111,352 | 11,729,461 |
| Increase in employee future benefits | 234,000 | — | — | 234,000 | 437,410 |
| | 4,384,155 | — | (1,612,935) | 2,771,220 | 11,959,438 |
| Capital activities | | | | | |
| Additions to capital assets | — | (657,170) | (136,360) | (793,530) | (2,089,912) |
| Deferred contributions related to capital assets | — | 1,358,190 | — | 1,358,190 | 590,500 |
| | — | 701,020 | (136,360) | 564,660 | (1,499,412) |
| Investing activities | | | | | |
| Inter-fund accounts | (1,043,682) | (701,020) | 1,744,702 | — | — |
| Purchase of investments | (16,785,892) | — | (748,648) | (17,534,540) | (12,346,111) |
| Proceeds on disposal of investments | 11,642,493 | — | 766,000 | 12,408,493 | 2,206,715 |
| Change in investment classification | (6,415,540) | — | 261,735 | (6,153,805) | 8,470,929 |
| | (12,602,621) | (701,020) | 2,023,789 | (11,279,852) | (1,668,467) |
| Financing activities | | | | | |
| Decrease (increase) in restricted cash | 6,562,913 | — | — | 6,562,913 | (2,246,355) |
| Deferred contributions related to expenses of future periods | 107,000 | — | — | 107,000 | 14,001 |
| | 6,669,913 | — | — | 6,669,913 | (2,232,354) |
| Increase (decrease) in cash and short-term investments | (1,548,553) | — | 274,494 | (1,274,059) | 6,559,205 |
| Cash and short-term investments, beginning of year | 13,472,142 | — | 796,241 | 14,268,383 | 7,709,178 |
| Cash and short-term investments, end of year | \$ 11,923,589 | \$ — | \$ 1,070,735 | \$ 12,994,324 | \$ 14,268,383 |
| Cash and short-term investments are comprised of: | | | | | |
| Cash | \$ 8,670,439 | \$ — | \$ 13,599 | \$ 8,684,038 | \$ 3,568,081 |
| Short-term investments | 3,253,150 | — | 1,057,136 | 4,310,286 | 10,700,302 |
| | \$ 11,923,589 | \$ — | \$ 1,070,735 | \$ 12,994,324 | \$ 14,268,383 |

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Notes to Financial Statements

Year ended March 31, 2015

1. Purpose of the Organization

CancerCare Manitoba (the "Organization") is an agency established under the *CancerCare Manitoba Act*. The Organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The Organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

2. Significant accounting policies

(a) Basis of presentation

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations.

The Organization follows the deferral method of accounting for contributions.

(b) Fund accounting

The General Fund accounts for the Organization's revenue and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Organization's building expansion, renovations and equipment acquisitions.

The Clinical, Basic Research and Special Projects Fund reports grants received for specific clinical and basic research projects, as well as other revenue and expenses related thereto, undertaken by the Organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the Organization has designated for specific purposes based on contractual grant agreements.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued)

(c) Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Financial instruments

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and changes in fund balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and changes in fund balances and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in fund balances.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Organization's investments are classified as level 2. There were no transfers between level 1 and level 2 for the years ended March 31, 2015 and 2014, and there were no transfers in or out of level 3.

(e) Capital assets

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(f) Contributed services

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued)

(g) Employee future benefits

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

The Organization provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. Significant assumptions include discount rate and salary scale. The liability associated with these benefits is calculated as the present value of expected future payments pro-rated for service and is recorded as employee future benefits in the statement of financial position.

(h) Deferred contributions

Debt owing to the external lenders is reflected as deferred contributions in the statement of financial position. The related revenue received from Manitoba Health, to offset the interest expense, are both excluded from the statement of operations and changes in fund balances.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Restricted cash

As at March 31, 2015, the Organization has restricted cash of \$1,418,290 (2014 - \$5,898,730) for future payment of retirement entitlement obligations and nil (2014 - \$2,082,473) for future expansion.

During the year, the Organization invested previously restricted cash of \$2,102,834 (2014 - nil) into short-term and long-term investments for future expansion (schedules 1 and 2).

4. Manitoba Health funding

(a) In-globe funding

In-globe funding is funding provided by Manitoba Health for the Organization's operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the Organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the Organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding

Out-of-globe funding is funding provided by Manitoba Health for specific programs such as medical remuneration, provincial oncology drug program approved drug costs, and capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Organization or repaid to Manitoba Health.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Manitoba Health funding (continued)

(b) Out-of-globe funding (continued)

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Organization. Any unapproved costs not paid by Manitoba Health are absorbed by the Organization.

At March 31, 2015, the Organization had a balance of \$13,854,650 (2014 - \$6,859,140) payable to Manitoba Health, representing repayment of out-of-globe medical remuneration (\$10,567,056), provincial oncology drug program funding (\$2,759,278), capital interest (\$79,401) and other (\$448,915); and a balance of \$3,433,542 (2014 - \$1,780,150) receivable from Manitoba Health as follows:

| | 2015 | 2014 |
|-------------------------------------|---------------------|---------------------|
| Neupogen drug program | \$ 857,851 | \$ 1,054,235 |
| Employee salary and benefits | 827,312 | 195,920 |
| One-time funding for operations | 600,000 | — |
| Urgent Cancer Care one-time funding | 411,000 | — |
| Other | 252,776 | 259,208 |
| Emergency repairs | 248,228 | 122,810 |
| Manitoba breast prostheses program | 84,759 | 80,125 |
| Medical remuneration | 82,000 | — |
| Approved capital funding | 56,816 | 28,364 |
| Safety and Security Projects | 12,800 | 39,488 |
| | \$ 3,433,542 | \$ 1,780,150 |

5. Accounts receivable

| | General Fund | Clinical, Basic Research and Special Projects Fund | 2015 Total | 2014 Total |
|---|---------------------|--|----------------------|---------------------|
| CancerCare Manitoba Foundation Inc. (note 15) | \$ — | \$ 3,561,786 | \$ 3,561,786 | \$ 3,477,492 |
| University Medical Group | 3,406,105 | — | 3,406,105 | 2,899,371 |
| Other | 272,508 | 2,305,502 | 2,578,010 | 985,669 |
| Winnipeg Regional Health Authority | — | 841,464 | 841,464 | 466,938 |
| University of Manitoba | — | 141,243 | 141,243 | 52,870 |
| Province of Manitoba | — | 570 | 570 | 315 |
| Government of Canada | — | 25 | 25 | 13,817 |
| | \$ 3,678,613 | \$ 6,850,590 | \$ 10,529,203 | \$ 7,896,472 |

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Retirement entitlement obligation receivable

The Organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2015, based on an actuarial estimate, the retirement entitlement obligations are estimated to be \$6,706,000 (2014 - \$6,439,000) for which the Organization has recorded retirement entitlement obligations on the statement of financial position (note 14).

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the Organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates \$1,419,400 (2014 - \$1,419,400) and has no specific terms of repayment.

7. Capital assets

| | | 2015 | | 2014 |
|--|----------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| <i>Capital Fund:</i> | | | | |
| Building | \$ 62,670,172 | \$ 21,303,122 | \$ 41,367,050 | \$ 42,908,775 |
| Equipment | 45,207,528 | 35,450,703 | 9,756,825 | 12,526,564 |
| | 107,877,700 | 56,753,825 | 51,123,875 | 55,435,339 |
| <i>Clinical, Basic Research and Special Projects Fund:</i> | | | | |
| Equipment | 2,965,246 | 1,651,974 | 1,313,272 | 1,575,073 |
| | \$ 110,842,946 | \$ 58,405,799 | \$ 52,437,147 | \$ 57,010,412 |

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Deferred contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

| | 2015 | 2014 |
|---|--------------|--------------|
| Balance, beginning of year | \$ 2,434,479 | \$ 2,618,408 |
| Add amount received related to future periods | 107,000 | 14,001 |
| Less amounts amortized to revenue | (317,105) | (197,930) |
| Balance, end of year | \$ 2,224,374 | \$ 2,434,479 |

(b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations and changes in fund balances.

| | 2015 | 2014 |
|-----------------------------------|---------------|---------------|
| <i>Capital Fund:</i> | | |
| Balance, beginning of year | \$ 57,260,848 | \$ 62,184,881 |
| Additional contributions received | 1,358,190 | 590,500 |
| Less amounts amortized to revenue | (4,968,634) | (5,514,533) |
| Balance, end of year | \$ 53,650,404 | \$ 57,260,848 |

| | 2015 | 2014 |
|--|------------|--------------|
| <i>Clinical, Basic Research and Special Projects Fund:</i> | | |
| Balance, beginning of year | \$ 979,314 | \$ 1,236,644 |
| Less amounts amortized to revenue | (237,329) | (257,330) |
| Balance, end of year | \$ 741,985 | \$ 979,314 |

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Deferred contributions (continued)

(b) Capital assets (continued)

The balance of unamortized capital contributions related to capital assets consists of the following:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Unamortized capital asset contributions used to purchase capital assets | \$ 52,793,197 | \$ 56,640,970 |
| Unspent contributions | 1,599,192 | 1,599,192 |
| | <u>\$ 54,392,389</u> | <u>\$ 58,240,162</u> |

Unamortized capital contributions of \$54,392,389 (2014 - \$58,240,162) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

| | 2015 | 2014 |
|---|--------------|--------------|
| Bearing interest at prime: | | |
| Less 0.50%, repayment terms to be established | \$ 2,604,648 | \$ 1,504,996 |

The Organization has established arrangements for a bridge facility of non-revolving demand loans to a maximum of \$25,000,000 (2014 - \$25,000,000) to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at prime rate less 0.50 percent, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The Organization has utilized \$2,604,648 of this facility as of March 31, 2015 (2014 - \$1,504,996).

The Organization has established arrangements for credit facilities for foreign exchange forward contracts, to a maximum of \$1,000,000 (2014 - \$1,000,000), and for overdraft and/or letters of credit for operating purposes to a maximum of \$5,200,000 (2014 - \$5,200,000). The latter facility is charged interest at prime less 0.50 percent, with both facilities secured by a general security agreement. The Organization has not utilized these facilities as of March 31, 2015 or March 31, 2014.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Deferred contributions (continued)

(b) Capital assets (continued)

Unamortized capital contributions of \$54,392,389 (2014 - \$58,240,162) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The Organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is funded by Manitoba Health. The balances of the promissory notes are as follows:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| 6.25% maturing March 31, 2020, repayable in monthly installments of \$76,754, plus interest | \$ 4,605,262 | \$ 5,526,315 |
| Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly installments of \$50,439, plus interest | 4,186,403 | 4,791,666 |
| 4.80% maturing November 30, 2016, repayable in monthly installments of \$50,000, plus interest | 1,000,000 | 1,600,000 |
| 3.95% maturing November 30, 2025, repayable in monthly installments of \$77,778, plus interest | 9,955,555 | 10,888,889 |
| 3.35% maturing February 28, 2028, repayable in monthly installments of \$38,889, plus interest | 6,027,778 | 6,494,445 |
| | <u>\$ 25,774,998</u> | <u>\$ 29,301,315</u> |

9. Invested in capital assets

(a) Invested in capital assets is calculated as follows:

| | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| Capital assets | \$ 52,437,147 | \$ 57,010,412 |
| Amounts financed by: | | |
| Unamortized deferred contributions | (54,392,389) | (58,240,162) |
| Inter-fund accounts | 2,686,978 | 1,985,958 |
| | <u>\$ 731,736</u> | <u>\$ 756,208</u> |

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Invested in capital assets (continued)

(b) Change in invested in capital assets fund balance is calculated as follows:

| | 2015 | 2014 |
|--|--------------|--------------|
| Surplus (deficit) for the year: | | |
| Amortization of deferred contributions related to capital assets | \$ 5,205,963 | \$ 5,771,863 |
| Amortization of capital assets | (5,366,795) | (5,945,893) |
| | (160,832) | (174,030) |
| Invested in capital assets: | | |
| Purchase of capital assets | 793,530 | 2,089,912 |
| Amounts funded by: | | |
| Deferred contributions | (1,358,190) | (590,500) |
| Inter-fund balances | 701,020 | (1,107,514) |
| | 136,360 | 391,898 |
| | \$ (24,472) | \$ 217,868 |

10. Externally restricted fund balances

The major category of externally imposed restrictions on fund balances is as follows:

| | 2015 | 2014 |
|--|--------------|--------------|
| Restricted for research projects, education purposes and other specific purposes | \$ 9,302,804 | \$ 9,007,001 |

11. Commitments

The Organization has commitments for premises leases and information technology contracts with minimum annual payments as follows:

| | |
|------|--------------|
| 2016 | \$ 487,800 |
| 2017 | 464,500 |
| 2018 | 438,000 |
| 2019 | 326,600 |
| | \$ 1,716,900 |

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Contingencies - HIROC

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2015.

13. Economic dependence

The Organization received approximately 86 percent (2014 - 85 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

14. Employee future benefits

| | 2015 | 2014 |
|------------------------------------|---------------------|---------------------|
| Retirement entitlement obligations | \$ 6,706,000 | \$ 6,439,000 |
| Accumulated sick leave entitlement | 1,298,000 | 1,331,000 |
| | <u>\$ 8,004,000</u> | <u>\$ 7,770,000</u> |

(a) Retirement entitlement obligations

The Organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

- (i) have ten years service and have reached age 55; or
- (ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee; or

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Employee future benefits (continued)

(iii) retire at or after age 65; or

(iv) terminate employment at any time due to permanent disability.

Information about the Organization's retirement entitlement obligations is as follows:

| | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Accrued benefit obligation | | |
| Balance, beginning of year | \$ 6,439,000 | \$ 5,941,790 |
| Current service cost | 471,000 | 499,000 |
| Interest cost | 209,000 | 199,000 |
| Benefits paid | (388,000) | (193,000) |
| | 6,731,000 | 6,446,790 |
| Amortized actuarial gain | (25,000) | (7,790) |
| Balance, end of year | \$ 6,706,000 | \$ 6,439,000 |

The Organization undertook an actuarial valuation of the retirement entitlement obligations as at March 31, 2015. The significant actuarial assumptions adopted in measuring the Organization's retirement entitlement obligations include mortality, disability and withdrawal rates, a discount rate of 2.55 percent (2014 - 3.35 percent) and a rate of salary increase of 3.50 percent plus age-related merit/promotion scale (2014 - rate of salary increase of 3.0 percent plus age-related merit/promotion scale).

(b) Accumulated sick leave entitlement

Information about the Organization's accumulated sick leave entitlement is as follows:

| | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Accrued benefit obligation | | |
| Balance, beginning of year | \$ 1,331,000 | \$ 1,390,800 |
| Current service cost | 129,000 | 107,000 |
| Interest cost | 49,000 | 47,000 |
| Benefits paid | (225,000) | (214,000) |
| | 1,284,000 | 1,330,800 |
| Amortized actuarial loss | 14,000 | 200 |
| Balance, end of year | \$ 1,298,000 | \$ 1,331,000 |

The Organization undertook an actuarial valuation of the accumulated sick leave entitlement as at March 31, 2015. The significant assumptions adopted in measuring the Organization's accumulated sick leave entitlement include a discount rate of 2.55 percent (2014 - 3.35 percent) and a rate of salary increase of 3.5 percent (2014 - 3.0 percent).

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Employee future benefits (continued)

(c) Employee entitlements

The cost of the Organization's vacation, overtime and statutory holiday entitlements is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. Manitoba Health provides funding for these employee benefits payable on an annual basis and this amount is reported as vacation entitlements receivable on the statement of financial position. The amount of funding which will be provided by Manitoba Health for these employee benefits was initially determined based on the employee benefit obligations at March 31, 2004.

(d) Pension plans

Most of the employees of the Organization are members of the Healthcare Employees' Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada's Handbook, Public Sector Accounting Standards, Section 3250, *Retirement Benefits*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent funding actuarial valuation of the Plan as at December 31, 2013 reported the Plan had a deficiency of actuarial value of net assets over actuarial value of pension obligations as well as a solvency deficiency. Based on the solvency exemption granted to the Plan, the Plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the Plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Employee future benefits (continued)

(d) Pension plans (continued)

Actual contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$4,298,496 (2014 - \$3,783,864) and are included in the statement of operations and changes in fund balances. Employer contribution rates increased on April 1, 2014 to 8.7 percent (April 1, 2013 - 7.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.3 percent (April 1, 2013 - 9.5 percent) on earnings in excess of the YMPE. On April 1, 2015, with the inclusion of contributions toward the Healthcare Employees' Pension Plan - Manitoba, Cost of Living Adjustment Plan, employer contribution rates increased to 8.9 percent of pensionable earnings up to the YMPE and 10.5 percent on earnings in excess of YMPE.

15. CancerCare Manitoba Foundation Inc.

The Organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2015, net resources of CCMF Inc. amounted to \$49,692,330 (2014 - \$44,597,231), of which \$19,405,831 (2014 - \$17,788,220) are restricted contributions. CCMF Inc.'s purpose is to support the Organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the Organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of \$5,613,600 (2014 - \$5,566,561) to the Organization which are recorded in grant revenue in the statement of operations and changes in fund balances. Unpaid grants from fiscal 2015 and prior years amount to \$3,561,786 at March 31, 2015 (2014 - \$3,477,492).

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

16. Change in non-cash operating working capital

The change in non-cash operating working capital consists of the following:

| | 2015 | 2014 |
|---|----------------|---------------|
| <i>General Fund</i> | | |
| Due from Manitoba Health | \$ (1,653,392) | \$ 4,534,517 |
| Accounts receivable | (498,407) | (509,089) |
| Prepaid expenses | 139,362 | (38,285) |
| Accounts payable and accrued liabilities | 256,863 | 167,037 |
| Due to Manitoba Health | 6,995,510 | 5,683,936 |
| | 5,239,936 | 9,838,116 |
| <i>Clinical, Basic Research and Special Projects Fund</i> | | |
| Accounts receivable | (2,134,324) | 1,992,603 |
| Accounts payable and accrued liabilities | 5,740 | (101,258) |
| | (2,128,584) | 1,891,345 |
| | \$ 3,111,352 | \$ 11,729,461 |

17. Financial risks

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect its accounts receivable and investments.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2015 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations and changes in fund balances. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations and changes in fund balances. The balance of the allowance for doubtful accounts at March 31, 2015 is nil (2014 - nil).

There have been no significant changes to the credit risk exposure from 2014.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

17. Financial risks (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2014.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Organization's revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Organization to cash flow interest rate risk. The Organization is exposed to this risk through its demand loans and one of its promissory notes.

As at March 31, 2015, had prevailing interest rates increased or decreased by 1 percent, assuming a parallel shift in the yield curve, with all other variables held constant, there would be no material impact on the market value of bonds.

The Organization mitigates interest rate risk on the majority of its promissory notes through fixed rates on the promissory notes. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the majority of the promissory notes.

The Organization's investments, including bonds and deposit notes, are disclosed in schedules 1 and 2.

There has been no change to the interest rate risk exposure from 2014.

CANCERCARE MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2015

18. Comparative information

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

CANCERCARE MANITOBA

Short-Term Investments

Year ended March 31, 2015, with comparative information for 2014

March 31, 2015

| Description | Interest rate % | Maturity date | Cost | Fair value |
|--|-----------------|--------------------------|--------------|--------------|
| General Fund: | | | | |
| Restricted investment (note 3): | | | | |
| Corporate | 1.50% | 12-18-2015 | \$ 1,048,888 | \$ 1,048,888 |
| Bonds: | | | | |
| Municipal | 4.375% | 10-28-2015 | 214,940 | 203,985 |
| Corporate | 1.15% to 1.40% | 10-21-2015 to 01-02-2016 | 2,000,277 | 2,000,277 |
| Total short-term investments - General Fund | | | \$ 3,264,105 | \$ 3,253,150 |
| Special Projects Fund: | | | | |
| Bonds: | | | | |
| Provincial | 4.30% | 12-03-2015 | \$ 324,433 | \$ 306,967 |
| Corporate | 3.36% to 5.161% | 06-26-2015 to 02-15-2016 | 464,328 | 448,393 |
| | | | 788,761 | 755,360 |
| Deposit Notes: | | | | |
| Corporate | 4.03% to 5.18% | 05-26-2015 to 06-10-2015 | 320,277 | 301,776 |
| Total short-term investments - Special Projects Fund | | | \$ 1,109,038 | \$ 1,057,136 |
| Total short-term investments | | | \$ 4,373,143 | \$ 4,310,286 |

March 31, 2014

| Description | Interest rate % | Maturity date | Cost | Fair value |
|--|-----------------|--------------------------|---------------|---------------|
| General Fund: | | | | |
| Redeemable short-term GIC: | | | | |
| Corporate | 1.40% | 03-30-2015 | \$ 8,000,000 | \$ 8,000,000 |
| Bonds: | | | | |
| Provincial | 2.75% to 4.80% | 12-01-2014 to 12-03-2014 | 1,043,699 | 1,011,958 |
| Deposit Notes: | | | | |
| Provincial | 3.25% | 09-08-2014 | 415,961 | 403,844 |
| Corporate | 3.43% | 07-16-2014 | 506,000 | 503,269 |
| | | | 921,961 | 907,113 |
| Total short-term investments - General Fund | | | \$ 9,965,660 | \$ 9,919,071 |
| Special Projects Fund: | | | | |
| Bonds: | | | | |
| Municipal | 4.90% | 12-02-2014 | \$ 218,067 | \$ 204,982 |
| Corporate | 4.853% to 5.20% | 10-03-2014 to 12-01-2014 | 306,956 | 295,924 |
| | | | 525,023 | 500,906 |
| Deposit Notes: | | | | |
| Corporate | 3.10% | 03-02-2015 | 127,072 | 127,985 |
| Medium Term Notes: | | | | |
| Corporate | 3.97% | 11-03-2014 | 157,295 | 152,340 |
| Total short-term investments - Special Projects Fund | | | \$ 809,390 | \$ 781,231 |
| Total short-term investments | | | \$ 10,775,050 | \$ 10,700,302 |

CANCERCARE MANITOBA

Investments

Year ended March 31, 2015, with comparative information for 2014

March 31, 2015

| Description | Interest rate % | Maturity date | Cost | Fair value |
|---|-----------------|--------------------------|---------------|---------------|
| General Fund: | | | | |
| Restricted investment (note 3): | | | | |
| Corporate | — | 01-12-2018 | \$ 1,049,463 | \$ 1,049,463 |
| Bonds: | | | | |
| Provincial | 1.60% to 2.45% | 09-08-2017 to 12-01-2019 | 5,244,260 | 5,414,570 |
| Municipal | 2.25% to 4.60% | 06-29-2016 to 06-27-2018 | 1,313,654 | 1,304,732 |
| Corporate | 2.30% to 4.55% | 12-08-2016 to 10-21-2019 | 5,824,121 | 5,858,110 |
| | | | 12,382,035 | 12,577,412 |
| Deposit Notes: | | | | |
| Corporate | 2.24% to 2.948% | 08-02-2016 to 07-25-2019 | 6,560,832 | 6,662,711 |
| Total investments - General Fund | | | \$ 19,992,330 | \$ 20,289,586 |
| Special Projects Fund: | | | | |
| Bonds: | | | | |
| Provincial | 1.85% to 2.45% | 09-08-2017 to 12-01-2019 | \$ 607,727 | \$ 624,197 |
| Municipal | 2.50% to 4.55% | 11-14-2016 to 08-13-2017 | 465,720 | 463,390 |
| Corporate | 2.25% to 5.48% | 02-23-2017 to 04-02-2020 | 1,195,623 | 1,215,290 |
| | | | 2,269,070 | 2,302,877 |
| Deposit Notes: | | | | |
| Corporate | 2.281% to 4.10% | 10-17-2016 to 07-25-2019 | 643,914 | 652,699 |
| Total investments – Special Projects Fund | | | \$ 2,912,984 | \$ 2,955,576 |
| Total investments | | | \$ 22,905,314 | \$ 23,245,162 |

March 31, 2014

| Description | Interest rate % | Maturity date | Cost | Fair value |
|---|-----------------|--------------------------|---------------|---------------|
| General Fund: | | | | |
| Bonds: | | | | |
| Provincial | 1.60% to 3.15% | 09-08-2015 to 03-01-2019 | \$ 4,367,843 | \$ 4,428,985 |
| Municipal | 2.75% to 4.60% | 10-28-2015 to 06-01-2017 | 1,043,074 | 1,030,122 |
| Corporate | 2.68% to 4.55% | 12-08-2016 to 06-11-2017 | 948,742 | 937,621 |
| | | | 6,359,659 | 6,396,728 |
| Deposit Notes: | | | | |
| Corporate | 2.24% to 2.948% | 08-02-2016 to 12-11-2017 | 1,832,712 | 1,833,157 |
| Total investments - General Fund | | | \$ 8,192,371 | \$ 8,229,885 |
| Special Projects Fund: | | | | |
| Bonds: | | | | |
| Provincial | 1.85% to 4.30% | 12-03-2015 to 09-05-2018 | \$ 865,651 | \$ 858,040 |
| Municipal | 2.45% to 4.55% | 11-14-2016 to 12-01-2019 | 532,229 | 530,449 |
| Corporate | 2.42% to 5.48% | 06-26-2015 to 05-27-2019 | 1,249,786 | 1,252,003 |
| | | | 2,647,666 | 2,640,492 |
| Deposit Notes: | | | | |
| Corporate | 2.281% to 5.18% | 05-26-2015 to 06-08-2017 | 632,506 | 622,511 |
| Total investments – Special Projects Fund | | | \$ 3,280,172 | \$ 3,263,003 |
| Total investments | | | \$ 11,472,543 | \$ 11,492,888 |

**LE CENTRE CULTUREL FRANCO-
MANITOBAIN**

***FINANCIAL STATEMENTS
MARCH 31, 2015***

LE CENTRE CULTUREL FRANCO-MANITOBAIN

MARCH 31, 2015

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LISE DELEURME

COMPTABLE AGRÉÉE INC.
CHARTERED ACCOUNTANT INC.

INDEPENDENT AUDITOR'S REPORT

To the Members of **Le Centre Culturel Franco-Manitobain**:

We have audited the accompanying financial statements of **Le Centre Culturel Franco-Manitobain**, which comprise the statement of financial position as at **March 31, 2015** and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Le Centre Culturel Franco-Manitobain** as at **March 31, 2015** and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Original Document Signed

Notre-Dame-de-Lourdes, Manitoba
June 30, 2015

Lise Deleurme Chartered Accountant Inc.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015

| | 2015 | 2014 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and bank | \$ 83,591 | \$ 117,834 |
| Grants receivable | 66,505 | 127,596 |
| Accounts receivable | 75,682 | 70,101 |
| Accounts receivable Province du Manitoba (Note 2) | 25,891 | 25,891 |
| Prepaid expenses | 21,328 | 21,271 |
| GST receivable | 10,817 | 7,403 |
| Inventory | 7,903 | 10,230 |
| | 291,717 | 380,326 |
| LONG TERM | | |
| Capital assets (Note 4) | 112,152 | 85,896 |
| Deferred charges (Note 3) | 60,000 | - |
| | \$ 463,869 | \$ 466,222 |
| LIABILITIES AND FUND BALANCES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 341,789 | \$ 222,092 |
| Deferred revenue (Note 6) | 16,023 | 50,165 |
| Rental and damage deposits | 18,450 | 32,823 |
| | 376,262 | 305,080 |
| LONG TERM LIABILITIES | | |
| Deferred contributions related to capital assets (Note 7) | 37,557 | 46,980 |
| | 413,819 | 352,060 |
| CONTINGENCIES (Note 12) | | |
| FUND BALANCES | | |
| Unrestricted Funds | | |
| Operations | (26,452) | 4,254 |
| Cultural programs | 1,907 | 4,604 |
| Internally Restricted Funds | | |
| Invested in Capital Assets (Note 8) | 74,595 | 38,916 |
| Future Site Development | - | 66,388 |
| | 50,050 | 114,162 |
| | \$ 463,869 | \$ 466,222 |

Approved on behalf of the Board of Directors:

_____ Director

_____ Director

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2015

| | | | | | 2015 | 2014 |
|---|-------------|-------------------|----------------------------|-------------------------|-------------|------------|
| | Operations | Cultural Programs | Invested in Capital Assets | Future Site Development | Total | Total |
| REVENUES | | | | | | |
| Grants | | | | | | |
| Province of Manitoba | \$ 461,700 | \$ 89,300 | \$ 25,000 | \$ - | \$ 576,000 | \$ 557,050 |
| Government of Canada | 66,000 | 114,000 | - | - | 180,000 | 210,782 |
| Other | - | 39,697 | - | - | 39,697 | 61,675 |
| Amortization of deferred contributions | - | - | 9,423 | - | 9,423 | 11,824 |
| Hall rental sales | 176,866 | - | - | - | 176,866 | 204,208 |
| Admission fees | - | 105,416 | - | - | 105,416 | 107,628 |
| Rent (Note 1) | 75,875 | - | - | - | 75,875 | 106,742 |
| Technical services | 67,199 | - | - | - | 67,199 | 73,566 |
| Food and beverage sales | 67,062 | - | - | - | 67,062 | 66,346 |
| Sponsorships and donations | 200 | 14,158 | - | - | 14,358 | 14,020 |
| Other | 3,807 | 3,924 | - | - | 7,731 | 4,152 |
| Janitorial services | 6,704 | - | - | - | 6,704 | 9,074 |
| Interest income | 3,985 | 2 | - | - | 3,987 | 3,653 |
| Administration fees | 2,686 | - | - | - | 2,686 | 1,749 |
| Stamp and photocopy sales | 2,459 | - | - | - | 2,459 | 2,499 |
| | 934,543 | 366,497 | 34,423 | - | 1,335,463 | 1,434,968 |
| EXPENSES (See schedule) | 981,789 | 369,194 | 48,592 | - | 1,399,575 | 1,373,580 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR | \$ (47,246) | \$ (2,697) | \$ (14,169) | \$ - | \$ (64,112) | \$ 61,388 |
| FUND BALANCES, beginning of year | 4,254 | 4,604 | 38,916 | 66,388 | 114,162 | 52,774 |
| INTERFUND TRANSFER | 16,540 | - | 49,848 | (66,388) | - | - |
| FUND BALANCES, end of year | \$ (26,452) | \$ 1,907 | \$ 74,595 | \$ - | \$ 50,050 | \$ 114,162 |

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

| | 2015 | 2014 |
|---|------------------|-------------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Cash received from: | | |
| Government | \$ 789,199 | \$ 766,050 |
| Other funders | 39,697 | 61,075 |
| Individuals and customers | 515,099 | 609,413 |
| Cash paid for: | | |
| Salaries and benefits | (660,137) | (708,362) |
| Projects, materials and supplies | (653,880) | (684,068) |
| Hall rental deposits to clients | (14,373) | (582) |
| | <u>15,605</u> | <u>43,526</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Acquisition of capital assets | (49,848) | - |
| (DECREASE) INCREASE IN CASH DURING THE YEAR | (34,243) | 43,526 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 117,834 | 74,308 |
| CASH AND AND CASH EQUIVALENTS, END OF YEAR | \$ 83,591 | \$ 117,834 |
| Represented by | | |
| Cash and bank | \$ 83,591 | \$ 117,834 |

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

**LE CENTRE CULTUREL FRANCO-MANITOBAIN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

FOR THE YEAR ENDED MARCH 31, 2015

BASIS OF PRESENTATION

The financial statements of the corporation are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board.

REVENUE RECOGNITION

The corporation follows the deferral method accounting for contributions.

The financial resources of the corporation are allocated to four funds corresponding to the corporation's activities and objectives as follows:

(i) Unrestricted Funds

Operations - Includes transactions related to the maintenance of facilities and the general operations of the corporation.

Cultural Programs - Includes transactions related to the delivery of cultural programs as outlined in the objectives of the corporation.

(ii) Internally Restricted Funds

Invested in capital assets - Involves internal restrictions and is used for recording capital asset additions, major repairs related to the building's operations, amortization of deferred contributions related to capital assets and amortization of capital assets. At year end, an interfund transfer is recorded from the Operations fund to the Invested in capital assets fund representing the corporation's net investment in capital assets.

Future site development fund - This fund is an internally restricted fund established to cover costs of future development of the corporation's premises.

Grants received for specific projects are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred revenue in the statement of financial position.

Hall rental sales, food and beverage sales, technical services, and sponsorships and donations are recognized as revenue when the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Admission fees are recognized as revenue when the event has occurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

**LE CENTRE CULTUREL FRANCO-MANITOBAIN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

FOR THE YEAR ENDED MARCH 31, 2015

FINANCIAL INSTRUMENTS

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in the financial statements, if applicable. All other financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstance indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and bank indebtedness.

INVENTORY

Inventory is valued at the lower of cost, using the first-in-first-out method, and net realizable value.

CAPITAL ASSETS

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

| | |
|------------------------|---------------------------------|
| Technical equipment | 20% |
| Computer equipment | 30% |
| Kitchen equipment | 20% |
| Cash registers | 20% |
| Furniture and fixtures | 20% |
| Security system | 20% |
| Maintenance equipment | 20% |
| Telephone systems | 20% |
| Air Make up Unit | 10% |
| Electronic signs | 20% |
| Air Make-up Unit | 10 years (straight line method) |

USE OF BUILDING

The use of the building is accounted for as described in Note 9.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

1. NATURE OF THE CORPORATION

LE CENTRE CULTUREL FRANCO-MANITOBAIN ("the corporation") was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The corporation's objectives are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. VACATION PAY RECEIVABLE

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as at March 31, 1995. Subsequent to March 31, 1995, the Province of Manitoba has included in its ongoing annual funding to the corporation an amount equal to the current year's expense for vacation pay entitlements.

3. DEFERRED CHARGES

As an inducement to enter into the Lease Agreement with Stella's and for the purpose of completing the tenant's work as related to the premises, the Corporation has agreed to provide the Tenant a leasehold improvement allowance in the amount of \$60,000. This amount will be amortized as an expense over the term of the lease agreement which is expected to begin April 2015.

4. CAPITAL ASSETS

| | 2015 | | 2014 | |
|------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Technical equipment | \$ 201,563 | \$ 177,031 | \$ 201,563 | \$ 170,898 |
| Computer equipment | 138,313 | 133,051 | 136,124 | 130,796 |
| Air Make-up System | 47,659 | 4,766 | - | - |
| Furniture and fixtures | 37,200 | 25,374 | 37,200 | 22,417 |
| Security system | 30,420 | 27,232 | 30,420 | 26,435 |
| Electric sign | 29,409 | 14,351 | 29,409 | 10,587 |
| Maintenance equipment | 28,683 | 26,096 | 28,683 | 25,450 |
| Kitchen equipment | 15,541 | 13,943 | 15,541 | 13,544 |
| Cash registers | 8,999 | 7,001 | 8,999 | 6,502 |
| Telephone equipment | 6,552 | 3,342 | 6,552 | 1,966 |
| | \$ 544,339 | \$ 432,187 | \$ 494,491 | \$ 408,595 |
| Net book value | | \$ 112,152 | | \$ 85,896 |

LE CENTRE CULTUREL FRANCO-MANITOBAIN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

5. BANK INDEBTEDNESS

The corporation has a line of credit with Caisse Groupe Financier Ltée for a maximum of \$100,000 bearing interest at prime (3.15% at March 31, 2015). The line of credit is secured by a general security agreement. At March 31, 2015, the line of credit has a balance of \$Nil (\$Nil at March 31, 2014).

6. DEFERRED REVENUE

Deferred revenue represents unspent resources received during the year related to matching expenses of subsequent periods.

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Province of Manitoba - Cultural Programs | 6,500 | 38,200 |
| Other sources of funding - Cultural Programs | 7,972 | 750 |
| Other revenues - Operating | <u>1,551</u> | <u>11,215</u> |
| Balance, end of year | <u>\$ 16,023</u> | <u>\$ 50,165</u> |

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows :

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 46,980 | \$ (58,804) |
| Amount amortized to revenue | <u>(9,423)</u> | <u>(11,824)</u> |
| Balance, end of year | <u>\$ 37,557</u> | <u>\$ 46,980</u> |

LE CENTRE CULTUREL FRANCO-MANITOBAIN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

8. INVESTED IN CAPITAL ASSETS

Investment in capital assets is calculated as follows :

| | 2015 | 2014 |
|-----------------------------|------------------|------------------|
| Capital assets | \$ 112,152 | \$ 85,896 |
| Less deferred contributions | (37,557) | (46,980) |
| | <u>\$ 74,595</u> | <u>\$ 38,916</u> |

9. USE OF BUILDING

The building used by the corporation is owned by the Province of Manitoba and is made available to the corporation rent-free. The corporation is responsible for all operating and maintenance costs including third party liability insurance.

The corporation charges rent to all tenants, groups and organizations that make use of the building. This rental revenue is retained by the corporation and recorded as revenue in the Operations fund, thereby reducing the corporation's reliance on funding from the Province.

The corporation pays certain expenses related to utility and maintenance costs for the Centre du Patrimoine and for Le Cercle Molière. The corporation recovers the utility and maintenance costs from La Société historique de Saint-Boniface and from Le Cercle Molière.

10. FINANCIAL RISK MANAGEMENT

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's Executive Director. The Board of Directors receives monthly reports from the corporation's Executive Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation is exposed to different types of risk in the normal course of its operations, including credit risk and market risk.

There have been no significant changes from the previous year in the exposure to risk or policies or procedures used to manage financial instrument risks.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the corporation to credit risk consist principally of accounts receivable.

The corporation's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Grants receivable | \$ 66,505 | \$ 127,596 |
| Accounts receivable | 75,682 | 70,101 |
| Accounts receivable - Province of Manitoba | 25,891 | 25,891 |
| GST receivable | 10,817 | 7,403 |
| | <u>\$ 178,895</u> | <u>\$ 230,991</u> |

Accounts receivable: The corporation is not exposed to significant credit risk as receivables are spread among a large client base and geographic region and payment in full is typically collected when it is due. The corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Grants receivable and accounts receivable - Province of Manitoba: The corporation is not exposed to significant credit risk as these receivables are from the Provincial and Federal Government.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign exchange risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The corporation is not exposed to significant interest rate risk. Cash is held in short-term or variable rate products and bank indebtedness is also at variable rates.

The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation's normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

**LE CENTRE CULTUREL FRANCO-MANITOBAIN
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED MARCH 31, 2015

11. ECONOMIC DEPENDENCE

The corporation is economically dependent on grants from the Province of Manitoba and Government of Canada.

12. CONTINGENCIES

As at March 31, 2015, there are three separate legal claims against the corporation. The probable outcome of the claims is not determinable at this time. No accrual has been recorded in the financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
SCHEDULE OF EXPENSES
For the year ended March 31, 2015

| | | | | | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|----------------------------|-----------------------|---------------------|---------------------|
| | Operations | Cultural Programs | Invested in Capital Assets | Internally Restricted | Total | Total |
| EXPENSES | | | | | | |
| Salaries | \$ 501,664 | \$ 145,241 | \$ - | \$ - | \$ 646,905 | \$ 691,545 |
| Employment and other contracts | 78,849 | 128,938 | - | - | 207,787 | 209,554 |
| Repairs and maintenance | 103,435 | 1,285 | 25,000 | - | 129,720 | 110,255 |
| Utilities | 70,436 | - | - | - | 70,436 | 71,848 |
| Professional and consulting fees | 66,351 | 398 | - | - | 66,749 | 29,838 |
| Food and beverage | 28,010 | 17,706 | - | - | 45,716 | 44,073 |
| Travel | 421 | 44,859 | - | - | 45,280 | 43,293 |
| Hall rental and technical services | 28,797 | 2,170 | - | - | 30,967 | 39,895 |
| Supplies | 27,674 | 2,765 | - | - | 30,439 | 30,875 |
| Computer and technology | 29,800 | 489 | - | - | 30,289 | 16,840 |
| Amortization of capital assets | - | - | 23,592 | - | 23,592 | 23,243 |
| Insurance | 21,587 | - | - | - | 21,587 | 21,648 |
| Advertising and promotion | 1,583 | 14,967 | - | - | 16,550 | 10,462 |
| Other | 2,440 | 5,217 | - | - | 7,657 | 5,236 |
| Telephone and internet | 7,092 | - | - | - | 7,092 | 8,838 |
| Fees and dues | 3,193 | 3,251 | - | - | 6,444 | 6,004 |
| Materials | 3,784 | 1,626 | - | - | 5,410 | 2,759 |
| Bank charges and interest | 5,126 | 21 | - | - | 5,147 | 5,715 |
| Meetings | 1,547 | 261 | - | - | 1,808 | 1,659 |
| | \$ 981,789 | \$ 369,194 | \$ 48,592 | \$ - | \$ 1,399,575 | \$ 1,373,580 |

COMMUNITIES ECONOMIC DEVELOPMENT FUND
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

COMMUNITIES ECONOMIC DEVELOPMENT FUND

YEAR ENDED MARCH 31, 2015

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AUDITORS' REPORT

FINANCIAL STATEMENTS

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| Notes to Financial Statements | 5 |

KENDALL & PANDYA

Chartered Accountants

Partners.... David Kendall, FCA *
Manisha Pandya, CA *

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* Operating as professional corporations

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Communities Economic Development Fund

Report on the Financial Statements

We have audited the statement of financial position of COMMUNITIES ECONOMIC DEVELOPMENT FUND as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Communities Economic Development Fund., as at March 31, 2015 and its operations and cash flows for the year then ended in accordance with Canadian auditing standards for not-for-profit organizations.

Other Matters

The financial statements of Communities Economic Development Fund for the year ended March 31, 2014, were audited by another CA firm who expressed a qualified opinion on those statements on June 10, 2014. Note 13 discusses the reasons for the qualified opinion.

Thompson, Manitoba
June 9, 2015

Kendall & Pandya
CHARTERED ACCOUNTANTS

COMMUNITIES ECONOMIC DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

ASSETS

CURRENT ASSETS

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Cash | \$ 948,451 | \$ 203,529 |
| Trust Deposits - Province of Manitoba | 1,298,770 | 1,946,993 |
| Due from the Province of Manitoba (Note 2) | 3,179,793 | 2,945,044 |
| Accounts Receivable | 10,813 | 68,868 |
| Property Held for Resale | 4,419 | 4,425 |
| Prepaid Expenses | 4,444 | 5,287 |
| | <u>\$ 5,446,690</u> | <u>\$ 5,174,146</u> |
| Loan Receivable (Note 3) | \$ 27,885,300 | \$ 23,939,385 |
| Capital Assets (Note 4) | 959,278 | 943,281 |
| | <u>\$ 28,844,578</u> | <u>\$ 24,882,666</u> |
| | <u><u>\$ 34,291,268</u></u> | <u><u>\$ 30,056,812</u></u> |

LIABILITIES

CURRENT LIABILITIES

| | | |
|---|-----------------------------|-----------------------------|
| Accounts payable and Accrued Liabilities | \$ 1,180,452 | \$ 504,286 |
| Deferred Contributions (Note 5) | 157,233 | 189,046 |
| Interest Payable to the Province of Manitoba | 267,500 | 259,250 |
| | <u>\$ 1,605,185</u> | <u>\$ 952,582</u> |
| Accrued Pension Liability (Note 6) | \$ 2,419,610 | \$ 2,794,331 |
| Advances by the Province of Manitoba (Note 7) | 30,266,473 | 26,309,899 |
| | <u>\$ 34,291,268</u> | <u>\$ 30,056,812</u> |
| Commitments (Note 8) | | |
| NET ASSETS | \$ - | \$ - |
| | <u><u>\$ 34,291,268</u></u> | <u><u>\$ 30,056,812</u></u> |

APPROVED BY THE BOARD OF DIRECTORS:

Original Document Signed

Original Document Signed

COMMUNITIES ECONOMIC DEVELOPMENT FUND
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2015

| REVENUE | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Loan Interest | | |
| Business Program | \$ 879,772 | \$ 792,324 |
| Fisheries Program | 673,917 | 734,379 |
| Investment Income | 57,964 | 46,222 |
| | <u>\$ 1,611,653</u> | <u>\$ 1,572,925</u> |
| COST OF FUNDS | | |
| Interest paid to the Province of Manitoba | | |
| Business Program | \$ 437,166 | \$ 413,850 |
| Fisheries Program | 300,067 | 297,948 |
| Life Insurance | 117,783 | 115,791 |
| Trust Line of Credit | - | - |
| | <u>\$ 855,016</u> | <u>\$ 827,589</u> |
| GROSS MARGIN | 756,637 | 745,336 |
| OPERATING EXPENDITURES (Note 12) | \$ (1,764,725) | \$ (1,731,992) |
| | \$ (1,008,088) | \$ (986,656) |
| OTHER REVENUE | | |
| Administration fees | \$ 183,729 | \$ 157,338 |
| Program Revenues | 78,342 | - |
| | <u>\$ 262,071</u> | <u>\$ 157,338</u> |
| Deficiency of Revenue Over Expenditures | | |
| Before Provision for Doubtful Loans | (746,017) | (829,318) |
| Provisions for Doubtful Loans | | |
| Regular Operations | 723,389 | 640,132 |
| Deficiency of Revenue Over Expenditures before | | |
| Subsidy due from Province of Manitoba | (1,469,406) | (1,469,450) |
| Subsidy due from Province of Manitoba | <u>1,469,406</u> | <u>1,469,450</u> |
| Excess of Revenue Over Expenditures | \$ - | \$ - |
| Net Assets, beginning of Year | <u>-</u> | <u>-</u> |
| Net Assets, end of Year | <u>\$ -</u> | <u>\$ -</u> |

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of Revenue over Expenditures for the year | \$ - | \$ - |
| Adjustments for Non-cash Items | - | - |
| Amortization of Capital Assets | 29,792 | 26,607 |
| Provision for Doubtful Loans | 723,389 | 640,132 |
| | <u>\$ 753,181</u> | <u>\$ 666,739</u> |
| Net Changes in Working Capital Balances | | |
| Accounts Receivable | \$ 58,055 | \$ 3,102 |
| Prepaid Expenses | 843 | (2,253) |
| Accounts Payable and Accrued Liabilities | 676,166 | (949,985) |
| Deferred Contributions | (31,813) | (10,626) |
| Interest Payable to the Province of Manitoba | 8,250 | (37,217) |
| Accrued Pension Liability | (374,721) | 166,695 |
| Property for Resale | 6 | - |
| | <u>\$ 1,089,967</u> | <u>\$ (163,545)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net Increase (Decrease) in Amounts Due from Province of Manitoba | \$ (234,749) | \$ 749,144 |
| Net Increase (Decrease) in Advance by the Province of Manitoba | 3,956,574 | 2,523,108 |
| | <u>\$ 3,721,825</u> | <u>\$ 3,272,252</u> |
| CASH FLOWS FROM CAPITAL ACTIVITY | | |
| Acquisition of Capital Assets | <u>\$ (45,789)</u> | <u>\$ (4,679)</u> |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Change in Loans Receivable Net of Repayments | <u>\$ (4,669,304)</u> | <u>\$ (1,592,464)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>\$ 96,699</u> | <u>\$ 1,511,564</u> |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>\$ 2,150,522</u> | <u>\$ 638,958</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u><u>\$ 2,247,221</u></u> | <u><u>\$ 2,150,522</u></u> |
| REPRESENTED BY: | | |
| Cash and Bank | \$ 948,451 | \$ 203,529 |
| Term Deposits - Province of Manitoba | 1,298,770 | 1,946,993 |
| | <u><u>\$ 2,247,221</u></u> | <u><u>\$ 2,150,522</u></u> |

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Organization

The Communities Economic Development Fund (the "Fund") was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July 1991, the object of the Fund is to encourage the economic development of northern Manitoba, aboriginal people outside the City of Winnipeg, and the fishing industry in Manitoba. The Business and Fisheries Loans Programs are administered under the CEDF Act.

b) Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

c) Management's Responsibility for the Financial Statements

The financial statements of the Fund are the responsibility of management.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term deposits with a duration of less than ninety days from the date of acquisition.

e) Revenue Recognition

The Fund follows the deferral method of accounting for contributions. Interest on loans is recorded as revenue on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest revenue ceases when the carrying amount of the loan including accrued interest exceeds the estimated realizable amount of the underlying security. Investment revenue is recorded on an accrual basis.

Other revenue including administration fees is recorded when the related services or activity is provided.

f) Allowance for Doubtful Loans

Business Loans Program

The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than three payments in arrears, no plans in place to address arrears, and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a specific allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a non-specific allowance equal to 5% of the outstanding loan balance is recorded.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

g) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at a fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

h) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

| | | |
|--------------------------------|--------|-----|
| Building | | 2% |
| Office Furniture and Equipment | 10% to | 30% |
| Parking Lot | | 50% |

i) Employment and Post-Employment Benefits

The Fund provides pension, retirement allowance and sick leave benefits to its employees. Employees of the Fund are provided pension benefits by The Civil Service Superannuation Fund ("the CSSF"). The cost of the pension benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire. Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by the employees are charged to expenses as services are rendered. The costs are actuarially determined using projected benefit payments and reflect management's best estimates of future payouts. Adjustments to the allowance are recognized in income immediately.

Employees of the Fund are entitled to sick pay benefits that accumulate but do not vest. The cost of the anticipated future sick pay benefits that will be required by the employee is charged to expenses as services are rendered. The cost is determined using present value techniques.

j) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian Public Sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Significant estimates are involved in the valuation of loans receivable and the accrued pension liability. Actual results may differ from those estimates.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

2. DUE FROM THE PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant for the Fund's anticipated subsidy requirements for the year. The amount of \$3,179,793 (\$2,945,044 in 2014) represents additional funds needed to fund the actual requirements for the year including the pension liability. The balance is comprised of the following:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Department of Aboriginal and Northern Affairs | | |
| - Subsidy Refundable | \$ (44,643) | \$ (85,952) |
| Order in Council Pending | 593,907 | 171,263 |
| Pension, Unfunded | 2,389,537 | 2,768,754 |
| Pension, Funded | 27,891 | 25,579 |
| Severance Accrued, Unfunded | 213,101 | 65,400 |
| | <u>\$ 3,179,793</u> | <u>\$ 2,945,044</u> |

3. LOANS RECEIVABLE

Loans receivable by program are as follows:

Business Loans Program

Interest rates applied range from 4.75% to 9.87%

| | | |
|------------------|-------------------|-------------------|
| Principal | \$ 20,216,389 | \$ 15,283,499 |
| Accrued interest | 1,242,640 | 1,381,798 |
| | <u>21,459,029</u> | <u>16,665,297</u> |

| | | |
|------------------------------|-------------|-------------|
| Allowance for doubtful loans | (3,250,287) | (2,760,481) |
|------------------------------|-------------|-------------|

| | | |
|------------------------------|----------------------|----------------------|
| Total Business Loans Program | <u>\$ 18,208,742</u> | <u>\$ 13,904,816</u> |
|------------------------------|----------------------|----------------------|

Fisheries Loans Program

Interest rates applied range from 4.25% to 6.25%

| | | |
|------------------|-------------------|-------------------|
| Principal | \$ 11,810,502 | \$ 12,157,685 |
| Accrued interest | 852,218 | 1,008,831 |
| | <u>12,662,720</u> | <u>13,166,516</u> |

| | | |
|------------------------------|-------------|-------------|
| Allowance for doubtful loans | (2,986,162) | (3,131,947) |
|------------------------------|-------------|-------------|

| | | |
|-------------------------|---|---|
| Allowance for insurance | - | - |
|-------------------------|---|---|

| | | |
|--------------------------------|------------------|-------------------|
| Total Fisheries Loans Programs | <u>9,676,558</u> | <u>10,034,569</u> |
|--------------------------------|------------------|-------------------|

| | | |
|---|-----------------------------|-----------------------------|
| Total Business and Fisheries Loan Programs | <u><u>\$ 27,885,300</u></u> | <u><u>\$ 23,939,385</u></u> |
|---|-----------------------------|-----------------------------|

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

Gross amount of loans together with the allowance for doubtful loans are as follows:

| | 2015 | | 2014 | |
|-------------------------|--------------------------------|----------------------------|-------------------------------|----------------------------|
| | Gross Loan Balances | Total Allowance | Gross Loan Balance | Total Allowance |
| Business Loans Program | | | | |
| Impaired | \$ 3,529,450 | \$ 2,349,365 | \$ 3,571,437 | \$ 2,105,788 |
| Performing | 17,929,579 | 900,922 | 13,093,860 | 654,693 |
| | <u>21,459,029</u> | <u>3,250,287</u> | <u>16,665,297</u> | <u>2,760,481</u> |
| Fisheries Loans Program | | | | |
| Impaired | \$ 2,986,162 | \$ 2,986,162 | \$ 3,131,947 | \$ 3,131,947 |
| Performing | 9,676,558 | - | 10,034,569 | - |
| | <u>\$ 12,662,720</u> | <u>\$ 2,986,162</u> | <u>\$ 13,166,516</u> | <u>\$ 3,131,947</u> |

The change in the allowance for doubtful loans are as follows:

| | Specific | Non-Specific | Specific | Non-Specific |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Business Loans Program | | | | |
| Balance, beginning of year | \$ 2,105,788 | \$ 654,693 | \$ 1,492,093 | \$ 489,976 |
| Provision for the year | 545,417 | 246,229 | 613,695 | 164,717 |
| | <u>\$ 2,651,205</u> | <u>\$ 900,922</u> | <u>\$ 2,105,788</u> | <u>\$ 654,693</u> |
| Loans written off | (301,840) | - | - | - |
| Balance, end of year | <u>\$ 2,349,365</u> | <u>\$ 900,922</u> | <u>\$ 2,105,788</u> | <u>\$ 654,693</u> |

| | 2015 | 2014 |
|-----------------------------------|---------------------|---------------------|
| Fisheries Loan Program | | |
| Balance, beginning of year | \$ 3,131,947 | \$ 3,509,676 |
| (Recovery) provision for the year | 151,052 | (138,280) |
| | <u>\$ 3,282,999</u> | <u>\$ 3,371,396</u> |
| Loans written off | (296,837) | (239,449) |
| | <u>\$ 2,986,162</u> | <u>\$ 3,131,947</u> |

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2015 by NIL (Nil in 2014).

| | 2015 | 2014 |
|-----------------------------------|--------------|--------------|
| Loan Loss Provision | | |
| Per accounts | \$ 2,986,162 | \$ 3,131,947 |
| Per net present value calculation | (2,986,162) | (3,131,947) |
| | <u>\$ -</u> | <u>\$ -</u> |

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

4. CAPITAL ASSETS

| | Costs | Accumulated Amortization | 2015 Net Book Value |
|--------------------------------|---------------------|-----------------------------|---------------------------|
| Land | \$ 92,482 | \$ - | \$ 92,482 |
| Building | 931,236 | 116,405 | 814,831 |
| Office Furniture and Equipment | 213,130 | 161,165 | 51,965 |
| Parking Lot | 73,000 | 73,000 | - |
| Total | <u>\$ 1,309,848</u> | <u>\$ 350,570</u> | <u>\$ 959,278</u> |

| | Costs | Accumulated Amortization | 2014 Net Book Value |
|--------------------------------|---------------------|-----------------------------|---------------------------|
| Land | \$ 92,482 | \$ - | \$ 92,482 |
| Building | 931,236 | 97,780 | 833,456 |
| Office Furniture and Equipment | 167,341 | 149,998 | 17,343 |
| Parking Lot | 73,000 | 73,000 | - |
| Total | <u>\$ 1,264,059</u> | <u>\$ 320,778</u> | <u>\$ 943,281</u> |

5. DEFERRED CONTRIBUTIONS

The Government of Manitoba has contributed \$200,000 to the Fund in prior years to establish the Non-Timber Forest Products Program. Transactions for the year and deferred contributions at year end are as follows:

| | 2015 | 2014 |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 189,046 | \$ 199,672 |
| Recognized during the year | (31,813) | (10,626) |
| | <u>\$ 157,233</u> | <u>\$ 189,046</u> |

6. EMPLOYMENT AND POST-EMPLOYMENT BENEFITS PAYABLE

Pension Benefits

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to and are pensionable under, The Civil Service Superannuation Fund. In accordance with the provisions of The Civil Service Superannuation Act, the Fund is a "non-matching employer" and contributes 50% of the pension payments made to retired employees. The current pension expense consists of the Fund's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. The liability is determined every year. The most recent actuarial valuation available is as at March 31, 2015.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

The significant actuarial assumptions adopted in measuring the Fund's pension liability are as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Benefit costs for the year ended March 31 | | |
| Discount Rate | 6.00% | 6.00% |
| Rate of Compensation Increase | 3.75% | 3.75% |

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees.

Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations.

In fiscal years prior to 2015, the pension liability was calculated using the solvency method.

Beginning in the 2015 fiscal year the pension liability is calculated using the going concern method in order to comply with Canadian public sector accounting standards.

Pre-Retirement Benefits

Employees may be eligible for a pre-retirement benefit provided specific criteria are met. The pre-retirement liability is estimated, based on a first time commissioned actuarial report dated March 31, 2015, to be \$ 213,100 (\$50,700 in 2014) and is included in accounts payable and accrued liabilities.

Sick Leave Benefits

Employees of the Fund are entitled to sick leave benefits during employment. Sick leave benefits, which accumulate but do not vest are estimated to be a liability as at March 31, 2015 of \$10,727 (\$9,600 in 2014). The amount is not considered to be significant by management and as such has not been recorded as a liability in the financial statements of the Fund.

7. ADVANCES BY THE PROVINCE OF MANITOBA

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to The Loan Act 2014. The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances by the Province of Manitoba by program are as follows:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Business Loan Program | | |
| Advances, beginning of year | \$ 18,826,176 | \$ 16,899,265 |
| Loan Advances | 8,640,000 | 7,559,000 |
| Loan Advances Repayments | (4,988,359) | (5,632,089) |
| Advances, end of year | <u>\$ 22,477,817</u> | <u>\$ 18,826,176</u> |
| Unfunded allowance for doubtful loans, beginning of year | \$ 2,392,442 | \$ 2,689,923 |
| Provision for doubtful loans | 791,646 | 778,412 |
| Loans written off as approved by Order in Council | (193,255) | (1,075,893) |
| Unfunded allowance for doubtful loans, end of year | <u>2,990,833</u> | <u>2,392,442</u> |
| Net advances balance, end of year | <u><u>\$ 19,486,984</u></u> | <u><u>\$ 16,433,734</u></u> |

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| Fisheries Loans Program | | |
| Advances, beginning of year | \$ 12,659,793 | \$ 12,523,053 |
| Loan Advances | 4,506,000 | 4,275,000 |
| Loan Advances Repayments | (3,408,418) | (4,138,260) |
| Advances, end of year | <u>\$ 13,757,375</u> | <u>\$ 12,659,793</u> |
| Unfunded allowance for doubtful loans, beginning of year | 3,671,226 | 3,858,039 |
| (Recovery) Provision for doubtful loans | 168,114 | (138,280) |
| Loans written off as approved by Order in Council | - | (48,533) |
| Unfunded allowance for doubtful loans, end of year | <u>3,839,340</u> | <u>3,671,226</u> |
| Net advances balance, end of year | <u><u>\$ 9,918,035</u></u> | <u><u>\$ 8,988,567</u></u> |

| Net Advances due by the Province of Manitoba are as follows: | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| Business Loans Program | \$ 19,486,984 | \$ 16,433,734 |
| Fisheries Loans Program | 9,918,035 | 8,988,567 |
| Building Mortgage | 861,454 | 887,598 |
| | <u><u>\$ 30,266,473</u></u> | <u><u>\$ 26,309,899</u></u> |

The Fund obtains capital, through its Loan Act, for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund has the option to draw annually approved Loan Act funds on floating rates periodically at the Royal bank prime rate minus 0.75%. At year end, the advances bore rates ranging from 1.75% to 5.25% with a weighted cost of capital of 2.20%.

Principal payments due in each of the next five fiscal years on advances by the Province of Manitoba that exclude unfunded allowances for doubtful loans are as follows:

| | |
|------|---------------|
| 2016 | \$ 10,730,456 |
| 2017 | \$ 1,321,181 |
| 2018 | \$ 7,664,864 |
| 2019 | \$ 4,203,126 |
| 2020 | \$ 2,217,941 |

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

8. COMMITMENTS

Total undisbursed balances of approved loans are \$ 1,069,635 as at March 31, 2015 (\$3,474,306 at March 31, 2014).

9. LOAN ACT AUTHORITY

Amounts authorized for advances under The Loan Act 2014 are as follows:

| | 2015 |
|-----------------------------------|----------------------|
| The Loan Act, 2014 | \$ 13,146,000 |
| Authority used | 13,146,000 |
| Unused Loan Act Capital Available | \$ - |

10. ECONOMIC DEPENDENCE

The ongoing operations of the Fund depends on obtaining adequate financing and funding from the Province of Manitoba.

11. FINANCIAL INSTRUMENT RISK MANAGEMENT AND EXPOSURES

There have been no substantive charges in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

The board has overall responsibility for the determination of the Fund's risk management objectives and policies and has identified significant exposure to credit risk.

Credit Risk

Credit risk is the risk of loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund has significant outstanding loans and is mainly exposed to credit risk through the credit quality of the individuals and businesses to whom the Fund has loaned funds.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's and business' ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to risk, without taking into account any collateral or other credit enhancements is \$27,896,113 (\$24,008,253 in 2014) which consists of loans and accounts receivable.

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds \$29,184,070 (\$25,886,378 in 2014) in interest bearing deposits and loans receivable at March 31, 2015. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis on its weighed average cost of capital.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 2015

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations as they becomes due, and arises from the Fund's management of working capital and collections of loans receivable. The Fund's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

12. SCHEDULE OF OPERATING EXPENDITURES FOR THE YEAR ENDED MARCH 31

| | 2015 | 2014 |
|--------------------------------|------------------|---------------------|
| Amortization of Capital Assets | \$ 29,792 | \$ 26,607 |
| Collection Costs | 113,311 | 46,763 |
| Communications | 44,567 | 35,318 |
| Credit Reports | 4,146 | 2,368 |
| Directors' Fees and Expenses | 81,563 | 81,241 |
| Government Vehicle | 38,863 | 31,420 |
| Insurance | 8,569 | 8,142 |
| Legal Costs | 13,336 | 7,298 |
| MAFRI | 95,206 | 90,846 |
| Mortgage Interest | 46,031 | 47,386 |
| Office Supplies and Expenses | 37,717 | 54,289 |
| Pension | 58,391 | 229,940 |
| Professional Fees | 65,627 | 46,951 |
| Program Expenses | 74,386 | - |
| Rent and Utilities | 30,066 | 28,694 |
| Repair and Maintenance | 11,542 | 23,675 |
| Salaries and Benefits | 961,833 | 911,090 |
| Sundry | 14,016 | 18,593 |
| Travel | 35,763 | 41,371 |
| | <u>1,764,725</u> | <u>\$ 1,731,992</u> |

13. BASIS FOR QUALIFIED OPINION

As discussed in Note 6 to the financial statements, the accrued pension liability recorded in the financial statements by management was calculated by an actuary based on the solvency method rather than the going concern method for fiscal years prior to March 31, 2015. This was a departure from Canadian public sector accounting standards. Based on the going concern method of calculating the accrued pension liability, the accrued pension liability and due from the Province of Manitoba should be decreased by \$779,331 at March 31, 2014, and the pension expense and subsidy due from the Province of Manitoba should be decreased by \$156,568 for the year ended March 31, 2014.

Beginning in the 2015 fiscal year the accrued pension liability is calculated based on the going concern method.



The Co-operative Loans and Loans Guarantee Board
400-352 Donald Street
Winnipeg, MB R3B 2H8

August 26, 2015

The Co-operative Loans and Loans Guarantee Board
Responsibility for Financial Reporting

The accompanying Schedule of Loans and Loan Guarantee Transactions and other financial information in the Annual Report for the year ended March 31, 2015 are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the Schedule of Loans and Loans Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

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Craig Marchinko
Chairperson



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Co-operative Loans and Loans Guarantee Board

We have audited the accompanying schedule of loans and loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of the schedule is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule presents fairly, in all material respects, the loans and loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2015 in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
August 26, 2015
Winnipeg, Manitoba

The Co-operative Loans and Loans Guarantee Board

Schedule of Loans and Loans Guarantee Transactions

Year ended March 31, 2015

| Loans (note 3) | March 31, 2014 | Additions | Repayment | March 31, 2015 |
|-------------------------|----------------|-----------|-----------|----------------|
| Neechi Foods Co-op Ltd. | \$ 1,140,000 | \$ 16,663 | \$ - | \$ 1,156,663 |
| | \$ 1,140,000 | \$ 16,663 | \$ - | \$ 1,156,663 |

| Loan Guarantees (note 4) | March 31, 2014 | Additions | Reduction | March 31, 2015 |
|---|----------------|------------|--------------|----------------|
| Springfield Seniors Non-Profit Housing Cooperative Ltd. | \$ - | \$ 900,000 | \$ (179,232) | \$ 720,768 |
| | \$ - | \$ 900,000 | \$ (179,232) | \$ 720,768 |

On behalf of the Board:

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Director

Original Document Signed

Director

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule

Year ended March 31, 2015

1. General

The Co-operative Associations Loans and Loans Guarantee Act established the Co-operative Loans and Loans Guarantee Board (CLLGB) with the primary objective of ensuring that cooperative organizations have access to basic financial services. The CLLGB is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Manitoba Housing and Community Development administer the activities of the CLLGB. The Department pays all administrative and general operating costs of the CLLGB. The CLLGB may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Significant Accounting Policies

a) Basis of presentation

This financial information is prepared in accordance with Canadian public accounting standards including PS 4200 series for government not-for-profit organizations.

b) Loans are stated as the total amount of principal outstanding.

c) Loan guarantees are stated at the maximum amount guaranteed.

d) In the event of a default on a loan or a loan guarantee, the Province of Manitoba is responsible for the associated costs in settling the defaulted amount(s).

3. Loans

Neechi Foods Co-op Ltd.

On August 20, 2012, the CLLGB authorized and approved a loan up to \$1,140,000 to Neechi Foods Co-op Ltd. The loan was approved by Order in Council up to \$1,140,000 to the CLLGB and subsequently on November 21, 2012, the initial loan payment of \$640,000 was issued. Repayment of the loan was due two years after the first advance. During 2013-14 CLLGB issued the remaining \$500,000 loan payment to Neechi Foods Co-op Ltd and subsequently, Neechi Foods Co-op Ltd paid \$20,527 in interest payments against the loan. During 2014-15, the interest on the loan to November 22, 2014 of \$16,663 was accrued and added to the outstanding balance of \$1,140,000 for a revised loan of \$1,156,663. Interest is calculated at the Province of Manitoba's floating rate. Interest accrued to March 31, 2015 is \$8,916. As at March 31, 2015, the loan balance is \$1,156,663 and the floating rate is 2.10%. Subsequent to March 31, 2015, the CLLGB is in the process of finalizing the refinancing of the loan with Neechi Foods Co-op Ltd. in the amount of \$1,156,663. Repayment of the loan is due November 22, 2016 and interest is due quarterly.

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule

Year ended March 31, 2015

4. Loan guarantees

Springfield Seniors Non-Profit Housing Co-operative Ltd.

On May 14, 2014, the CLLGB approved a loan guarantee up to \$900,000. The Oakbank Credit Union Ltd. accepted the loan guarantee and signed an agreement with the Springfield Seniors Non-Profit Housing Co-Operative Ltd. and the CLLGB dated July 30, 2014. The loan guarantee came into effect once 37 shares out of 47 shares were sold. The loan guarantee is to be reduced by \$89,616 when each remaining ten of the 47 shares are sold. The loan guarantee is to be further reduced by way of the Refundable Rental Housing Construction Tax Credit, if and when received by the Co-op once construction is complete. The expiry date of the loan guarantee is when all 47 units have been committed or March 31, 2016 whichever is sooner. At March 31, 2015, two out of ten remaining shares were sold, eight shares are still outstanding. The loan has been reduced for \$89,616 for each one of the two shares sold which is \$179,232 reduction of the loan guarantee. The remaining balance at March 31, 2015 for the loan guarantee is \$720,768.

5. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

| | 2015 |
|------------------------------------|--------------|
| The Loan Act, 2014 | \$ 3,500,000 |
| Outstanding loans: | |
| Advanced | (1,140,000) |
| Accrued interest in fiscal 2014/15 | (16,663) |
| | (1,156,663) |
| Guarantees | (720,768) |
| | \$ 1,622,569 |

6. Compensation disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid The Co-operative Loans and Loans Guarantee Board members and of individual compensation paid to board members or staff where such compensation is \$50,000 or more per year. For the period from April 1, 2014 to March 31, 2015, The Co-operative Loans and Loans Guarantee Board paid board members an aggregate of \$1,027 (2014 - \$242). This amount is included in note 7. No individuals received compensation of \$50,000 or more.

7. Contributed services

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff services for 2015 is estimated at \$17,225 (2014 - \$21,909) with another \$6,592 (2014 - \$9,459) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

August 6, 2015

The Cooperative Promotion Board
Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2015 are the responsibility of management and have been approved by the Board.

The financial statements were prepared by management in accordance with Canadian public sector accounting standards. Any financial information contained elsewhere in the Annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the financial statements of the Board in accordance with Canadian auditing standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Original Document Signed

Duane Nicol
Chairperson of the Board



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Cooperative Promotion Board

We have audited the accompanying financial statements of the Cooperative Promotion Board, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cooperative Promotion Board as at March 31, 2015, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
August 6, 2015
Winnipeg, Manitoba

The Cooperative Promotion Board

Statement of Financial Position

Year ended March 31, 2015, with comparative figures for 2014

| | General Account 2015 | Commercial Fishing Account 2015 | Total 2015 | General Account 2014 | Commercial Fishing Account 2014 | Total 2014 |
|--|----------------------------|--|---------------|----------------------------|--|---------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash (note 3) | \$ 91,928 | \$ 32,304 | \$ 124,232 | \$ 103,163 | \$ 34,350 | \$ 137,513 |
| Accounts receivable | 418 | 45 | 463 | 1,118 | 197 | 1,315 |
| Prepaid expenses | 461 | - | 461 | 508 | - | 508 |
| Current investments (note 4) | - | - | - | 64,400 | 41,724 | 106,124 |
| | 92,807 | 32,349 | 125,156 | 169,189 | 76,271 | 245,460 |
| Investments (note 4) | 128,800 | 45,580 | 174,380 | 64,400 | 571 | 64,971 |
| | \$ 221,607 | \$ 77,929 | \$ 299,536 | \$ 233,589 | \$ 76,842 | \$ 310,431 |
| Liabilities, Deferred Revenue and Fund Balances | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,079 | \$ - | \$ 1,079 | \$ - | \$ - | \$ - |
| Deferred revenue (note 5) | 27,300 | - | 27,300 | 27,300 | - | 27,300 |
| Fund balances: | | | | | | |
| Contributed capital (note 8) | 128,800 | - | 128,800 | 128,800 | - | 128,800 |
| General account | 64,428 | - | 64,428 | 77,489 | - | 77,489 |
| Commercial Fishing account | - | 77,929 | 77,929 | - | 76,842 | 76,842 |
| | 193,228 | 77,929 | 271,157 | 206,289 | 76,842 | 283,131 |
| Commitments (note 11) | | | | | | |
| | \$ 221,607 | \$ 77,929 | \$ 299,536 | \$ 233,589 | \$ 76,842 | \$ 310,431 |

See accompanying notes to financial statements

On behalf of the Board:

Original Document Signed

Director

Original Document Signed

Director

The Cooperative Promotion Board

Statement of Operations

Year ended March 31, 2015, with comparative figures for 2014

| | General Account 2015 | Commercial Fishing Account 2015 | Total 2015 | General Account 2014 | Commercial Fishing Account 2014 | Total 2014 |
|---|----------------------------|--|---------------|----------------------------|--|---------------|
| Revenue: | | | | | | |
| Interest | \$ 4,043 | \$ 1,078 | \$ 5,121 | \$ 4,248 | \$ 1,149 | \$ 5,397 |
| Dividend | - | 9 | 9 | - | 8 | 8 |
| Contributed services (note 7) | 18,343 | - | 18,343 | 20,121 | - | 20,121 |
| Grants from the Province of Manitoba (note 5) | - | - | - | 16,000 | - | 16,000 |
| Total revenue | 22,386 | 1,087 | 23,473 | 40,369 | 1,157 | 41,526 |
| Expenses: | | | | | | |
| Grants (schedule 1) | 13,103 | - | 13,103 | 19,949 | - | 19,949 |
| Administrative services (note 7) | 13,401 | - | 13,401 | 14,376 | - | 14,376 |
| Annual report | 187 | - | 187 | 1,281 | - | 1,281 |
| Board members' meals and travel | 741 | - | 741 | 780 | - | 780 |
| Board members' remuneration | 1,125 | - | 1,125 | 1,506 | - | 1,506 |
| Liability insurance | 915 | - | 915 | 738 | - | 738 |
| Membership fees | 955 | - | 955 | 927 | - | 927 |
| Miscellaneous | 318 | - | 318 | 231 | - | 231 |
| Professional services | 3,672 | - | 3,672 | 4,352 | - | 4,352 |
| Promotional campaign | - | - | - | 16,000 | - | 16,000 |
| Seminars and workshops | 1,030 | - | 1,030 | - | - | - |
| | 35,447 | - | 35,447 | 60,140 | - | 60,140 |
| Excess (deficiency) of revenue over expenses | \$ (13,061) | \$ 1,087 | \$ (11,974) | \$ (19,771) | \$ 1,157 | \$ (18,614) |

See accompanying notes to financial statements

The Cooperative Promotion Board

Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative figures for 2014

| | 2015 | | | 2014 | | |
|--|--------------------|----------------------------------|------------|--------------------|----------------------------------|------------|
| | General Account | Commercial Fishing Account | Total | General Account | Commercial Fishing Account | Total |
| | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
| Fund balances, beginning of year | | | | | | |
| Contributed capital | \$ 128,800 | \$ - | \$ 128,800 | \$ 128,800 | \$ - | \$ 128,800 |
| General account | 77,489 | - | 77,489 | 97,260 | - | 97,260 |
| Commercial Fishing account | - | 76,842 | 76,842 | - | 75,685 | 75,685 |
| | 206,289 | 76,842 | 283,131 | 226,060 | 75,685 | 301,745 |
| Excess (deficiency) of revenue over expenses | (13,061) | 1,087 | (11,974) | (19,771) | 1,157 | (18,614) |
| Fund balances, end of year | \$ 193,228 | \$ 77,929 | \$ 271,157 | \$ 206,289 | \$ 76,842 | \$ 283,131 |

See accompanying notes to financial statements

The Cooperative Promotion Board

Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014

| | General Account 2015 | Commercial Fishing Account 2015 | Total 2015 | General Account 2014 | Commercial Fishing Account 2014 | Total 2014 |
|--|----------------------------|--|---------------|----------------------------|--|---------------|
| Excess (deficiency) of revenue over expenses | \$ (13,061) | \$ 1,087 | \$ (11,974) | \$ (19,771) | \$ 1,157 | \$ (18,614) |
| Operating activities: | | | | | | |
| Changes in the following: | | | | | | |
| Accounts receivable | 700 | 152 | 852 | 141 | 2 | 143 |
| Prepaid expenses | 47 | - | 47 | (115) | - | (115) |
| Accounts payable | 1,079 | - | 1,079 | - | - | - |
| Net increase/(decrease) in deferred revenue | - | - | - | (16,000) | - | (16,000) |
| | (11,235) | 1,239 | (9,996) | (35,745) | 1,159 | (34,586) |
| Financing activities: | | | | | | |
| Purchase of investments | (64,400) | (45,000) | (109,400) | (64,400) | - | (64,400) |
| Proceeds from matured investments | 64,400 | 41,724 | 106,124 | 114,400 | - | 114,400 |
| Dividends | - | (9) | (9) | - | (8) | (8) |
| | - | (3,285) | (3,285) | 50,000 | (8) | 49,992 |
| Net increase/(decrease) in cash | (11,235) | (2,046) | (13,281) | 14,255 | 1,151 | 15,406 |
| Cash, beginning of year | 103,163 | 34,350 | 137,513 | 88,908 | 33,199 | 122,107 |
| Cash, end of year | \$ 91,928 | \$ 32,304 | \$ 124,232 | \$ 103,163 | \$ 34,350 | \$ 137,513 |
| Supplementary cash flow information: | | | | | | |
| Interest received | \$ 4,286 | \$ 1,230 | \$ 5,516 | \$ 4,389 | \$ 1,151 | \$ 5,540 |

See accompanying notes to financial statements

The Cooperative Promotion Board

Notes to Financial Statements

Year ended March 31, 2015

1. General

The Cooperative Promotion Board (CPB) operates under the terms of The Cooperative Promotion Trust Act (The Act), which came into force on December 20, 1988. The CPB is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when The Cooperative Promotion Trust Act came into force. The Department of Housing and Community Development administers the activities of the CPB.

General Account

The General Account funds controlled by the CPB consist of surplus funds of the original Canadian Wheat Board, apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the CPB when The Cooperative Promotion Trust Act came into force, and assets acquired by the CPB.

The objectives of the CPB with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba.

2. Significant accounting policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian public accounting standards including PS 4200 series for government not-for-profit organizations.

b) Fund accounting

The CPB follows the deferral method of accounting for contributions and maintains a General Account and a Commercial Fishing Account.

c) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate account in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the appropriate account when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue earned from cash balances on hand and the Guaranteed Investment Certificates (GICs) are recorded on an accrual basis.

The Cooperative Promotion Board

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies continued

d) Contributed services

Housing and Community Development provides administrative services to the CPB at no cost. The value of these contributed administrative services is recorded as revenue and expenses.

e) Financial instruments

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The CPB records its financial assets at cost, which includes cash, accounts receivable and investments. The CPB also records its financial liabilities at cost, which includes accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at fair value are recorded in the fund balances as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gains or loss occurs.

The CPB did not incur any remeasurement gains or losses during the year (2014 - nil).

f) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumption that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. Cash

General account

The cash balance for the General Account includes \$91,811 (2014 - \$102,232) held in a high yielding savings account at Assiniboine Credit Union at a fixed rate of 0.85% effective March 31, 2015. Interest is paid monthly.

Commercial Fishing account

The cash balance for the Commercial Fishing Account includes \$32,304 (2014 - \$34,350) held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 0.60% effective March 31, 2015. Interest is paid monthly.

The Cooperative Promotion Board

Notes to Financial Statements

Year ended March 31, 2015

4. Investments

The guaranteed investment certificates (GICs) are all held at Assiniboine Credit Union (ACU) and are compounded daily with interest paid annually.

Current investments

| | 2015 | 2014 |
|---|------|------------|
| General Account | | |
| 2.15% GIC - term January 11, 2013 to January 10, 2015 | \$ - | \$ 64,400 |
| Commercial Fishing Account | | |
| 2.15% GIC - term January 11, 2013 to January 10, 2015 | - | 41,724 |
| | \$ - | \$ 106,124 |

Long-term investments

| | 2015 | 2014 |
|---|------------|-----------|
| General Account | | |
| 2.50% GIC - term January 10, 2014 to January 9, 2017 | \$ 64,400 | \$ 64,400 |
| 2.45% GIC - term March 17, 2015 to September 17, 2017 | 64,400 | - |
| | 128,800 | 64,400 |
| Commercial Fishing Account | | |
| ACU - surplus shares | 580 | 571 |
| 2.45% GIC - term March 17, 2015 to September 17, 2017 | 45,000 | - |
| | 45,580 | 571 |
| | \$ 174,380 | \$ 64,971 |

5. Deferred revenue

On March 26, 2013, the CPB received \$43,300 from the Department of Housing and Community Development as grant assistance for a promotional campaign to support and enhance the profile of housing cooperatives. During 2013/14, the CPB has incurred costs of \$16,000 associated with this initiative. No additional costs were incurred in 2014/15. The CPB will complete the campaign in the first quarter of 2015/16.

6. Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated \$41,724 to the CPB subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance as of March 31, 2015 was \$77,929 (2014 - \$76,842).

7. Contributed services

The Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff for 2015 is estimated at \$13,401 (2014 - \$14,376) with another \$4,942 (2014 - \$5,745) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

The Cooperative Promotion Board

Notes to Financial Statements

Year ended March 31, 2015

8. Contributed capital

Section 4(6) of The Act requires that the CPB maintain a minimum realizable value of \$129,000 for securities held, essentially the amount of the Contributed Capital. The CPB complied with the externally restricted capital requirements during the year.

9. Compensation disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Cooperative Promotion Board members and of individual compensation paid to board members or staff where such compensation is \$50,000 or more per year. For the period of April 1, 2014 to March 31, 2015, the Cooperative Promotion Board paid board members an aggregate of \$1,125 and held three board meetings. No individuals received compensation of \$50,000 or more.

10. Financial instruments and financial risk management

The CPB has exposure to the following risks from its use of financial instruments: credit risk; interest rate risk; liquidity risk; and foreign currency risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The financial instruments that potentially subject the CPB to credit risk consist principally of cash, accounts receivable and investments.

The CPB's maximum possible exposure to credit is as follows:

| | 2015 | 2014 |
|----------------------|------------|------------|
| Cash (note 3) | \$ 124,232 | \$ 137,513 |
| Accounts receivable | 463 | 1,315 |
| Investments (note 4) | 174,380 | 171,095 |
| | \$ 299,075 | \$ 309,923 |

As at March 31, 2015, \$463 (2014 - \$1,315) of accounts receivable were not past due or impaired.

Cash

The CPB is not exposed to significant credit risk as cash is held with a reputable financial institution.

Account receivable

The CPB is not exposed to significant credit risk as these amounts are accrued interest on the GICs held with a reputable financial institution and typically collected when due. No allowance for doubtful accounts is required.

Investments

The CPB is not exposed to significant credit risk as its investments are held by a reputable financial institution.

The Cooperative Promotion Board

Notes to Financial Statements

Year ended March 31, 2015

10. Financial instruments and financial risk management continued

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to cash and investments.

Cash

The interest rate risk on cash is considered to be low due to their short-term nature.

Investments

The CPB's investments held with a reputable financial institution are normally held to maturity so changes in interest rates do not affect the value of the investments.

c) Liquidity risk

Liquidity risk relates to the CPB's ability to access sufficient funds to meet its financial commitments.

The CPB manages liquidity risk by maintaining adequate cash balances and by reviewing cash flows to ensure adequate funding will be received to meet the obligations when they become due. Accounts payable and accrued liabilities are typically paid when due.

d) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The CPB is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

11. Commitments

As of March 31, 2015, the CPB has approved grants in the amount of \$7,000, for which the grant applicants had not yet met the payment conditions. If the payment conditions relating to these grants are met in the future, the commitments will be funded by the General Account.

As of March 31, 2015, the CPB also had an additional outstanding commitment in the amount of \$16,000, for the promotional campaign. This commitment is expected to be completed during 2015/16.

Subsequent to March 31, 2015, the contract relating to the promotional campaign consultant was amended on May 4, 2015 to increase the original contract from \$32,000 to \$42,950. The remaining unpaid amount of \$26,950 was paid in two further installments and the contract was completed in June 2015.

12. Related party transactions

The CPB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies, Boards and Crown Corporations. The CPB enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount agreed to by the related parties.

The Cooperative Promotion Board

Schedule of Grants

Year ended March 31, 2015, with comparative figures for 2014

Schedule 1

| | 2015 | 2014 |
|--|------------------|------------------|
| General Account | | |
| Albert Street Autonomous Zone | \$ - | \$ 3,500 |
| Canadian CED Network | 2,000 | 2,500 |
| Canadian Worker Co-op Federation | 1,495 | 1,809 |
| Compo-Stages Manitoba Services Co-op | - | 2,850 |
| CoopZone Developers' Network Co-operative | 1,000 | 2,000 |
| Economic Development Council for Manitoba Bilingual Municipalities | - | 3,500 |
| Heartland Community Futures | 5,000 | - |
| Manitoba Cooperative Association Inc. | - | 1,000 |
| Mondragon Worker Co-op | - | 1,510 |
| Natural Cycleworks Worker Cooperative | 1,000 | - |
| Par IT | - | 280 |
| Peg City Car Co-op | 2,608 | - |
| Rural Roots Food Cooperative | - | 1,000 |
| Total of Grants | \$ 13,103 | \$ 19,949 |

CROWN CORPORATIONS COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2014

Management's Responsibility for Financial Reporting

The accompanying financial statements and note disclosures are the responsibility of management of Crown Corporations Council and have been prepared by management in accordance with Canadian public sector accounting standards. The financial statements have been reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors on April 28, 2015.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and other data available as at the date of approval by the Board of Directors.

Management maintains internal controls to properly safeguard the assets of Crown Corporations Council and to ensure that transactions and events are accurately recorded and properly approved on a timely basis in order to provide financial information that is free from material misstatement and in accordance with the underlying legislation and regulations applicable to Crown Corporations Council.

The financial statements have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Crown Corporations Council are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the financial statements.

On behalf of Management of
Crown Corporations Council

Original Document Signed

C. R. (Chuck) Sanderson
President & CEO

Original Document Signed

Donna Frame
Senior Corporate Analyst & Manager of
Corporate Operations

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crown Corporations Council

Report on the Financial Statements

We have audited the accompanying financial statements of Crown Corporations Council, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Corporations Council as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



April 28, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Statement of Financial Position

(in thousands)

December 31, 2014

| | 2014 Actual | 2013 Actual |
|--|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 632 | \$ 839 |
| Accounts receivable (Note 4) | 84 | 84 |
| | 716 | 923 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 101 | 102 |
| Levies received in advance | 116 | 187 |
| Due to Crown corporations (Note 5) | 314 | 417 |
| Employee future benefits (Note 6) | 149 | 162 |
| | 680 | 868 |
| Net financial assets | 36 | 55 |
| Non-financial assets | | |
| Tangible capital assets (Note 7) | 14 | 15 |
| Prepaid expenses | 5 | - |
| | 19 | 15 |
| Accumulated surplus (Note 8) | \$ 55 | \$ 70 |

Designated assets (Note 9)

Commitments (Note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Original Document Signed _____ Council Chair

Original Document Signed _____ Council Member

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Statement of Operations

(in thousands)

Year ended December 31, 2014

| | 2014 Budget | 2014 Actual | 2013 Actual |
|--|----------------|----------------|----------------|
| Revenue: | | | |
| Recoveries from Crown corporations through levies (Note 11) | \$ 920 | \$ 855 | \$ 740 |
| Board Performance Training: | | | |
| Province of Manitoba | 80 | 80 | 80 |
| Recoveries from participants | 15 | 9 | 11 |
| Interest income | 4 | 5 | 4 |
| | 1,019 | 949 | 835 |
| Expenses: | | | |
| Amortization of tangible capital assets | 15 | 9 | 12 |
| Board remuneration and expenses | 92 | 90 | 81 |
| Board Performance Training expenses | 104 | 103 | 113 |
| Crown director training | 100 | 40 | 14 |
| Equipment, computer and maintenance | 21 | 17 | 12 |
| Industry conferences | 5 | 5 | 3 |
| Insurance and miscellaneous | 3 | 1 | 2 |
| Office supplies and printing | 12 | 13 | 11 |
| Professional development | 10 | 8 | 4 |
| Professional fees | 20 | 26 | 28 |
| Rent | 92 | 94 | 91 |
| Salaries and benefits | 546 | 548 | 482 |
| Telephone, internet and courier | 7 | 7 | 7 |
| Travel and automobile | 2 | 3 | 1 |
| | 1,029 | 964 | 861 |
| Operating (deficit) for the year | (10) | (15) | (26) |
| Accumulated surplus, beginning of year | 70 | 70 | 96 |
| Accumulated surplus, end of year | \$ 60 | \$ 55 | \$ 70 |

See accompanying notes to financial statements.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Statement of Change in Net Financial Assets

(in thousands)

Year ended December 31, 2014

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|----------------|----------------|----------------|
| Operating (deficit) for the year | \$ (10) | \$ (15) | \$ (26) |
| Tangible capital assets: | | | |
| Acquisition of tangible capital assets | (5) | (8) | (9) |
| Amortization of tangible capital assets | 15 | 9 | 12 |
| Net acquisition of tangible capital assets | 10 | 1 | 3 |
| Other non-financial assets | | | |
| (Increase) in prepaid expenses | - | (5) | - |
| Net acquisition of other non-financial assets | - | (5) | - |
| (Decrease) in net (debt) financial assets | - | (19) | (23) |
| Net financial assets, beginning of year | - | 55 | 78 |
| Net financial assets, end of year | \$ - | \$ 36 | \$ 55 |

See accompanying notes to financial statements.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Statement of Cash Flow

(in thousands)

Year ended December 31, 2014

| | 2014 Actual | 2013 Actual |
|--|----------------|----------------|
| Cash provided by (applied to): | | |
| Operating activities: | | |
| Operating (deficit) for the year | \$ (15) | \$ (26) |
| Adjustment for: | | |
| Amortization of tangible capital assets | 9 | 12 |
| | (6) | (14) |
| Changes in the following: | | |
| Accounts receivable | - | 131 |
| Accounts payable and accrued liabilities | (1) | (21) |
| Levies received in advance | (71) | 36 |
| Due to Crown corporations | (103) | 67 |
| Employee future benefits | (13) | 7 |
| Prepaid expenses | (5) | - |
| Cash (applied to) provided by operating activities | (199) | 206 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (8) | (9) |
| Cash (applied to) capital activities | (8) | (9) |
| Change in cash and cash equivalents | (207) | 197 |
| Cash and cash equivalents, beginning of year | 839 | 642 |
| Cash and cash equivalents, end of year | \$ 632 | \$ 839 |

See accompanying notes to financial statements.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

1. Nature of organization

Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 pursuant to *The Crown Corporations Public Review and Accountability Act*. The role of the Council is to facilitate the development of clear mandates, effective performance measures and consistent practices where appropriate for the Crown corporations under its purview. Pursuant to the underlying legislation and applicable regulations, the Council recovers its general operating expenses and direct costs from the Crown corporations under its purview therefore essentially operates on a cost recovery basis.

Commencing in 2010, the Council has also been responsible for providing Board Performance Training for Manitoba Agencies, Boards and Commissions. Revenues and expenses relating to Board Performance Training are tracked separately by the Council and are excluded from the cost recoveries from the Crown corporations under its purview.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards using the significant accounting policies described in Note 3. Canadian public sector accounting standards are generally accepted accounting principles for other government organizations as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Recoveries from Crown corporations through levies

In accordance with Regulation 84/90 "Levies on Corporations Regulation" pursuant to *The Crown Corporations Public Review and Accountability Act*, the Council's general operating expenses are recovered from the Crown corporations under its purview through the assessment of levies, and any direct costs incurred on behalf of particular Crown corporations are recovered directly from the respective Crown corporations. These amounts are recognized at the time the general operating expenses and direct costs are incurred.

Board Performance Training

Board Performance Training for Manitoba Agencies, Boards and Commissions is funded by Government contributions for these services and program related recoveries. The Council receives annual funding from the Province of Manitoba for the provision of Board Performance Training to Manitoba Agencies, Boards and Commissions that is recognized on an accrual basis. Recoveries from participants are recognized when the related services are provided.

Interest income

Interest income is recognized on the accrual basis.

(b) Expenses

All expenses incurred are recognized on an accrual basis when the related goods or services are received.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

3. Summary of significant accounting policies (continued)

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Council. These assets are normally employed to provide future services.

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price and other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

| | |
|--------------------------------|-----------------------|
| Office furniture and equipment | 5 years straight line |
| Computer equipment | 3 years straight line |

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Council records its financial assets at cost, which include cash and cash equivalents and accounts receivable. The Council also records its financial liabilities at cost, which include accounts payable and accrued liabilities, levies received in advance and amounts due to Crown corporations.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on any financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, any cumulative remeasurement gains and losses are reclassified to the statement of operations.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

3. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

4. Accounts receivable

| | 2014 | 2013 |
|---------------------------|--------------|--------------|
| Trade accounts receivable | \$ 82 | \$ 84 |
| Other receivables | 2 | - |
| | <u>\$ 84</u> | <u>\$ 84</u> |

Included in trade accounts receivable at year end is \$nil (2013 - \$nil) relating to the recovery of direct costs incurred on behalf of particular Crown corporations during the year (see Note 11).

5. Due to Crown corporations

Amounts due to the Crown corporations under its purview are non-interest bearing with no specified repayment terms and represent a retroactive adjustment to levies based on the Council's actual expenses.

6. Employee future benefits

| | 2014 | 2013 |
|---------------------------|---------------|---------------|
| Enhanced pension benefits | \$ 92 | \$ 93 |
| Severance benefits | 57 | 69 |
| | <u>\$ 149</u> | <u>\$ 162</u> |

Certain qualifying employees of the Council are eligible for pension benefits and severance benefits in accordance with the provisions of *The Civil Service Superannuation Act* ("CSSA") administered by the Civil Service Superannuation Board through the Civil Service Superannuation Fund (the "Fund").

Pension benefits

Employees of the Council are provided regular pension benefits as a result of the participation of its eligible employees in the CSSA. Under paragraph 6 of the CSSA, the Council is described as a matching employer for regular pension benefits and therefore the Council's contributions towards regular pension benefits is limited to matching the employees' contributions. The amount paid for regular pension benefits for 2014 was \$26 (2013 - \$22). Under the CSSA, the Council has no further liability for regular pension benefits.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

6. Employee future benefits (continued)

In addition to regular pension benefits, a former employee of the Council is entitled to enhanced pension benefits in excess of the maximum amount provided by the CSSA. The enhanced pension benefits are provided under a final pay plan which is indexed. The amount of the enhanced pension benefit obligation is based on actuarial calculations using the accrued benefit method. The periodic actuarial valuation of this obligation may determine that adjustments are needed to the accrued obligation when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are recognized in income immediately as there is no remaining service life of the employee.

The most recent actuarial valuation for the enhanced pension obligation was completed as at December 31, 2013. The actuarial report provides a formula to update the obligation on an annual basis. In accordance with the formula, the Council's actuarially determined obligation for accounting purposes as at December 31, 2014 is \$92 (2013 - \$93).

Enhanced Pension Benefits

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| Enhanced pension obligation, beginning of year | \$ 93 | \$ 93 |
| Actuarial gains/losses | (1) | - |
| Current service cost | - | - |
| Interest cost | 6 | 6 |
| Benefits paid | (6) | (6) |
| Enhanced pension obligation, end of year | <u>\$ 92</u> | <u>\$ 93</u> |

Significant long-term actuarial assumptions used in the December 31, 2013 valuation, and in the determination of the December 31, 2014 enhanced pension benefit obligation are as follows:

| | |
|---|--------------------------|
| Discount rate | 6.00% (2013 - 6.00%) |
| Rate of compensation increase | 3.75% (2013 - 3.75%) |
| Indexing | 1.33% (2013 - 1.33%) |
| Annual employee contributions interest credit | 4.00% (2013 - 4.00%) |
| Annual rate of increase in CPP earnings maximum | 2.75% (2013 - 2.75%) |
| Rate of CRA maximum pension increase | \$2,770 (2013 - \$2,697) |

Severance benefits

Employees of the Council are also provided severance benefits as a result of the participation of its eligible employees in the CSSA. Severance benefits include benefits payable to eligible employees resulting from retirement, death or other termination in accordance with the CSSA. Severance benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the accrued benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees are expected to retire.

The amount of the severance benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these obligations may determine that adjustments are needed to the accrued obligation when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the 10 year expected average remaining service life of the related employee group if material.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

6. Employee future benefits (continued)

The most recent actuarial valuation for the severance benefit obligation was completed as at December 31, 2012. The actuarial report provides a formula to update the obligation on an annual basis. In accordance with the formula, the Council's actuarially determined severance obligation for accounting purposes as at December 31, 2014 is \$57 (2013 - \$69).

Severance Benefits

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Severance benefit obligation, beginning of year | \$ 69 | \$ 62 |
| Actuarial gains/losses | - | - |
| Plan settlements and curtailments | (11) | - |
| Current service cost | 3 | 3 |
| Interest cost | 3 | 4 |
| Benefits paid | (7) | - |
| Severance benefit obligation, end of year | <u>\$ 57</u> | <u>\$ 69</u> |
| Unamortized actuarial gains/losses | - | - |
| Severance benefit obligation, end of year | <u>\$ 57</u> | <u>\$ 69</u> |

Significant long-term actuarial assumptions used in the December 31, 2012 valuation and in the determination of the December 31, 2014 severance obligation are as follows:

| | |
|-------------------------------|----------------------|
| Discount rate | 6.00% (2013 - 6.00%) |
| Rate of compensation increase | 2.75% (2013 - 2.75%) |

Sick pay benefits

The Council provides sick leave benefits for employees that accumulate but do not vest. No amounts for sick pay benefits are included in these financial statements as the amounts are not significant to warrant an accrual in the financial statements.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

7. Tangible capital assets

| | 2014 | | | | 2013 | |
|---|--------------------|---------------|----------------|--------------------|-----------|-------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Total | |
| Cost | | | | | | |
| Office furniture and equipment | \$ 64 | \$ 1 | \$ - | \$ 65 | \$ | 64 |
| Computer equipment | 37 | 7 | (12) | 32 | | 37 |
| Total cost | \$ 101 | \$ 8 | \$ (12) | \$ 97 | \$ | 101 |
| Accumulated amortization | | | | | | |
| Office furniture and equipment | \$ (56) | \$ (4) | \$ - | \$ (60) | \$ | (56) |
| Computer equipment | (30) | (5) | 12 | (23) | | (30) |
| Total accumulated amortization | \$ (86) | \$ (9) | \$ 12 | \$ (83) | \$ | (86) |
| Net book value | \$ 15 | \$ (1) | \$ - | \$ 14 | \$ | 15 |

8. Accumulated surplus

The Council has allocated a portion of its accumulated surplus for amounts internally restricted for Board Performance Training. As at year end, the total accumulated surplus from revenues and expenses directly relating to Board Performance Training is \$41 (2013 - \$55).

9. Designated assets

The Council has allocated \$148 (2013 - \$147) of its cash and cash equivalents as designated assets for employee future benefit obligations. This amount is held in a short term interest bearing trust account with the Province of Manitoba to ensure adequate cash is maintained to discharge employee benefit obligations as they arise. Any unused amounts are re-invested at each maturity date.

10. Commitments

The Council is committed under a premises lease expiring on April 30, 2016 to annual basic rental payments of approximately \$47 and annual common area and operating costs of approximately \$42 for a total annual commitment of approximately \$89 for the year ending December 31, 2015 and a total commitment of approximately \$30 for the year ending December 31, 2016.

In addition, the Council has entered into two operating lease agreements for certain computer and office equipment which expire in March and May of 2017 respectively. Total annual payments required under these lease agreements for the years ending December 31, 2015 and 2016 are approximately \$6 with a total payment of approximately \$2 required in 2017.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

11. Recoveries from Crown corporations through levies

During the year, the Council incurred \$nil (2013 - \$nil) of direct costs recovered directly from Crown corporations. The total recoveries for the year ended December 31, 2014 of \$855 (2013 - \$740) represent recoveries of general operating expenses.

12. Financial risk management - overview

The Council does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore did not incur any remeasurement gains or losses during the year (2013 - \$nil).

Financial risk management

The Council has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of cash and cash equivalents and accounts receivable.

The maximum exposure of the Council to credit risk at December 31 is:

| | 2014 | 2013 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 632 | \$ 839 |
| Accounts receivable | 84 | 84 |
| | <u>\$ 716</u> | <u>\$ 923</u> |

Cash and cash equivalents - the Council is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and the Minister of Finance.

Accounts receivable - the Council is not exposed to significant credit risk as any balances are due from the Crown corporations under its purview, the Province of Manitoba and other Provincial Agencies, Boards and Commissions. The Council manages this credit risk through close monitoring of any overdue amounts.

If necessary, the Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts as at December 31, 2014 was \$nil (2013 - \$nil). As at December 31, 2014, the aging of accounts receivable is as follows: current \$83 (2013 - \$84) and 30-60 days \$1 (2013 - \$nil).

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due. The Council manages liquidity risk by maintaining adequate cash balances to meet its obligations.

**CROWN CORPORATIONS COUNCIL
A MANITOBA CROWN CORPORATION
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended December 31, 2014

12. Financial risk management - overview (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's results of operations or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents. The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

13. Comparative information

Certain of the amounts for the year ended December 31, 2013 have been reclassified to conform to the financial statement presentation adopted in the current year.

Financial Statements
[Expressed in thousands of dollars]

Diagnostic Services of Manitoba Inc.
March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the accompanying financial statements of **Diagnostic Services of Manitoba Inc.**, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then end, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg Canada
June 12, 2015

Ernst & Young LLP

Chartered Accountants

Diagnostic Services of Manitoba Inc.

Incorporated under the laws of Manitoba

STATEMENT OF FINANCIAL POSITION

[Expressed in thousands of dollars]

As at March 31

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 6,805 | 8,719 |
| Accounts receivable <i>[note 3]</i> | 14,010 | 14,534 |
| Prepaid expenses | 1,469 | 2,619 |
| Vacation pay recoverable from | | |
| Manitoba Health | 619 | 619 |
| Regional Health Authorities of Manitoba | 903 | 903 |
| Total current assets | 23,806 | 27,394 |
| Capital assets, net <i>[note 4]</i> | 57,720 | 55,276 |
| Pre-retirement leave benefits recoverable <i>[note 5]</i> | 13,007 | 13,176 |
| Future sick leave benefits recoverable <i>[note 12[c]]</i> | 2,340 | 2,362 |
| | 96,873 | 98,208 |
| LIABILITIES AND NET ASSETS | | |
| Current | | |
| Bank indebtedness <i>[note 6]</i> | — | 1,464 |
| Accounts payable and accrued liabilities <i>[note 7]</i> | 10,555 | 14,806 |
| Current portion of obligations under capital lease <i>[note 8]</i> | 248 | 375 |
| Accrued vacation pay | 9,397 | 9,164 |
| Total current liabilities | 20,200 | 25,809 |
| Accrued pre-retirement leave benefits <i>[note 12[b]]</i> | 14,004 | 14,228 |
| Future sick benefits payable <i>[note 12[c]]</i> | 2,761 | 2,767 |
| Obligations under capital lease <i>[note 8]</i> | 9 | 257 |
| Deferred contributions <i>[note 9]</i> | 59,871 | 55,119 |
| Total liabilities | 96,845 | 98,180 |
| Commitments <i>[note 10]</i> | | |
| Net assets | 28 | 28 |
| | 96,873 | 98,208 |

See accompanying notes

On behalf of the Board:

Original Document Signed

Marie Perchotte, Board Chair

Original Document Signed

Glenn McLennan, Treasurer

Diagnostic Services of Manitoba Inc.

STATEMENT OF OPERATIONS

[Expressed in thousands of dollars]

Year ended March 31

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$ | \$ |
| REVENUE | | |
| Manitoba Health operating income | 29,720 | 29,147 |
| Recoveries from Regional Health Authorities | 121,799 | 114,802 |
| Revenue from non-resident out-patient services | 90 | 86 |
| Interest income | 11 | 15 |
| Other recoveries | 459 | 138 |
| Gain (loss) on disposal of capital assets | (61) | — |
| Recognition of deferred contributions [note 9] | | |
| Capital – amortization | 7,945 | 7,626 |
| Expenses | 67 | 279 |
| | <u>160,030</u> | <u>152,093</u> |
| EXPENSES | | |
| Direct operating [notes 11 and 14] | 151,998 | 144,262 |
| Amortization of capital assets | 8,032 | 7,832 |
| | <u>160,030</u> | <u>152,094</u> |
| Excess (deficiency) of expenses over revenue for the year | <u>—</u> | <u>(1)</u> |

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CHANGES IN NET ASSETS

[Expressed in thousands of dollars]

Year ended March 31, 2015

| | 2015 | | | 2014 |
|--|---|---------------------|--------------|--------------|
| | Internally restricted for capital assets | Unrestricted | Total | Total |
| | \$ | \$ | \$ | \$ |
| | <i>[note 13]</i> | | | |
| Net assets, beginning of year | 529 | (501) | 28 | 29 |
| Excess (deficiency) of revenue over expenses for the year | (87) | 87 | — | (1) |
| Net assets, end of year | 442 | (414) | 28 | 28 |

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CASH FLOWS

[Expressed in thousands of dollars]

Year ended March 31

| | 2015 \$ | 2014 \$ |
|---|-----------------|----------------|
| OPERATING ACTIVITIES | | |
| Excess of expenses over revenue for the year | — | (1) |
| Add (deduct) items not involving cash | | |
| Amortization of capital assets | 8,032 | 7,832 |
| Amortization of deferred contributions related to capital assets | (7,945) | (7,626) |
| Recognition of deferred contributions related to expenses | (67) | (279) |
| | <u>20</u> | <u>(74)</u> |
| Net change in non-cash working capital balances related to operations | (2,075) | (2,062) |
| Deferred contributions received (distributed) – future expenses | | |
| expenses | (911) | 430 |
| Cash used in operating activities | <u>(2,966)</u> | <u>(1,706)</u> |
| INVESTING ACTIVITIES | | |
| Increase (decrease) in accounts payable related to capital assets | (321) | 4,575 |
| Acquisition of capital assets | (10,886) | (12,715) |
| Disposal of capital assets | 423 | 1,164 |
| Cash used in investing activities | <u>(10,784)</u> | <u>(6,976)</u> |
| FINANCING ACTIVITIES | | |
| Deferred contributions received – capital assets | 13,675 | 11,917 |
| Decrease in bank indebtedness | (1,464) | (606) |
| Repayment of obligations under capital lease | (375) | (422) |
| Cash provided by financing activities | <u>11,836</u> | <u>10,889</u> |
| Net increase (decrease) in cash and cash equivalents during the year | <u>(1,914)</u> | <u>2,207</u> |
| Cash and cash equivalents, beginning of year | 8,719 | 6,512 |
| Cash and cash equivalents, end of year | <u>6,805</u> | <u>8,719</u> |

See accompanying notes

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on December 20, 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing laboratory services throughout the Province of Manitoba, and imaging services within the rural environment.

Effective April 1, 2005, agreements were signed with 11 regional health authorities of Manitoba ["RHAs"] and seven non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and Facilities to commence the transition of all unionized staff, existing laboratory assets and contracts of the Facilities to DSM. The agreement also outlined the services to be provided by DSM and that related costs are to be recovered from the RHAs and the Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 RHAs to transfer all unionized staff, existing assets and contracts of the laboratory facilities in the rural regions. Similar to the Winnipeg transition agreements, the services to be provided by DSM will be recovered from the RHAs. The staff transfers from Assiniboine and Churchill in April 2009 completed Stage IV transition.

Effective April 1, 2009, DSM entered into an agreement with Westman Regional Laboratory Services Inc. ["WRL"] and Brandon Regional Health Authority to assign the responsibilities to DSM with respect to the management and operation of laboratory services for the City of Brandon. As part of this transaction, DSM assumed net assets of \$(7) from WRL's operations. Capital assets with a net book value of \$484 and other net assets of \$1,275 were acquired, as well as bank indebtedness of \$1,766 assumed. Specialized equipment funding for WRL new capital purchases was provided directly to DSM starting in 2008 by way of approved loan facilities through Manitoba Health.

In November 2009, the dissolution of the WRL board was executed followed by a formal dissolution of the WRL entity. It now operates under the name of Westman Lab as a division of DSM. The ongoing redevelopment of Westman Lab is expected to meet the growing demand for testing outside of Winnipeg using modern facilities and methodologies.

DSM is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with the Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. DSM has chosen to use the standards for government not-for-profit organizations ["GNFPO"] that include Sections PS 4200 to PS 4270. The significant accounting policies are described hereafter.

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and are measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Certain expenses related to diagnostic operations are incurred and paid directly by the RHAs. Since the legal obligation for these expenses lies with the RHAs, the expenses are not reflected in the financial statements for DSM.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

[d] Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis using an annual rate of:

| | |
|-------------------------------|-----------|
| Computer hardware/intangibles | 10% – 20% |
| Furniture and equipment | 10% – 15% |
| Equipment under capital lease | 10% – 20% |

System software-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate category of capital asset. No amortization is taken on system software-in-progress.

[e] Sick leave benefits

Non-vesting sick leave benefits are recorded as an expense and liability in the period in which services are rendered and benefits accumulate. The costs are actuarially determined using management's best estimate of the length of service, salary increases, rates of sick leave accumulation and utilization and ages at which employees will retire. In fiscal year 2014 the sick leave liability was determined by management using their best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates. The change in valuation arising from the change in valuation methods is being amortized over the average service life.

[f] Pre-retirement leave benefits

The costs of pre-retirement leave benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases, and ages at which employees will retire.

[g] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates. The amounts estimated include amortization of capital assets, employee future benefits payable and sick leave benefits.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

[h] Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value [ii] cost or amortized cost. DSM determines the classification of its financial interest at initial recognition.

Financial instruments including accounts receivable, vacation pay recoverable, pre-retirement leave benefits recoverable, future sick leave benefits recoverable, accounts payable and accrued liabilities, obligations under capital lease, accrued vacation pay, accrued pre-retirement leave benefits payable, and future sick benefits payable, are initially recorded at their fair value and are subsequently measured at amortized cost, net any provisions for impairment.

3. ACCOUNTS RECEIVABLE

| | 2015 \$ | 2014 \$ |
|--------------------------|---------------|---------------|
| Due from Manitoba Health | 2,405 | 2,678 |
| Due from RHAs | 10,488 | 10,863 |
| Other | 1,117 | 993 |
| | <u>14,010</u> | <u>14,534</u> |

There are no significant amounts that are past due or impaired.

4. CAPITAL ASSETS

| | 2015 | |
|-------------------------------|----------------|-----------------------------------|
| | Cost \$ | Accumulated amortization \$ |
| Computer hardware/intangibles | 6,052 | 4,943 |
| Furniture and equipment | 85,173 | 41,107 |
| System software-in-progress | 11,742 | — |
| Equipment under capital lease | 2,975 | 2,172 |
| | <u>105,942</u> | <u>48,222</u> |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

| | 2014 | | |
|-------------------------------|---------------|---------------------|---------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | Book |
| | | \$ | Value |
| | | | \$ |
| Computer hardware/intangibles | 6,052 | 4,615 | 1,437 |
| Furniture and equipment | 77,229 | 33,827 | 43,402 |
| System software-in-progress | 9,243 | — | 9,243 |
| Equipment under capital lease | 2,975 | 1,781 | 1,194 |
| | 95,499 | 40,223 | 55,276 |

System software-in-progress is not amortized until such time as it becomes available for use.

A seven-year contract was signed by DSM commencing January 2010 with Roche Diagnostics for the installation and supply of chemistry analyzers and related reagents and consumables to the Winnipeg and Brandon laboratory sites. The contract was extended to a ten-year term, ending November 2019, during 2015. The amortization impact due to the extended operational life of the analyzers received as a part of the original agreement has been reflected for in the current year, with an impact of decreasing current year depreciation by \$439.

5. PRE-RETIREMENT LEAVE BENEFITS RECOVERABLE

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$ | \$ |
| Pre-retirement leave benefits recoverable from | | |
| Manitoba Health | 735 | 735 |
| RHAs | 12,272 | 12,441 |
| | 13,007 | 13,176 |

Pre-retirement leave benefits recoverable from Manitoba Health represent the amount guaranteed by the Province of Manitoba.

The amount recorded as a receivable for pre-retirement leave costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement leave costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through Manitoba Health] has included in its ongoing annual funding to DSM an amount equivalent to the change in the pre-retirement leave liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement leave liabilities.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

Pre-retirement leave benefits recoverable from the RHAs will be repaid as benefits are provided and represent their proportionate share of the actuarial determined liabilities [note 12[b]].

The pre-retirement leave benefits recoverable represent a financial instrument and have been classified as loans and receivables, and are valued at amortized cost using the effective interest rate method. The carrying value of the pre-retirement leave benefits recoverable approximates their fair value, because the annual interest accretion is funded.

6. BANK INDEBTEDNESS

DSM has a \$7,000 [2014 – \$7,000] credit facility which was not utilized at year-end. Interest is payable at bank prime less 0.90%.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| | 2015 \$ | 2014 \$ |
|------------------------|---------------|---------------|
| Trade accounts payable | 3,836 | 7,771 |
| Due to RHAs | 6,719 | 7,035 |
| | <u>10,555</u> | <u>14,806</u> |

8. OBLIGATIONS UNDER CAPITAL LEASE

The acquisition of electron microscopes was financed through a lease agreement. The lease has an implicit rate of interest of 6.23% and a lease repayable in fixed blended monthly amounts of approximately \$12. The obligation was fully paid in May 2014.

In December 2008, DSM entered into a lease contract for the acquisition and installation of a toxicology screening system at the Health Sciences Centre. The original lease had an implicit rate of interest of 7.9% and was repayable in fixed blended monthly payments of \$8. In May 2013, the renegotiated contract lease added a service contract to the agreement adding \$72 principal, dropped the monthly payments to \$7 and extended the expiry date to April 2015. The revised implicit interest rate is 16.4%.

Two other leases were entered into with NexCap Finance Corporation ["NexCap"] for the acquisition of a mass spectrometer and office furniture. These leases have an implicit rate of 4.525% repayable in fixed blended monthly payments of \$9. These leases expire January 2016.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

In August 2011, DSM entered into an agreement with NexCap for the lease of chemistry analyzer equipment with a value of \$86. The lease has an implicit rate of 3.9% repayable in fixed blended monthly payments of \$2. The lease expires in July 2016.

In May 2012, DSM entered into two new leases for solvent recyclers with a value of \$67. These leases have an implicit rate in the range of 7.044% – 7.086% repayable in fixed blended monthly payments of \$1.5. The leases expire in May 2016.

In December 2012, DSM entered into a lease for a liquid chromatograph tandem mass spectrometer with a value of \$347. The lease has an implicit rate of 4.652% repayable in fixed monthly payments of \$12. The lease expires in January 2016.

The following is a schedule of future minimum lease payments under capital lease, together with the balance of the obligations:

| | \$ |
|----------------------|-------|
| 2016 | 254 |
| 2017 | 9 |
| | 263 |
| Less interest | (6) |
| | 257 |
| Less current portion | (248) |
| | 9 |

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

| | 2015 \$ | 2014 \$ |
|------------------------|------------|------------|
| Deferred contributions | | |
| Future expenses | 1,432 | 2,410 |
| Capital | 58,439 | 52,709 |
| | 59,871 | 55,119 |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

[a] Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's externally restricted operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related specifically restricted expenses are incurred.

Deferred contributions, future expenses consist of the following:

| | 2015 | 2014 |
|---|--------------|--------------|
| | \$ | \$ |
| Balance, beginning of year | 2,410 | 2,259 |
| Deferred contributions received (distributed) | (911) | 430 |
| Amounts amortized to revenue | (67) | (279) |
| Balance, end of year | 1,432 | 2,410 |

[b] Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

| | 2015 | 2014 |
|-----------------------------------|---------------|---------------|
| | \$ | \$ |
| Balance, beginning of year | 52,709 | 48,418 |
| Deferred contributions received | 13,675 | 11,917 |
| Amounts amortized to revenue | (7,945) | (7,626) |
| Balance, end of year | 58,439 | 52,709 |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

10. COMMITMENTS

[a] Lease payments

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

| | \$ |
|------|------------|
| 2016 | 200 |
| 2017 | 200 |
| 2018 | 200 |
| 2019 | 200 |
| 2020 | 100 |
| | <u>900</u> |

The lease with the landlord was amended in October 2014, increasing the annual lease payment by \$44. The lease expires September 2019.

In addition to the minimum lease payments, DSM is also required to pay for various operating costs related to the leased space. In the year ended March 31, 2015, common area costs and property taxes expensed amounted to \$191.

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

In the year ended March 31, 2011, Manitoba Health approved an additional \$8,700 to continue with the next phase of the project implementation. As at March 31, 2015, \$6,252 [2014 – \$5,872] of the amount has been incurred. DSM will continue its role as funds custodian for the project.

[c] Provincial Laboratory Information System ["PLIS"]

Manitoba Health approved \$24,700 overall for this capital project implementation. As of March 31, 2015, \$5,589 of the amount has been incurred, and \$2,980 of amount has been incurred from April 1, 2014 to March 31, 2015.

In the fiscal year ending 2015, Manitoba Health approved \$803 for project operating costs. As of March 31, 2015, \$551 of the amount has been incurred.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

11. DIRECT OPERATING EXPENSES

Direct operating expenses consist of the following:

| | 2015 \$ | 2014 \$ |
|------------------------------------|------------|------------|
| Salaries and benefits [note 12] | 136,306 | 130,681 |
| Communications | 11 | 26 |
| Equipment | 7,519 | 6,081 |
| External consulting | 639 | 156 |
| Grants | — | 47 |
| Insurance | 154 | 154 |
| Interest | 57 | 84 |
| Laboratory and diagnostic supplies | 3,857 | 3,947 |
| Legal and audit | 206 | 109 |
| Meetings | 34 | 26 |
| Miscellaneous | 152 | 171 |
| Printer, paper and office supplies | 866 | 755 |
| Recruitment | 195 | 179 |
| Rent and utilities | 647 | 650 |
| Staff training and development | 706 | 559 |
| Telephone | 130 | 116 |
| Travel | 519 | 521 |
| | 151,998 | 144,262 |

Related party amounts related to direct operating expenses are recorded in the corresponding lines included in note 14.

12. EMPLOYEE FUTURE BENEFITS

[a] Multi-employer pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"]. DSM's liability is limited to the contributions required during the year under the respective agreements.

HEPP is a specified multi-employer, defined benefit pension plan. HEPP is accounted for as a defined contribution plan since DSM has insufficient information to apply defined benefit plan accounting. Employee and employer contributions were made at a rate of 8.7% [2014 – 7.9%] each on the first \$52,500 [2014 – \$51,500] of earnings, and at a rate of 10.3% [2014 – 9.5%] on

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

earnings in excess of this amount. Employer contributions made to the Plan during the year by DSM and expensed amounted to \$7,049 [2014 – \$6,056]. The most recent actuarial valuation of the Plan was as of December 31, 2013 which disclosed actuarial value of assets of \$5,031,593 with pension liabilities of \$5,235,151 resulting in a going concern deficit of \$203,558. DSM is considered a “non-matching employer” in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement leave benefits

DSM has a commitment to provide pre-retirement leave benefits for employees who meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to their retirement date.

DSM measures its accrued obligation for the pre-retirement leave benefits as at March 31 of each year. The most recent actuarial valuation report was at March 31, 2015.

During the current year, the pre-retirement leave obligation incurred amounted to \$1,218 [2014 – \$1,465] and has been recorded as an expense of the year. An offsetting recovery of \$1,008 [2014 – \$1,415] with respect to transferred employees has also been recorded.

Information about DSM’s pre-retirement leave benefits is as follows:

| | 2015 \$ | 2014 \$ |
|---------------------------------------|------------|------------|
| Accrued benefit obligation | 14,507 | 13,416 |
| Unamortized net actuarial gain (loss) | (503) | 812 |
| Accrued benefit liability | 14,004 | 14,228 |

Change in benefit liability is as follows:

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| Accrued benefit liability, beginning of year | 14,228 | 13,804 |
| Current expense | 1,218 | 1,465 |
| Benefit payments | (1,442) | (1,041) |
| Accrued benefit liability, end of year | 14,004 | 14,228 |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

The breakdown of the expense related to DSM's pre-retirement leave benefits is as follows:

| | 2015 | 2014 |
|---------------------------------------|--------------|--------------|
| | \$ | \$ |
| Current year service cost | 832 | 1,028 |
| Interest cost | 432 | 308 |
| Amortization of actuarial loss (gain) | (46) | 129 |
| Total expense | 1,218 | 1,465 |

Current year recovery of pre-retirement leave with respect to transferred employees

| 2015 | 2014 |
|--------------|--------------|
| \$ | \$ |
| 1,008 | 1,415 |

The significant actuarial assumptions adopted in measuring DSM's pre-retirement leave benefit obligation are as follows:

| | 2015 | 2014 |
|--|-------------|-------------|
| | % | % |
| Discount rate | 2.55 | 3.35 |
| Rate of base compensation increase | 3.50 | 3.00 |
| Expected average remaining service life for amortization of actuarial gains/losses | 8.60 | 9.20 |

The significant actuarial assumptions adopted in measuring DSM's expense for the pre-retirement leave benefits are as follows:

| | 2015 | 2014 |
|-------------------|-------------|-------------|
| | % | % |
| Discount rate | 3.35 | 2.125 |
| Salary escalation | 3.00 | 3.00 |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

[c] Non-vested sick-leave payouts

DSM does not provide sick-leave payouts on retirement. There were no cash payments made to employees in the current year upon retirement [2014 – nil]. The benefit costs and liabilities related to this plan are included in the financial statements. An offsetting recovery of \$2,340 [2014 – \$2,362] with respect to transferred employees has also been recorded.

All employees are credited 1.3 days per month for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

Information about DSM's non-vesting sick leave benefits to current employees as at March 31 is as follows:

| | 2015 | 2014 |
|-----------------------------|--------------|-------------|
| | \$ | \$ |
| Accrued benefit liability | 2,761 | 2,767 |
| Accrued offsetting recovery | 2,340 | 2,362 |

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are DSM's best estimates of expected rates of:

| | 2015 | 2014 |
|--|-------------|-------------|
| | % | % |
| Discount rate | 2.55 | 3.35 |
| Rate of base compensation increase | 3.50 | 3.00 |
| Expected average remaining service life for amortization of actuarial gains/losses | 8.50 | 9.98 |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

The significant actuarial assumptions adopted in measuring DSM's expense for the non-vested sick leave are as follows:

| | 2015 % | 2014 % |
|-------------------|-----------|-----------|
| Discount rate | 3.35 | 2.125 |
| Salary escalation | 3.00 | 3.00 |

The breakdown of the expense related to DSM's non-vested sick leave is as follows:

| | 2015 \$ | 2014 \$ |
|------------------------------|------------|------------|
| Change in liability | 6 | 331 |
| Change in amount recoverable | (22) | 175 |

13. INTERNALLY RESTRICTED FOR CAPITAL ASSETS

Change in net assets internally restricted for capital assets is calculated as follows:

| | 2015 \$ | 2014 \$ |
|---|------------|------------|
| [a] Deficit | | |
| Amortization of capital assets | (8,032) | (7,832) |
| Amounts funded by deferred capital contributions, amortized to revenue | 7,945 | 7,626 |
| | (87) | (206) |
| [b] Purchase of capital assets | | |
| Acquisitions | 10,886 | 12,715 |
| Amounts funded by | | |
| Accounts payable | 321 | (1,930) |
| Deferred contributions received | (13,675) | (11,917) |
| Deferred contributions reserves | 1,859 | 1,569 |
| Outstanding loan transfers | 984 | (15) |
| Capital lease obligations | (375) | (422) |
| Change in net assets | (87) | (206) |

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

14. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

| Entity | Relationship |
|-----------------|-------------------------------|
| Manitoba Health | Controlling entity |
| RHAs | Entities under common control |

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with the RHAs. Amounts are recorded in the corresponding lines of direct operating expenses [note 11].

| | 2015 | 2014 |
|------------------------------------|----------------|-------------|
| | \$ | \$ |
| Salaries and benefits | 114,125 | 109,492 |
| Equipment | 6,536 | 5,105 |
| External consulting | — | 56 |
| Insurance | 117 | 117 |
| Laboratory and diagnostic supplies | (1) | 6 |
| Legal and audit | 70 | 14 |
| Meetings | — | 44 |
| Printer, paper and office supplies | 124 | 51 |
| Purchased services | — | 85 |
| Recruitment | 144 | — |
| Rent | 13 | 13 |
| Staff training and development | 326 | 212 |
| Telephone | 4 | 2 |
| Travel | 216 | 219 |
| | 121,674 | 115,416 |

15. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependent on Manitoba Health for continued operations.

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2015

16. FINANCIAL INSTRUMENTS – RISKS AND UNCERTAINTIES

Financial risks

DSM is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of DSM's exposure to these risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. DSM's main credit risk relates to its trade accounts receivable. DSM manages and controls this risk by only dealing with recognized, credit worthy third parties.

Interest rate risk

DSM is subject to interest rate risk with respect to its operating line of credit since the interest rate fluctuates with charges in the prime rate.

Liquidity risk

Liquidity risk is the risk that DSM will encounter difficulty in meeting obligations associated with financial liabilities. DSM is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligations under capital lease, contributions to the pension plan and operating lease commitments. To manage liquidity risk, DSM keeps sufficient resources readily available to meet its obligations.

17. COMPARATIVE INFORMATION

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Financial Statements of

**ECONOMIC DEVELOPMENT
WINNIPEG INC.**

Year ended December 31, 2014



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Directors of Economic Development Winnipeg Inc.

We have audited the accompanying financial statements of Economic Development Winnipeg Inc. which comprise the statement of financial position as at December 31, 2014, the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Economic Development Winnipeg Inc. as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

Chartered Accountants

February 12, 2015

Winnipeg, Canada

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Financial Position

December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|-------------------------|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,133,432 | \$ 1,293,690 |
| Investments (note 3) | 841,953 | 536,375 |
| Accounts receivable | 71,165 | 81,700 |
| Prepaid expenses | 89,604 | 84,638 |
| | 2,136,154 | 1,996,403 |
| Capital assets (note 4) | 45,451 | 60,072 |
| | \$ 2,181,605 | \$ 2,056,475 |

Liabilities, Deferred Contributions and Net Assets

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 134,578 | \$ 112,245 |
| Deferred rent | 18,299 | 13,309 |
| Deferred contributions: | | |
| Future expenses (note 5) | 590,826 | 578,063 |
| | 743,703 | 703,617 |
| Net assets: | | |
| Invested in capital assets | 45,451 | 60,072 |
| Unrestricted | 563,519 | 487,056 |
| Internally restricted: | | |
| Appropriated for Yes! Winnipeg initiative reserve (note 7) | 153,500 | 153,500 |
| Appropriated for contingency reserve (note 7) | 675,432 | 652,230 |
| | 1,437,902 | 1,352,858 |
| Commitments (note 8) | | |
| | \$ 2,181,605 | \$ 2,056,475 |

See accompanying notes to financial statements.

On behalf of the Board:

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Director

Original Document Signed

Director

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Revenue and Expenditures

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|--|--------------|--------------|
| Revenue: | | |
| Funding: | | |
| The City of Winnipeg | \$ 2,248,292 | \$ 2,301,479 |
| Province of Manitoba | 1,412,000 | 1,412,000 |
| Partnerships and investors contributions | 1,537,787 | 1,678,504 |
| Interest | 18,472 | 19,871 |
| Amortization of deferred contributions - capital assets (note 6) | — | 26,334 |
| | 5,216,551 | 5,438,188 |
| Expenditures: | | |
| Initiatives and marketing | 1,386,707 | 1,520,171 |
| Personnel | 3,219,402 | 3,251,489 |
| Administrative | 298,531 | 306,542 |
| Occupancy and facilities | 226,867 | 231,704 |
| | 5,131,507 | 5,309,906 |
| Excess of revenue over expenditures | \$ 85,044 | \$ 128,282 |

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

| | Invested in capital assets | Unrestricted | | Internally restricted | | 2014 Total | 2013 Total |
|--|-------------------------------|--------------|-----------------------------|------------------------|--|---------------|---------------|
| | | Operating | Yes! Winnipeg initiative | Contingency reserve | Yes! Winnipeg Initiative reserve | | |
| Balances, beginning of year | \$ 60,072 | \$ 303,455 | \$ 183,601 | \$ 652,230 | \$ 153,500 | \$ 1,352,858 | \$ 1,224,576 |
| Excess (deficiency) of revenue over expenditures | (30,648) | 237,343 | (121,651) | — | — | 85,044 | 128,282 |
| Transfer of funds for internally restricted purposes (note 7) | — | (23,202) | — | 23,202 | — | — | — |
| Transfer to Yes! Winnipeg initiative | — | (132,996) | 132,996 | — | — | — | — |
| Transfer for acquisition of capital assets | 16,027 | (16,027) | — | — | — | — | — |
| Balances, end of year | \$ 45,451 | \$ 368,573 | \$ 194,946 | \$ 675,432 | \$ 153,500 | \$ 1,437,902 | \$ 1,352,858 |

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenditures | \$ 85,044 | \$ 128,282 |
| Items not involving cash: | | |
| Amortization of capital assets | 30,648 | 59,268 |
| Amortization of deferred contributions - capital assets | — | (26,334) |
| Amortization of deferred rent | 4,990 | 2,963 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 10,535 | 122,618 |
| Prepaid expenses | (4,966) | 48,787 |
| Accounts payable and accrued liabilities | 22,333 | (36,047) |
| Net increase (decrease) in deferred contributions - future expenses | 12,763 | (90,874) |
| | 161,347 | 208,663 |
| Capital activities: | | |
| Purchase of capital assets | (16,027) | (38,137) |
| Investing activities: | | |
| Investments, net | (305,578) | 166,854 |
| Increase (decrease) in cash | (160,258) | 337,380 |
| Cash, beginning of year | 1,293,690 | 956,310 |
| Cash, end of year | \$ 1,133,432 | \$ 1,293,690 |

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements

Year ended December 31, 2014

1. General:

Economic Development Winnipeg Inc. (EDW or the Organization) is the City of Winnipeg's lead Organization for economic development and tourism development. EDW is an arm's length Organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the Organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion, with its Yes! Winnipeg initiative. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg division. Its mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg's economic growth.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit Organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the Statement of Revenue and Expenditures.

The Organization did not incur any remeasurement gains and losses during the year ended December 31, 2014 (2013 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Revenue and Expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

| Asset | Rate |
|--------------------------------|------------------------------------|
| Computer hardware and software | 2 - 3 years |
| Office furniture and fixtures | 5 years |
| Leasehold improvements | Over the term of the related lease |

(d) Deferred rent:

As part of the Organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

(e) Income taxes:

The Organization is a not-for-profit Organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Investments:

Investments consist of investments in money market instruments aggregating \$686,979 (2013 - \$381,340) and guaranteed investment certificates aggregating \$154,974 (2013 - \$155,035). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Capital assets:

| | | | 2014 | 2013 |
|--------------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer hardware and software | \$ 211,424 | \$ 192,550 | \$ 18,874 | \$ 32,477 |
| Office furniture and fixtures | 143,197 | 118,828 | 24,369 | 19,752 |
| Leasehold improvements | 351,467 | 349,259 | 2,208 | 7,843 |
| | \$ 706,088 | \$ 660,637 | \$ 45,451 | \$ 60,072 |

5. Deferred contributions - future expenses:

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

| | 2014 | 2013 |
|---|-------------|-------------|
| Balance, beginning of year | \$ 578,063 | \$ 668,937 |
| Amounts received during the year | 1,318,292 | 1,449,955 |
| | 1,896,355 | 2,118,892 |
| Less: amounts recognized into revenue in the year | (1,305,529) | (1,540,829) |
| Balance, end of year | \$ 590,826 | \$ 578,063 |

Deferred contributions for future expenses are related to the following initiatives:

| | 2014 | 2013 |
|------------------------------|------------|------------|
| Yes! Winnipeg: | | |
| Province of Manitoba funding | \$ 135,000 | \$ 135,000 |
| Investors contributions | 395,855 | 416,555 |
| Team Winnipeg | 29,745 | 21,896 |
| Winnipeg Tour Connection | 5,925 | 4,612 |
| She Day 2015 | 24,301 | — |
| | \$ 590,826 | \$ 578,063 |

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Deferred contributions - capital assets:

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Revenue and Expenditures.

| | 2014 | 2013 |
|-----------------------------|------|-----------|
| Balance, beginning of year | \$ — | \$ 26,334 |
| Amount amortized to revenue | — | (26,334) |
| Balance, end of year | \$ — | \$ — |

7. Internally restricted:

(a) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during fiscal 2011 to internally restrict net assets of the Organization for funds to be available for contractual obligations in the event that operating funding for the initiative is terminated. The Yes! Winnipeg initiative reserve is funded by \$153,500 (2013 - \$153,500) included in investments at December 31, 2014 (note 3).

(b) Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the Organization is terminated by The City of Winnipeg and the Province of Manitoba. As at December 31, 2014, \$23,202 (2013 - \$131,273) was added to the contingency reserve and deducted from unrestricted net assets, based on the calculation of the contingency reserve requirement as at December 31, 2014. The contingency reserve is funded by \$675,432 (2013 - \$652,230 in cash) in investments at December 31, 2014 (note 3).

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. Commitments:

The Organization is committed under leases for office premises for a total of \$314,400. The minimum lease payments until maturity are as follows.

| | | |
|------|----|---------|
| 2015 | \$ | 179,657 |
| 2016 | | 134,743 |

9. Segregated funds:

The Organization holds funds that are segregated for partners (including the Organization) in separate accounts; a convention development fund and a special event marketing fund. These funds are held in interest-bearing accounts for the benefit of convention development and special event marketing activities, respectively. Payments to the special event marketing fund are based on recommendations approved by The City of Winnipeg's council on October 22, 2008. During the year, the Convention Development Fund was closed as all funds were utilized at the end of 2013.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

| | 2014 | 2013 |
|--|------|-----------|
| Convention development fund: | | |
| Balance, beginning of year | \$ — | \$ 72,214 |
| Funds used during the year | — | (72,214) |
| Balance, end of year, and amount of funds held | \$ — | \$ — |

| | 2014 | 2013 |
|--|--------------|--------------|
| Special event marketing fund: | | |
| Balance, beginning of year | \$ 1,575,378 | \$ 1,733,867 |
| Funds received during the year | 311,666 | 317,642 |
| Funds used during the year | (605,601) | (502,097) |
| Interest earned | 17,308 | 25,966 |
| Balance, end of year, and amount of funds held | \$ 1,298,751 | \$ 1,575,378 |

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Segregated funds (continued):

The funds of \$1,298,751 held at December 31, 2014 have been committed from the special event marketing fund towards several tourism attractions occurring during fiscal 2015. In addition, the following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year:

| | |
|------|--------------|
| 2015 | \$ 1,538,487 |
| 2016 | 153,881 |
| 2017 | 596,108 |

10. Financial risks:

The Organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at December 31, 2014 is the carrying value of these assets.

At December 31, 2014, all accounts receivable were current, there were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in note 3.

There have been no significant changes to the credit risk exposure from 2013.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2015.

There have been no significant changes to the liquidity risk exposure from 2013.

11. Defined contribution plan:

The employees of the Organization are members of a voluntary group registered retirement savings plan administered by Investors Group and RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to \$116,482 (2013 - \$110,272).

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Schedule - Statement of Revenue and Expenditures - Yes! Winnipeg

Year ended December 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|---|--------------|-------------|
| Revenue: | | |
| Province of Manitoba funding | \$ 135,000 | \$ 135,000 |
| Investors contributions | 982,288 | 1,080,646 |
| | 1,117,288 | 1,215,646 |
| Expenditures: | | |
| Initiatives and marketing | 146,088 | 111,445 |
| Personnel | 1,007,699 | 1,072,514 |
| Administrative | 82,594 | 72,578 |
| Occupancy and facilities | 2,558 | 1,257 |
| | 1,238,939 | 1,257,794 |
| Deficiency of revenue over expenditures | \$ (121,651) | \$ (42,148) |

| | |
|--|------------|
| Unrestricted Yes! Winnipeg net assets as at December 31, 2013 | \$ 183,601 |
| Deficiency of revenue over expenditures, before transfer from unrestricted operating net assets of the Organization | (121,651) |
| Transfer from unrestricted operating net assets of the Organization during the year ended December 31, 2014 | 132,996 |
| Unrestricted Yes! Winnipeg net assets as at December 31, 2014 | \$ 194,946 |

Yes! Winnipeg is a five year initiative of EDW (January 1, 2011 - December 31, 2015). Revenue and expenditures related to the Yes! Winnipeg initiative, which is included in the Statement of Revenue and Expenditures of the Organization, are presented above.

In conjunction with the transfer of net assets of Yes! Winnipeg to the Organization on January 1, 2011, the Board had approved an annual transfer of \$132,996 from the unrestricted operating net assets of the Organization towards the operations of the Yes! Winnipeg initiative. For the year ended December 31, 2014, the Organization has allocated \$132,996 (2013 - \$132,996) of these unrestricted operating net assets towards the operations of the Yes! Winnipeg initiative. At December 31, 2014, the Yes! Winnipeg initiative has unrestricted net assets in aggregate of \$194,946 (2013 - \$183,601).

First Nations of Northern Manitoba Child and Family Services Authority
Financial Statements
March 31, 2015

Management's Responsibility

To the Members of First Nations of Northern Manitoba Child and Family Services Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements

The Board of Directors is composed of an Administrator who is neither a member of management nor an employee of the Authority. The Administrator is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Administrator fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Administrator is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP is appointed by the Administrator on behalf of the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Administrator and management to discuss their audit findings.

July 24, 2015

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Chief Financial Officer

Independent Auditors' Report

To the Members of First Nations of Northern Manitoba Child and Family Services Authority:

We have audited the accompanying financial statements of First Nations of Northern Manitoba Child and Family Services Authority which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

July 24, 2015

MNP LLP
Chartered Accountants

First Nations of Northern Manitoba Child and Family Services Authority

Statement of Financial Position

As at March 31, 2015

| | 2015 | 2014 |
|--|-----------|-----------|
| Assets | | |
| Current | | |
| Cash | 943,054 | 1,846,552 |
| Marketable securities (Note 3) | 689,886 | 689,886 |
| Accounts receivable (Note 4) | 838,380 | 888,357 |
| Prepaid expenses and deposits | 36,979 | 373,316 |
| Working capital receivable from agencies (Note 5) | 3,038,724 | 3,038,724 |
| | 5,547,023 | 6,836,835 |
| Capital assets (Note 6) | 49,808 | 60,909 |
| | 5,596,831 | 6,897,744 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals (Note 7) | 1,419,019 | 2,957,867 |
| Deferred contributions (Note 8) | 223,098 | - |
| Working capital payable to Province of Manitoba (Note 9) | 3,038,724 | 3,038,724 |
| | 4,680,841 | 5,996,591 |
| Contingency (Note 10) | | |
| Net Assets | | |
| Unrestricted | 183,742 | 38,484 |
| Internally restricted (Note 11) | 682,440 | 665,280 |
| Externally restricted | - | 136,480 |
| Invested in capital assets | 49,808 | 60,909 |
| | 915,990 | 901,153 |
| | 5,596,831 | 6,897,744 |

Approved on behalf of the Board
Original Document Signed

Administrator

J. C. 24/15

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Operations
For the year ended March 31, 2015

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Revenue | | |
| Province of Manitoba: agency operating grants | 21,667,640 | 20,182,447 |
| Province of Manitoba: Authority operating grants | 2,774,059 | 2,774,059 |
| Province of Manitoba: additional grants | 818,272 | 768,753 |
| Aboriginal Affairs and Northern Development Canada | 250,000 | 250,000 |
| Other | 126,222 | 38,961 |
| Interest | 7,264 | 7,589 |
| Revenue deferred to subsequent year (Note 8) | (223,098) | - |
| | 25,420,359 | 24,021,809 |
| Expenses | | |
| Agency operating grants | 21,667,640 | 20,182,447 |
| Agency additional supports | 885,908 | 424,894 |
| Amortization | 42,330 | 43,359 |
| Annual general meeting | 17,751 | 11,191 |
| Audit | 12,995 | 4,980 |
| Bad debts | 71,562 | 205,883 |
| Bank and service fees | 2,756 | 3,266 |
| Board and committee meetings | 6,444 | 15,232 |
| Board honorariums | 28,609 | 46,461 |
| Donations | - | 1,000 |
| IT support | 44,881 | 37,944 |
| Insurance | 25,692 | 23,888 |
| Janitorial | 14,503 | 8,510 |
| Meetings and conferences | 13,329 | 12,278 |
| Membership fees | 702 | 805 |
| Miscellaneous | 12,479 | 23,676 |
| Office supplies | 34,766 | 35,600 |
| Payroll processing | 5,250 | 6,641 |
| Postage | 3,647 | 3,292 |
| Printing and stationary | 3,142 | 4,093 |
| Professional development | 7,993 | 3,636 |
| Professional fees | 66,797 | 124,714 |
| Property tax | 8,846 | 22,599 |
| Recruitment costs | 131 | 3,663 |
| Rent | 184,976 | 182,435 |
| Repairs and maintenance | 828 | 158 |
| Salaries and benefits | 1,871,031 | 1,885,278 |
| Special projects | 136,976 | 227,000 |
| Telephone | 35,892 | 35,173 |
| Training and education | 43,092 | 100,368 |
| Travel | 151,242 | 216,776 |
| Website development | 3,332 | - |
| | 25,405,522 | 23,897,240 |
| Excess of revenue over expenses | 14,837 | 124,569 |

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Changes in Net Assets
For the year ended March 31, 2015

| | <i>Unrestricted</i> | <i>Internally restricted</i> | <i>Externally restricted</i> | <i>Invested in capital assets</i> | 2015 | 2014 |
|--|---------------------|----------------------------------|----------------------------------|---------------------------------------|----------------|-------------|
| Net assets, beginning of year | 38,484 | 665,280 | 136,480 | 60,909 | 901,153 | 776,584 |
| Excess of revenue over expenses | 14,837 | - | - | - | 14,837 | 124,569 |
| Amortization of capital assets | 42,330 | - | - | (42,330) | - | - |
| Deferral of externally restricted net assets | 136,480 | - | (136,480) | - | - | - |
| Purchases of capital assets | (31,229) | - | - | 31,229 | - | - |
| Internal restrictions | (17,160) | 17,160 | - | - | - | - |
| Net assets, end of year | 183,742 | 682,440 | - | 49,808 | 915,990 | 901,153 |

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Cash Flows
For the year ended March 31, 2015

| | 2015 | 2014 |
|---|-------------|-----------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess of revenue over expenses | 14,837 | 124,569 |
| Amortization | 42,330 | 43,359 |
| | 57,167 | 167,928 |
| Changes in working capital accounts | | |
| Accounts receivable | 49,977 | 13,998 |
| Prepaid expenses and deposits | 336,337 | (27,282) |
| Accounts payable and accruals | (1,538,848) | (573,426) |
| Change in deferred contributions | 223,098 | - |
| | (872,269) | (418,782) |
| Financing | | |
| Working capital payable to Province of Manitoba | - | 141,000 |
| Investing | | |
| Purchase of capital assets | (31,229) | (18,086) |
| Working capital receivable from agencies | - | (141,000) |
| | (31,229) | (159,086) |
| Decrease in cash resources | (903,498) | (436,868) |
| Cash resources, beginning of year | 1,846,552 | 2,283,420 |
| Cash resources, end of year | 943,054 | 1,846,552 |

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority

Notes to the Financial Statements

For the year ended March 31, 2015

1. Incorporation and nature of the organization

The First Nations of Northern Manitoba Child and Family Services Authority ("the Authority") has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nations, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Authority is exempt from income taxes under Section 149(1)(1) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Act came into force upon proclamation on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Financial instruments

The Authority recognizes its financial instruments when the Authority becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA 3840 Related Party Transactions.

At initial recognition, the Authority may irrevocably elect to subsequently measure any financial instrument at fair value. The Authority has not made such an election during the year.

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Cash and cash equivalents

Cash and cash equivalents include cash and marketable securities with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

First Nations of Northern Manitoba Child and Family Services Authority

Notes to the Financial Statements

For the year ended March 31, 2015

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at the following rates intended to amortize the cost of assets over their estimated useful lives.

| | |
|-------------------------|---------|
| Computer equipment | 3 years |
| Computer software | 5 years |
| Office equipment | 5 years |
| Furniture and equipment | 5 years |
| Leasehold improvements | 5 years |

In the year of acquisition, amortization is taken at one half of the above rates.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

3. Marketable securities

| | 2015 | 2014 |
|---|---------|---------|
| Guaranteed investment certificate, bearing interest at 1.05%, maturing Jan 2016 | 689,886 | 689,886 |

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2015

4. Accounts receivable

| | 2015 | 2014 |
|---------------------------------|------------------|------------------|
| GST receivable | 50,521 | 54,663 |
| Province of Manitoba | 604,201 | 916,473 |
| Other | 363,689 | 97,252 |
| | 1,018,411 | 1,068,388 |
| Allowance for doubtful accounts | (180,031) | (180,031) |
| | 838,380 | 888,357 |

5. Working capital receivable from agencies

The working capital receivable from agencies represents amounts advanced to agencies to provide required cash flow for operations to support the administration of payments related to the maintenance of children in care. The amounts are non-interest bearing and are due on demand at the end of each annual contribution agreement with each agency until such time that a new contribution agreement with each agency has been entered into.

6. Capital assets

| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>2015 Net book value</i> |
|-------------------------|----------------|-------------------------------------|------------------------------------|
| Computer equipment | 319,220 | 291,841 | 27,379 |
| Computer software | 29,343 | 28,505 | 838 |
| Office equipment | 50,839 | 50,839 | - |
| Furniture and equipment | 161,675 | 142,671 | 19,004 |
| Leasehold improvements | 11,514 | 8,927 | 2,587 |
| | 572,591 | 522,783 | 49,808 |

| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>2014 Net book value</i> |
|-------------------------|----------------|-------------------------------------|------------------------------------|
| Computer equipment | 290,715 | 253,344 | 37,371 |
| Computer software | 28,412 | 28,412 | - |
| Office equipment | 61,043 | 61,043 | - |
| Furniture and equipment | 161,675 | 141,053 | 20,622 |
| Leasehold improvements | 9,720 | 6,804 | 2,916 |
| | 551,565 | 490,656 | 60,909 |

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2015

7. Accounts payable and accruals

| | 2015 | 2014 |
|-------------------------------|------------------|------------------|
| Accounts payable to suppliers | 21,938 | 83,630 |
| Accruals | 189,542 | 219,511 |
| Accounts payable to agencies | 1,207,539 | 2,654,726 |
| | <u>1,419,019</u> | <u>2,957,867</u> |

8. Deferred contributions

| | 2015 | 2014 |
|--|----------------|----------|
| Unspent portion of Transition Grant Funding received from the Province of Manitoba, to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Authority and to assist Family Service Agencies in extending their operations. | 136,480 | - |
| Unspent portion of project funding received from Aboriginal Affairs and Northern Development Canada to be used for the research and development of culturally appropriate services, practices and procedures for child and family services. | 86,618 | - |
| | <u>223,098</u> | <u>-</u> |

9. Working capital payable to Province of Manitoba

The working capital payable to the Province of Manitoba represents amounts advanced to the Authority in order for the Authority to provide cash flow advances to the various agencies which deliver the services administered by the Authority. The amounts are non-interest bearing and are due on demand.

10. Contingency

The Authority expects to be named as one of the defendants in a lawsuit on behalf of a former employee of one of the agencies administered by the Authority, who is seeking to recover damages allegedly sustained by them as a result of unjust dismissal. As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this pending lawsuit or to estimate the loss, if any, which may result.

First Nations of Northern Manitoba Child and Family Services Authority

Notes to the Financial Statements

For the year ended March 31, 2015

11. Internally restricted net assets

| | 2015 | 2014 |
|------------------------|----------------|----------------|
| Capital assets | 50,000 | 50,000 |
| Unfunded positions | 75,000 | 100,000 |
| Repatriation | - | 20,000 |
| Information technology | 408,240 | 408,240 |
| Aging out initiative | 124,200 | 62,040 |
| Educational outcomes | 25,000 | 25,000 |
| | 682,440 | 665,280 |

12. Financial instruments

The Authority, as part of its operations, carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Authority to concentrations of credit risk consist primarily of accounts receivable. Included in accounts receivable at year-end are balances owing from the Province of Manitoba which make up 51% (2014 - 83%) of the balance. Due to the nature of the Authority's establishment by the Child and Family Services Act, these amounts are considered to be collectible in full.

13. Economic dependence

The Authority's primary source of revenue is from the Province of Manitoba. The funding can be cancelled if the Authority does not observe certain established guidelines. The Authority's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the provincial government guidelines. As at the date of these financial statements the Authority believes that it is in compliance with the guidelines.

14. Commitments

The Authority has entered into operating lease agreements for office space and equipment. These agreements result in commitments over the next 4 years as follows:

| | |
|------|---------|
| 2016 | 124,860 |
| 2017 | 100,014 |
| 2018 | 6,018 |
| 2019 | 6,018 |

**FIRST NATIONS OF SOUTHERN
MANITOBA CHILD AND FAMILY
SERVICES AUTHORITY**

Financial Statements
For the year ended March 31, 2015

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Administrator

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

We have audited the accompanying financial statements of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba

October 6, 2015

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY Statement of Financial Position

| | | |
|-----------------|-------------|-------------|
| March 31 | 2015 | 2014 |
|-----------------|-------------|-------------|

Assets

Current Assets

| | | |
|-------------------------------|--------------|------------|
| Cash and cash equivalents | \$ 1,505,861 | \$ 504,109 |
| Accounts receivable (Note 2) | 2,409,070 | 2,002,433 |
| Prepaid expenses and deposits | 147,846 | 63,581 |
| | 4,062,777 | 2,570,123 |

| | | |
|-------------------------|-----------|-----------|
| Capital assets (Note 3) | 1,945,461 | 2,417,092 |
|-------------------------|-----------|-----------|

| | | |
|----------------------------|-----------|-----------|
| Due from agencies (Note 4) | 5,537,990 | 5,537,990 |
|----------------------------|-----------|-----------|

| | | |
|--|---------------|---------------|
| | \$ 11,546,228 | \$ 10,525,205 |
|--|---------------|---------------|

Liabilities and Fund Balances

Current Liabilities

| | | |
|---|--------------|--------------|
| Accounts payable and accrued liabilities (Note 5) | \$ 3,097,462 | \$ 4,511,234 |
| Due to Province of Manitoba (Note 4) | - | 300,000 |
| Deferred revenue (Note 6) | 941,252 | 324,337 |
| | 4,038,714 | 5,135,571 |

| | | |
|--------------------------------------|-----------|-----------|
| Due to Province of Manitoba (Note 4) | 5,537,990 | 5,537,990 |
|--------------------------------------|-----------|-----------|

| | | |
|--|-----------|------------|
| | 9,576,704 | 10,673,561 |
|--|-----------|------------|

Commitments (Note 9)

Net Assets

| | | |
|-------------------|-----------|-------------|
| Operating Fund | 1,969,524 | (2,679,043) |
| Capital Fund | - | 2,417,092 |
| Repatriation Fund | - | 113,595 |
| | 1,969,524 | (148,356) |

| | | |
|--|---------------|---------------|
| | \$ 11,546,228 | \$ 10,525,205 |
|--|---------------|---------------|

Approved by.

Original Document Signed

Administrator

Original Document Signed

CEO

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations

| For the year ended March 31 | 2015 Budget (Unaudited) | 2015 Actual | 2014 Actual |
|---|-------------------------------|---------------------|-----------------------|
| Revenue | | | |
| Province of Manitoba (Note 7) | | | |
| Authority Core (Schedule 1) | \$ 2,792,764 | \$ 2,882,403 | \$ 2,795,720 |
| Joint Training (Schedule 5) | 525,894 | 525,894 | 523,238 |
| IT Support (Schedule 2) | 856,400 | 706,286 | 706,286 |
| Agency Grants (Schedule 3) | 45,832,291 | 47,002,970 | 46,076,441 |
| Golden Eagle Support | 1,175,000 | 1,111,110 | 1,097,036 |
| Ji-Zhaabwiing Support (Schedule 4) | 1,825,625 | 1,826,174 | 1,851,199 |
| Emergency Foster Care Stand By Fees | 27,000 | 10,105 | - |
| Other | - | 219,842 | - |
| Deferred Revenue - Recognition | 150,000 | 77,060 | 65,612 |
| Total Province of Manitoba | 53,184,974 | 54,361,844 | 53,115,532 |
| AANDC | | | |
| IT Capacity Development (Schedule 2, 6) | 250,000 | 279,360 | 250,000 |
| RAC Meeting | 30,000 | 30,000 | 30,000 |
| Total AANDC | 280,000 | 309,360 | 280,000 |
| Agency | | | |
| IT Support (Schedule 2) | 417,120 | 100,005 | 104,280 |
| Morningstar | - | 126,042 | - |
| Total Agency | 417,120 | 226,047 | 104,280 |
| Other | | | |
| Ji-Zhaabwing Miscellaneous (Schedule 4) | - | 23,199 | - |
| Miscellaneous | - | 7,122 | 12,347 |
| Total Other | - | 30,321 | 12,347 |
| Total Revenue | 53,882,094 | 54,927,572 | 53,512,159 |
| Expenses | | | |
| Core | | | |
| Staffing (Schedule 1) | 2,197,029 | 2,319,036 | 2,898,212 |
| Operating (Schedule 1) | 611,000 | 697,589 | 705,246 |
| Education and Training (Schedule 5) | 344,694 | 348,866 | 455,151 |
| IT Support (Schedule 2) | 1,194,573 | 1,133,818 | 1,175,511 |
| Grant Funding (Schedule 3) | 45,832,291 | 47,002,973 | 46,076,439 |
| Programming | | | |
| Golden Eagle | 1,175,000 | 1,111,110 | 1,097,036 |
| Ji-Zhaabwiing (Schedule 4) | 1,973,450 | 1,879,911 | 1,892,188 |
| Morningstar | - | 130,108 | - |
| Age of Majority | 27,000 | 11,143 | 12,718 |
| Emergency Foster Care Stand by Fees | 27,000 | 10,105 | 25,575 |
| Stepping out on Saturdays | 96,500 | 17,784 | 56,657 |
| Regional Meetings | 30,000 | 31 | 20,336 |
| Eyes For Me | - | - | 4,067 |
| Total Core Expenses | 53,508,537 | 54,662,474 | 54,419,136 |
| Excess (deficiency) before amortization | 373,557 | 265,098 | (906,977) |
| Amortization | 727,188 | 591,947 | 780,723 |
| Deficiency before Other Items | (353,631) | (326,849) | (1,687,700) |
| Recoveries (Non-Recoverable Expenses) (Note 8) | - | 108,999 | (25,616) |
| Debt forgiveness (Note 8) | - | 1,607,595 | - |
| Revenue recognized for differential response (Note 8) | - | 728,135 | - |
| Excess (deficiency) of revenue over expenses | \$ (353,631) | \$ 2,117,880 | \$ (1,713,316) |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES
AUTHORITY**
Statement of Changes in Net Assets

| For the year ended March 31 | | | | 2015 | 2014 |
|--|------------------|----------------|---------------------|--------------|--------------|
| | Operating | Capital | Repatriation | Total | Total |
| Fund balance , beginning of year | \$ (2,679,043) | \$ 2,417,092 | \$ 113,595 | \$ (148,356) | \$ 1,564,960 |
| Excess (deficiency) of revenue over expenses | 2,430,467 | (312,587) | - | 2,117,880 | (1,713,316) |
| Transfer of capital additions | 159,044 | (159,044) | - | - | - |
| Interfund transfer | 2,059,056 | (1,945,461) | (113,595) | - | - |
| Fund balance , end of year | \$ 1,969,524 | \$ - | \$ - | \$ 1,969,524 | \$ (148,356) |

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|--|---------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Excess (deficiency) of revenue over expenses | \$ 2,117,880 | \$ (1,713,316) |
| Adjustments for Items not involving cash | | |
| Amortization of capital assets | 591,947 | 780,723 |
| | <u>2,709,827</u> | <u>(932,593)</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (406,637) | 1,170,551 |
| Prepaid expenses and deposits | (84,265) | (5,767) |
| Accounts payable and accrued liabilities | (1,413,771) | (1,320,444) |
| Deferred revenue | 616,915 | (1,542,983) |
| Due to Province of Manitoba | (300,000) | - |
| | <u>1,122,069</u> | <u>(2,631,236)</u> |
| Cash Flows from Capital Activities | | |
| Purchase of capital assets | (120,317) | (224,371) |
| Cash Flows from Financing Activities | | |
| Working capital advance | - | 300,000 |
| Net increase (decrease) in cash during the year | 1,001,752 | (2,555,607) |
| Cash and cash equivalents, beginning of year | 504,109 | 3,059,716 |
| Cash and cash equivalents, end of year | \$ 1,505,861 | \$ 504,109 |

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The First Nations of Southern Manitoba Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(b) Management's Responsibility for the Financial Statements

The financial statements of the Authority are the responsibility of management.

(c) Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(d) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

The Operating Fund is used to account for all revenue and expenditures related to general and ancillary operations of the Authority.

The Capital Fund is used to account for all capital assets of the Authority and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(d) Fund Accounting (continued)

The Repatriation Fund is an internally restricted fund used to account for monies for specific purposes.

Interfund balances are non-interest bearing, and have no terms of repayment or security. In the current year the Authority has discontinued the use of fund accounting as there are no limitations or restriction in place to make this necessary.

(e) Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(g) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance and straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

| | |
|------------------------|-----------------------------|
| Computer equipment | 30% declining balance basis |
| Furniture and fixtures | 20% declining balance basis |

Leasehold improvements are amortized over the term of the lease.

(h) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian public sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period.

Certain accounts receivable amounts contain measurement uncertainty as they relate to funding based upon the latest communication with the Province of Manitoba.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(i) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Accounts Receivable

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Aboriginal and Northern Affairs Department | \$ 69,840 | \$ 280,000 |
| Due from agencies | 140,491 | 317,096 |
| Due from Province of Manitoba | | |
| Golden Eagle funding | 182,300 | 146,426 |
| IT support cost recoveries | 315,236 | 26,400 |
| Ji-zhaabwiing funding | 456,406 | 271,396 |
| Other from government | 1,135,809 | 247,455 |
| GST receivable | 68,079 | 123,836 |
| Other | 40,909 | 6,802 |
| 800 Adele - renovation cost reimbursements | - | 583,022 |
| | \$ 2,409,070 | \$ 2,002,433 |

3. Capital Assets

| | 2015 | | | 2014 | | |
|------------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------------|---------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Computer equipment | \$ 4,225,525 | \$ 3,128,555 | \$ 1,096,970 | \$ 4,111,847 | \$ 2,682,784 | \$ 1,429,063 |
| Furniture and fixtures | 429,328 | 286,073 | 143,255 | 422,689 | 251,089 | 171,600 |
| Leasehold improvements | 1,221,272 | 516,036 | 705,236 | 1,221,272 | 404,843 | 816,429 |
| | \$ 5,876,125 | \$ 3,930,664 | \$ 1,945,461 | \$ 5,755,808 | \$ 3,338,716 | \$ 2,417,092 |

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

4. Due from Agencies and Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of \$5,537,990 (\$5,537,990 in 2014), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

| | 2015 | 2014 |
|---|----------------------------|----------------------------|
| Animikii-Ozoon Child and Family Services | \$ 1,204,000 | \$ 1,204,000 |
| Child and Family All Nations Coordinated Response Network | 538,400 | 538,400 |
| Dakota Ojibway Child and Family Services | 689,610 | 689,610 |
| Intertribal Child and Family Services | 121,030 | 121,030 |
| Peguis Child and Family Services | 221,820 | 221,820 |
| Sandy Bay Child and Family Services | 158,700 | 158,700 |
| Southeast Child and Family Services | 1,368,830 | 1,368,830 |
| West Region Child and Family Services | 1,235,600 | 1,235,600 |
| | <u>\$ 5,537,990</u> | <u>\$ 5,537,990</u> |

The Province of Manitoba has also provided the Authority an additional working capital advance of \$300,000 as at March 31, 2014 to assist the Authority to meeting cash flow requirements. This advance has been repaid on June 30, 2014.

5. Accounts Payable and Accrued Liabilities

| | 2015 | 2014 |
|-----------------------------|----------------------------|----------------------------|
| Due to agencies | \$ 1,696,893 | \$ 2,531,643 |
| Due to Province of Manitoba | - | 1,607,588 |
| Trade payables | 1,179,042 | 138,265 |
| Accrued expenses | 217,716 | 231,754 |
| Social fund | 3,811 | 1,984 |
| | <u>\$ 3,097,462</u> | <u>\$ 4,511,234</u> |

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY Notes to Financial Statements

For the year ended March 31, 2015

6. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 324,337 | \$ 1,867,320 |
| Funds Received | | |
| Province of Manitoba | 47,801,688 | 48,042,299 |
| Add amounts transferred from accounts payable | 540,000 | - |
| Less amounts transferred to accounts payable | - | (1,534,363) |
| Less amounts recognized as revenue in the year | <u>(47,724,773)</u> | <u>(48,050,919)</u> |
| Balance, end of year | 941,252 | 324,337 |
| Less current portion | <u>941,252</u> | <u>324,337</u> |
| Deferred revenue relating to future years | <u>\$ -</u> | <u>\$ -</u> |

7. Revenue from Province of Manitoba

| | |
|--|----------------------|
| Revenue as per Province of Manitoba confirmation | <u>\$ 51,509,963</u> |
| Add: | |
| Deferred revenue amounts recognized as revenue in the year | 77,060 |
| Current years receivables | 310,019 |
| CSA withheld from operating grants | 1,673,911 |
| Reimbursement - Authority | 300,000 |
| Reimbursement - Agency | <u>1,000,000</u> |
| | <u>3,360,990</u> |
| Deduct: | |
| Funding of prior year accounts receivable | 355,143 |
| Revenue deferred during the year | 153,980 |
| Other | <u>(14)</u> |
| | <u>509,109</u> |
| Revenue from Province of Manitoba | <u>\$ 54,361,844</u> |

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

8. Other Items

Other items are related to the Authority working with the Province of Manitoba to obtain working capital and financing as follows:

- recovery of a previously disallowed receivable amount of \$108,999;
- debt forgiveness of \$1,607,595; and
- a cash payment of \$728,135, to be disbursed to All Nations Coordinated Response, as partial payment for the \$1,600,385 in differential response funding due to the agencies. The remaining balance due to agencies will be \$872,250.

9. Commitments

The Authority has entered into various lease agreements for premises for its operations and to support other agencies and programs expiring between November 2015 and January 2019.

The minimum annual lease payments for the next four years are as follows:

| | |
|------|------------|
| 2016 | \$ 874,397 |
| 2017 | 556,278 |
| 2018 | 490,208 |
| 2019 | 416,250 |

10. Employment Benefits

Pension Benefits

The Authority has a defined contribution pension plan for its employees. Employees contribute at least 4% of their salaries and the Authority contributes 5%. The Authority's total pension contribution for 2015 was \$175,912 (\$207,670 in 2014).

Sick Leave Benefits

Employees of the Authority are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are not considered to be significant by management. As such, management has not recorded a liability for these benefits in the financial statements of the Authority.

11. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

12. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is \$2,409,070 (\$2,002,433 at March 31, 2014).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting financial obligations as they become due, and arises from the Authority's management of working capital. The Authority's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.



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Auditor's Comments on Supplementary Financial Information

To the Administrator

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

We have audited the financial statements of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in net assets and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated October 6, 2015 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedules 1 to 6 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information for Schedule 1 through Schedule 6 is prepared to assist the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** to meet the requirements of the Minister of Aboriginal Affairs and Northern Development (the "Minister"). As a result, the supplementary information is not presented in accordance with Canadian generally accepted accounting principles and may not be suitable for another purpose. Our report is intended solely for the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** and the Minister and should not be distributed to or used by parties other than the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** or the Minister.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
October 6, 2015

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Schedule 1

Statement of Revenues and Expenditures - Core Grant Revenue

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|-----------------------|---------------------|---------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| Province of Manitoba - Core grant | \$ 2,792,764 | \$ 2,792,766 | \$ 2,795,720 |
| Province of Manitoba - Other | - | 89,637 | - |
| | <u>2,792,764</u> | <u>2,882,403</u> | <u>2,795,720</u> |
| Expenses | | | |
| Staffing | | | |
| Salaries and benefits | 2,137,029 | 2,246,014 | 2,788,348 |
| Travel - staff | 35,000 | 27,028 | 33,829 |
| Training - staff | 25,000 | 18,181 | 27,892 |
| Recruitment | - | 17,256 | 48,143 |
| Health and education tax levy | - | 10,557 | - |
| | <u>2,197,029</u> | <u>2,319,036</u> | <u>2,898,212</u> |
| Operations | | | |
| Office rent and parking | 259,200 | 250,280 | 257,930 |
| Professional fees | 100,000 | 270,905 | 212,382 |
| Telephone and fax | 25,000 | 28,281 | 24,566 |
| Agency relations | 20,000 | 26,837 | 37,076 |
| Cultural expenses | 50,000 | 25,067 | 34,106 |
| Office supplies | 48,000 | 23,309 | 35,502 |
| Board costs | 41,000 | 22,120 | 22,601 |
| Building maintenance | 16,200 | 17,631 | 17,228 |
| Annual general meeting | 12,000 | 13,189 | 12,124 |
| Insurance | 28,600 | 10,961 | 33,718 |
| Community relations | 4,000 | 4,804 | 11,609 |
| Bank service charges | 7,000 | 4,205 | 6,404 |
| | <u>611,000</u> | <u>697,589</u> | <u>705,246</u> |
| Total expenses | <u>2,808,029</u> | <u>3,016,625</u> | <u>3,603,458</u> |
| Deficiency of revenue over expenses | \$ (15,265) | \$ (134,222) | \$ (807,738) |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND
FAMILY SERVICES AUTHORITY**
Schedule 2
Statement of Revenues and Expenditures - Information Technology

| For the year ended March 31 | 2015 | 2015 | 2014 |
|---|-------------------------------|---------------------|---------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| Province of Manitoba | \$ 856,400 | \$ 706,286 | \$ 706,286 |
| AANDC - Capacity development | 250,000 | 279,360 | 250,000 |
| Agency revenue - IT | 417,120 | 100,005 | 104,280 |
| | 1,523,520 | 1,085,651 | 1,060,566 |
| Expenses | | | |
| Salaries and benefits | 533,472 | 556,409 | 500,511 |
| Internet | 418,800 | 365,917 | 378,290 |
| Information technology | 202,301 | 184,467 | 267,957 |
| Travel | 25,000 | 19,594 | 16,824 |
| Telephone and fax | 5,000 | 7,063 | 4,418 |
| Training and development | 10,000 | 368 | 7,078 |
| Recruitment | - | - | 33 |
| | 1,194,573 | 1,133,818 | 1,175,111 |
| Excess (deficiency) of revenue over expenses | 328,947 | (48,167) | (114,545) |
| Capital asset purchases | 470,659 | 113,678 | 254,192 |
| Deficiency after capital purchases | \$ (141,712) | \$ (161,845) | \$ (368,737) |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND
FAMILY SERVICES AUTHORITY
Schedule 3
Statement of Revenues and Expenditures - Agency Grant Funding**

| For the year ended March 31 | 2015 | 2015 | 2014 |
|---|-------------------------------|-------------------|-------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| Province of Manitoba | \$ 45,832,291 | \$ 47,002,970 | \$ 46,076,441 |
| Expenses | | | |
| Protection | 23,723,165 | 23,800,231 | 22,611,788 |
| Central support | 12,567,464 | 11,718,664 | 11,704,448 |
| Core | 6,607,171 | 6,701,986 | 6,607,169 |
| Prevention | 3,415,069 | 3,415,071 | 3,415,071 |
| Other | - | 1,561,616 | 1,863,494 |
| CFSIS data entry clerk | 408,954 | 558,954 | 540,000 |
| Workload relief | - | 224,000 | 224,000 |
| Family care | 541,263 | 541,263 | 541,263 |
| Designated intake | 76,085 | 76,087 | 76,086 |
| Vacancy management | (1,506,880) | (1,594,899) | (1,506,880) |
| | 45,832,291 | 47,002,973 | 46,076,439 |
| Excess (deficiency) of revenue over expenses | \$ - | \$ (3) | \$ 2 |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND
FAMILY SERVICES AUTHORITY
Schedule 4
Statement of Revenues and Expenditures - Ji-zhaabwiing**

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|-------------------------------|--------------------|--------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| Province of Manitoba | \$ 1,825,625 | \$ 1,826,174 | \$ 1,851,199 |
| Other | - | 23,199 | - |
| | 1,825,625 | 1,849,373 | 1,851,199 |
| Expenses | | | |
| Grant funding | 1,277,700 | 1,277,700 | 1,276,453 |
| Office rent and parking | 480,000 | 465,190 | 446,134 |
| Building maintenance | 60,000 | 96,256 | 33,899 |
| Utilities | - | 26,102 | 24,104 |
| Telephone and fax | 7,000 | 5,887 | 6,921 |
| Professional fees | - | 5,251 | - |
| Insurance | 6,400 | 2,223 | - |
| Office supplies | 5,000 | 944 | 4,837 |
| Travel | 500 | 358 | 247 |
| Salaries and benefits | 136,850 | - | 98,477 |
| Training | - | - | 500 |
| Security | - | - | 616 |
| | 1,973,450 | 1,879,911 | 1,892,188 |
| Deficiency of revenue over expenses | \$ (147,825) | \$ (30,538) | \$ (40,989) |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND
FAMILY SERVICES AUTHORITY**

Schedule 5

**Statement of Revenues and Expenditures
- Education and Training Department**

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|-------------------------------|-------------------|------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| Province of Manitoba | \$ 525,894 | \$ 525,894 | \$ 523,238 |
| Expenses | | | |
| Rent | 136,800 | 131,875 | 134,735 |
| Salaries and benefits | 95,094 | 131,287 | 120,302 |
| Training - agency | 93,000 | 61,787 | 182,052 |
| Office supplies | 7,000 | 12,665 | 7,285 |
| Building maintenance | 10,800 | 9,822 | 9,814 |
| Travel | 1,000 | 1,430 | 788 |
| Telephone | 1,000 | - | 332 |
| Training - staff (recovery) | - | - | (157) |
| | 344,694 | 348,866 | 455,151 |
| Excess of revenue over expenses | \$ 181,200 | \$ 177,028 | \$ 68,087 |

**FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND
FAMILY SERVICES AUTHORITY
Schedule 6
AANDC Funding and Expenditures - Capacity Development**

| For the year ended March 31 | 2015 | 2015 | 2014 |
|---|-------------------------------|-------------------|-------------------|
| | Budget (Unaudited) | Actual | Actual |
| Revenue | | | |
| AANDC Contribution | \$ 250,000 | \$ 279,360 | \$ 250,000 |
| Expenses and capital assets | | | |
| Virtualization | 151,214 | 169,617 | 208,285 |
| ACCPAC | 30,000 | 15,031 | - |
| VoIP | 138,231 | 94,712 | - |
| Records management | - | - | 45,907 |
| SAN storage | 43,877 | - | - |
| Palo Alta Network | 64,428 | - | - |
| Brocade | 42,909 | - | - |
| | 470,659 | 279,360 | 254,192 |
| Excess (deficiency) of revenue over expenses | \$ (220,659) | \$ - | \$ (4,192) |

THE FUNERAL BOARD OF MANITOBA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and all the information in the annual report are the responsibility of the Funeral Board of Manitoba and have been prepared in accordance with Canadian Public Sector Accounting Standards. In the Board's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Board's best judgment regarding all necessary estimates and all other data available to June 22, 2015.

As the Board is responsible for the integrity of the financial statements, the Board has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss and that revenues are complete.

The responsibility of the Office of the Auditor General of Manitoba is to express an independent, professional opinion on whether the financial statements of the Board are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
Funeral Board of Manitoba

Original Document Signed

Denise Koss, Chairperson

June 22, 2015



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of the Funeral Board of Manitoba

We have audited the accompanying financial statements of the Funeral Board of Manitoba (Board), which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2014 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Going Concern

Without qualifying our opinion, we draw attention to note 9 in the financial statements which indicates the Funeral Board of Manitoba has incurred annual losses in prior years with a current year surplus but an accumulated deficit remains as at December 31, 2014. These conditions as well as the uncertainty of grant funding described in note 10 indicates the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

A handwritten signature in cursive script, likely belonging to the Auditor General, is written over the printed text of the office name.

Office of the Auditor General
June 22, 2015
Winnipeg, Manitoba

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 118,663 | \$ 83,908 |
| Accounts Receivable | 60,000 | - |
| Total Financial Assets | <u>178,663</u> | <u>83,908</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (note 7) | 127,366 | 79,408 |
| Deferred revenue | 92,388 | 90,250 |
| Total Liabilities | <u>219,754</u> | <u>169,658</u> |
| NET DEBT | <u>(41,091)</u> | <u>(85,750)</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid Expenses | 571 | - |
| Supplies Inventory | 775 | 2,231 |
| Tangible Capital Assets (note 11) | 2,171 | - |
| | <u>3,517</u> | <u>2,231</u> |
| ACCUMULATED (DEFICIT) | <u>\$ (37,574)</u> | <u>\$ (83,519)</u> |

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

Approved on behalf of The Funeral Board of Manitoba

Original Document Signed

Denise Koss
Chairperson

Original Document Signed

Board Member

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | 2014 | | 2013 |
|---|--------------------|--------------------|--------------------|
| | Budget | Actual | Actual |
| REVENUE | | | |
| Operations Revenue | | | |
| Funeral Home Licences | \$ 44,000 | \$ 44,500 | \$ 44,000 |
| Funeral Director and Embalmer Licences | 51,450 | 51,500 | 51,450 |
| Cemeteries Act Licences | - | 6,415 | - |
| Miscellaneous Income | 8,500 | 20,372 | 8,454 |
| | <u>103,950</u> | <u>122,787</u> | <u>103,904</u> |
| Grant Revenue - VSA (note 10) | 180,000 | 180,000 | - |
| Total Revenue | <u>283,950</u> | <u>302,787</u> | <u>103,904</u> |
| EXPENSES | | | |
| Administration Charges (note 6) | 124,800 | 108,500 | 24,000 |
| Amortization | - | 241 | - |
| Audit | 3,800 | 3,831 | 3,776 |
| Board Meetings | 3,400 | 8,023 | 2,009 |
| Board Members - Honoraria | 6,500 | 10,137 | 3,488 |
| Communications | 1,200 | 8,001 | 7,359 |
| Conferences | 6,800 | 8,234 | 1,234 |
| Consultation costs | 1,000 | 1,000 | - |
| External Audit Fees | 20,000 | - | - |
| Legal Fees | 30,000 | 32,651 | 17,702 |
| Miscellaneous | 700 | 2,422 | 525 |
| Office Supplies , Printing and Postage | 2,900 | 2,733 | 2,856 |
| Salaries and Benefits | 63,200 | 62,216 | 61,356 |
| Start-up costs | 5,000 | - | - |
| Travel | 8,965 | 8,853 | 6,450 |
| Total Expenses | <u>278,265</u> | <u>256,842</u> | <u>130,755</u> |
| Surplus (Deficit) | <u>5,685</u> | <u>45,945</u> | <u>(26,851)</u> |
| Accumulated (Deficit), beginning of period | (83,519) | (83,519) | (56,668) |
| Accumulated (Deficit), end of period | <u>\$ (77,834)</u> | <u>\$ (37,574)</u> | <u>\$ (83,519)</u> |

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

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2014

| | 2014 | | 2013 |
|---|--------------------|--------------------|--------------------|
| | Budget | Actual | Actual |
| Surplus (Deficit) | \$ 5,685 | \$ 45,945 | \$ (26,851) |
| TANGIBLE CAPITAL ASSETS | | | |
| Acquisition of Capital Assets | - | (2,412) | - |
| Amortization of Capital Assets | - | 241 | - |
| | - | (2,171) | - |
| OTHER NON-FINANCIAL ASSETS | | | |
| Decrease (increase) in Prepaid expense | - | (571) | - |
| Acquisitions of Supplies Inventory | - | - | (2,348) |
| Consumption of Supplies Inventory | 1,456 | 1,456 | 117 |
| Decrease/ (Increase) in Other non-financial assets | 1,456 | 885 | (2,231) |
| DECREASE (INCREASE) IN NET DEBT | 7,141 | 44,659 | (29,082) |
| NET DEBT, beginning of period | (85,750) | (85,750) | (56,668) |
| NET DEBT, end of period | <u>\$ (78,609)</u> | <u>\$ (41,091)</u> | <u>\$ (85,750)</u> |

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

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | 2014 | 2013 |
|--|-------------------|------------------|
| Cash flow provided by (applied to): | | |
| Operating | | |
| Surplus (Deficit), for the period | \$ 45,945 | \$ (26,851) |
| Amortization of tangible capital assets | 241 | - |
| | <u>46,186</u> | <u>(26,851)</u> |
| Change in: | | |
| Accounts receivable | (60,000) | - |
| Supplies inventory | 1,456 | (2,231) |
| Prepaid | (571) | - |
| Accounts payable and accrued liabilities | 47,958 | 41,846 |
| Deferred revenues | 2,138 | 5,300 |
| | <u>37,167</u> | <u>18,064</u> |
| Capital | | |
| Acquisition of tangible capital assets | (2,412) | - |
| | <u>(2,412)</u> | <u>-</u> |
| Net Increase in Cash | 34,755 | 18,064 |
| Cash, beginning of period | 83,908 | 65,844 |
| Cash, end of period | <u>\$ 118,663</u> | <u>\$ 83,908</u> |

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

**THE FUNERAL BOARD OF MANITOBA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1.) Nature of Operations

The Funeral Directors and Embalmers Act established The Funeral Board of Manitoba (the Board) to licence and regulate Funeral Homes, Funeral Directors and Embalmers and to prescribe the courses of training and instruction for articling students. As at December 5, 2013 the Board has been assigned the responsibility to licence and regulate under The Cemeteries Act.

2.) Significant Accounting Policies:

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

b. Cash

Cash includes cash on hand and bank balances.

c. Deferred Revenue and Revenue Recognition

The Board recognizes revenue under The Funeral Directors and Embalmers Act and The Cemeteries Act on an accrual basis. Any license fees which are received prior to December 31 and are applicable to the subsequent fiscal year are recorded as deferred revenue.

Grant revenue is recognized when it is authorized and any eligibility criteria have been met. Receivables are recognized by the Board for those grants authorized by the Province prior to the end of the accounting period but not received.

d. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

e. Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

f. Non-Financial Assets

Tangible capital assets and other non-financial assets do not normally provide resources to discharge liabilities of the Board. These assets are normally employed to provide future services.

Tangible capital assets are recorded at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets are amortized over their estimated useful lives as follows:

| | <u>Rate</u> | <u>Method</u> |
|--------------------|-------------|---------------|
| Computer equipment | 20% | Straight line |

One-half of the annual amortization is charged in the year of the acquisition and in the year of disposal.

3.) Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Funeral Board of Manitoba (the Board) records its financial assets at cost, which includes cash and accounts receivable.

The Board also records its financial liabilities at cost, which includes accounts payable and accrued liabilities.

THE FUNERAL BOARD OF MANITOBA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

3.) Financial instruments and Financial Risk Management (continued)

Gain and losses on financial instruments measured at fair value are recorded in accumulated deficit as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measure at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Board did not incur any re-measurement gains and losses during the year (2013 - \$ nil).

Financial Risk Management - overviews

The Board has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Board to credit risk consist principally of cash and accounts receivable.

The maximum exposure of the Board to credit risk at the year end is:

| | 2014 | 2013 |
|---------------------|-------------------|------------------|
| Cash | \$ 118,663 | \$ 83,908 |
| Accounts Receivable | 60,000 | - |
| | <u>\$ 178,663</u> | <u>\$ 83,908</u> |

Cash: the Board is not exposed to significant credit risk as these amounts are held a Canadian Chartered Bank.

Accounts Receivable: the Board is not exposed to significant credit risk as accounts receivable are from the Vital Statistics Agency, a provincial government organization. Accounts receivable are neither past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due. The Board manages liquidity risk by maintaining adequate cash balances.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Board's income or the fair value of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash.

The interest rate risk on funds on cash is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4.) The Public Sector Compensation Disclosure Act

In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid:

| | 2014 | 2013 |
|---|-----------|-----------|
| Employee paid \$ 50,000 or more | | |
| J. Delaney - Investigator | \$ 57,597 | \$ 56,550 |
| The aggregate amount paid to Board members was: | | |
| (a) Honoraria, Board Members | \$ 9,810 | \$ 4,033 |

5.) Related Party Transactions

The Board is related in terms of common control to all Province of Manitoba created Departments, Agencies, Boards and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange rate amount agreed to by the related parties.

THE FUNERAL BOARD OF MANITOBA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

6.) Administrative Charges - Vital Statistics Agency

Effective January 1, 2014 the administrative charges paid to Vital Statistics Agency have been increased. The increase is based on evaluation of workload and overhead contribution provided by Vital Statistics Agency to the Board. In prior years these charges were lower as the Board's activities were significantly lower.

7.) Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities consist of the following :

| | 2014 | 2013 |
|------------------------|-------------------|------------------|
| General | \$ 12,680 | \$ 24,979 |
| Administrative Charges | 108,500 | 48,000 |
| Salaries and Benefits | 6,186 | 5,270 |
| CRA Deductions Payable | - | 1,159 |
| | <u>\$ 127,366</u> | <u>\$ 79,408</u> |

8.) Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the annual budget approved by the Board.

9.) Going Concern

The accompanying financial statements have been prepared on the going concern assumption that the Board will be able to realize its assets and discharge its liabilities in the normal course of business. The Board has incurred annual losses in prior years with a current year surplus; an accumulated deficit remains as at December 31, 2014.

The Board continues to review their financial position and the long term viability of the Board and are reviewing all options.

10.) Grant Funding

The Board has been approved to receive funding of \$160,000 for fiscal period 2015 from Vital Statistics Agency. The Board is required to explore options to reduce expenditures and reliance on Agency funding and return with an alternate funding model. For the fiscal year ended December 31, 2014 the Board has recognized \$180,000 as income.

11.) Tangible Capital Assets

| 2014 | | | |
|--------------------|-----------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Computer Equipment | \$ 2,412 | \$ 241 | \$ 2,171 |
| | <u>\$ 2,412</u> | <u>\$ 241</u> | <u>\$ 2,171</u> |
| 2013 | | | |
| | Cost | Accumulated Amortization | Net Book Value |
| Computer Equipment | \$ - | \$ - | \$ - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**GENERAL CHILD AND FAMILY
SERVICES AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2015**

June 23, 2015

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of the General Child and Family Services Authority and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 23, 2015.

Management maintains internal controls to properly safeguard the assets of the General Child and Family Services Authority and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of the General Child and Family Services Authority have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of the General Child and Family Services Authority are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of the General Child and Family Services Authority.

Doreen Draffin
Board Chair

Debbie Besant
Chief Executive Officer
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Debbie Besant
Chief Executive Officer

Original Document Signed

Janice Rees
Chief Financial Officer

JR/kmb

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
General Child and Family Services Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the General Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards for government not-for-profit organizations.

Emphasis of Matter

Without modifying our opinion, we draw attention to the Supplementary Schedule of Training Revenue and Expenses included in these financial statements. The supplementary financial information included in this schedule is unaudited.

June 23, 2015
Winnipeg, Canada



Magnus Chartered Accountants LLP

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2015

| | Operating Fund | Agency Fund | Total 2015 | Total 2014 |
|--------------------------------|-------------------|----------------|---------------|---------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 90,154 | \$ - | \$ 90,154 | \$ 53,851 |
| Accounts receivable (Note 4) | 22,388 | - | 22,388 | 32,569 |
| Advances receivable (Note 5) | - | 116,600 | 116,600 | 116,600 |
| Portfolio investments (Note 6) | 1,135,557 | - | 1,135,557 | 1,621,995 |
| Prepaid expenses | 35,015 | - | 35,015 | 56,408 |
| Interfund balances | (552,934) | 552,934 | - | - |
| | 730,180 | 669,534 | 1,399,714 | 1,881,423 |
| Capital assets (Note 7) | 130,212 | - | 130,212 | 159,620 |
| | \$ 860,392 | \$ 669,534 | \$ 1,529,926 | \$ 2,041,043 |

Liabilities and Fund Balances

Current liabilities:

| | | | | |
|---|------------|---------|------------|------------|
| Accounts payable and accrued liabilities (Note 8) | \$ 297,794 | \$ - | \$ 297,794 | \$ 244,399 |
| Working capital advances (Note 5) | - | 116,600 | 116,600 | 116,600 |
| Deferred contributions (Note 9) | 133,962 | - | 133,962 | 793,633 |
| | 431,756 | 116,600 | 548,356 | 1,154,632 |

Fund balances:

| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Internally restricted (Note 10) | - | - | - | 692,280 |
| Unrestricted (Note 10) | 428,636 | 552,934 | 981,570 | 194,131 |
| | 428,636 | 552,934 | 981,570 | 886,411 |

Commitments (Note 14)

| | | | | |
|--|------------|------------|--------------|--------------|
| | \$ 860,392 | \$ 669,534 | \$ 1,529,926 | \$ 2,041,043 |
|--|------------|------------|--------------|--------------|

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Original Document Signed

Director

Original Document Signed

Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations

Year ended March 31, 2015

| | Operating Fund | Agency Fund | Total 2015 | Total 2014 |
|--|-------------------|----------------|---------------|---------------|
| Revenue: | | | | |
| Province of Manitoba: | | | | |
| Operating grant (Note 11) | \$ 2,181,706 | \$ - | \$ 2,181,706 | \$ 2,666,993 |
| Agency grants (Notes 11 and 12) | - | 12,432,726 | 12,432,726 | 11,462,942 |
| Brandon Friendship Centre (Note 11) | 57,500 | - | 57,500 | 57,400 |
| Other grants (Note 11) | 4,445 | - | 4,445 | 4,995 |
| David Thomas Foundation | 90,142 | - | 90,142 | 44,576 |
| Children's Aid Foundation | 87,278 | - | 87,278 | 49,588 |
| Investment income | 31,367 | - | 31,367 | 33,925 |
| Other revenue and recoveries | 25,668 | - | 25,668 | 29,503 |
| | 2,478,106 | 12,432,726 | 14,910,832 | 14,349,922 |
| Expenses: | | | | |
| Agency allocations (Note 12) | - | 11,879,792 | 11,879,792 | 11,462,942 |
| Agency support | 91,539 | - | 91,539 | 59,544 |
| Amortization | 44,989 | - | 44,989 | 37,431 |
| Board meetings and expenses | 35,397 | - | 35,397 | 20,973 |
| Differential Response | 9,835 | - | 9,835 | 14,066 |
| Grant expenses (Note 13) | 368,338 | - | 368,338 | 401,705 |
| Insurance | 7,208 | - | 7,208 | 7,044 |
| Interest and bank charges | 794 | - | 794 | 838 |
| Legal and audit | 21,208 | - | 21,208 | 29,715 |
| Mileage and parking | 31,226 | - | 31,226 | 32,384 |
| Office and supplies | 41,653 | - | 41,653 | 52,568 |
| Professional services | 74,150 | - | 74,150 | 28,671 |
| Rent | 124,232 | - | 124,232 | 119,505 |
| Telephone | 24,589 | - | 24,589 | 25,499 |
| Training and development | 166,396 | - | 166,396 | 212,044 |
| Travel | 24,114 | - | 24,114 | 25,809 |
| Utilities | 2,717 | - | 2,717 | 1,419 |
| Wages and benefits | 1,867,496 | - | 1,867,496 | 1,817,765 |
| | 2,935,881 | 11,879,792 | 14,815,673 | 14,349,922 |
| (Deficiency) excess of revenue over expenses | \$ (457,775) | \$ 552,934 | \$ 95,159 | \$ - |

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Changes in Fund Balances

Year ended March 31, 2015

| | Operating Fund | Agency Fund | Total 2015 | Total 2014 |
|---|-------------------|----------------|---------------|---------------|
| Balance, beginning of year | \$ 886,411 | \$ - | \$ 886,411 | \$ 886,411 |
| (Deficiency) excess of revenue over expenses | (457,775) | 552,934 | 95,159 | - |
| Balance, end of year | \$ 428,636 | \$ 552,934 | \$ 981,570 | \$ 886,411 |

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flow

Year ended March 31, 2015

| | 2015 | 2014 |
|--|-----------|-----------|
| Cash provided by (applied to) | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 95,159 | \$ - |
| Adjustments for: | | |
| Amortization | 44,989 | 37,431 |
| Recognition of deferred contributions | (806,177) | (345,050) |
| | (666,029) | (307,619) |
| Changes in the following: | | |
| Accounts receivable | 10,181 | 59,663 |
| Prepaid expenses | 21,393 | (30,532) |
| Accounts payable and accrued liabilities | 53,395 | (106,676) |
| Cash (applied to) operating activities | (581,060) | (385,164) |
| Investing activities: | | |
| Net changes in portfolio investments | 486,438 | 314,260 |
| Cash provided by investing activities | 486,438 | 314,260 |
| Financing activities: | | |
| Deferred contributions received | 146,506 | 170,604 |
| Cash provided by financing activities | 146,506 | 170,604 |
| Capital activities: | | |
| Purchases of capital assets | (16,181) | (158,747) |
| Proceeds on disposal of capital assets | 600 | 750 |
| Cash (applied to) capital activities | (15,581) | (157,997) |
| Change in cash and cash equivalents | 36,303 | (58,297) |
| Cash and cash equivalents, beginning of year | 53,851 | 112,148 |
| Cash and cash equivalents, end of year | \$ 90,154 | \$ 53,851 |

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of organization

The General Child and Family Services Authority (the "Authority") was established on November 24, 2003 pursuant to *The Child and Family Services Authorities Act*. The Authority is a Government not-for-profit organization within the Department of Family Services responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Service, and Winnipeg Rural and Northern Child and Family Services (Winnipeg Regional Office and Interlake, Eastman, Parkland and Northern Regions).

The Authority is a not-for-profit organization and is exempt from income taxes pursuant to *The Income Tax Act* (Canada).

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board, including the standards available to government not-for-profit organizations (PS 4200 - PS 4270).

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector standards for government not-for-profit organizations using the following significant accounting policies:

(a) Fund accounting

The Authority records its activities in the following funds:

(i) Operating Fund

The operating fund accounts for the activities relating to the primary activity of the Authority as described in Note 1 to these financial statements.

(ii) Agency Fund

The Province of Manitoba provides the Authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of *The Child and Family Services Authorities Act*, the Authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the Authority (excluding child maintenance), while government offices receive funding directly from the government based on the approval of allocations by the Authority.

(iii) Interfund transfers

Interfund transfers can only be made with approval from the Department.

(b) Revenue recognition

The Authority follows the deferral method of accounting for contributions. Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable. Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Investment income and all other revenue is recognized on the accrual basis.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

3. Summary of significant accounting policies (continued)

(c) Expenses

All expenses incurred are recognized on the accrual basis when the related goods or services are received.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

(e) Portfolio investments

Portfolio investments include term deposits with original maturities greater than three months. These investments are recorded at cost.

(f) Capital assets

Capital assets are recorded at cost. Cost includes the purchase price and other acquisition costs. The costs of capital assets, less any residual value, are amortized over their estimated useful lives as follows:

| | <u>Rate</u> | <u>Method</u> |
|------------------------|-------------|---------------|
| Computer software | 3 years | Straight-line |
| Furniture and fixtures | 5 years | Straight-line |
| Leasehold improvements | 5 years | Straight-line |

(g) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Authority records its financial assets at cost, which include cash and cash equivalents, accounts receivable, portfolio investments and advances receivable. The Authority also records its financial liabilities at cost, which include accounts payable and accrued liabilities and working capital advances.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on any financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. Actual results may differ from these estimates.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

| | 2015 | 2014 |
|----------------------|-----------|-----------|
| Interest receivable | \$ 16,040 | \$ 17,019 |
| Province of Manitoba | 190 | 1,866 |
| Other receivables | 6,158 | 13,684 |
| | \$ 22,388 | \$ 32,569 |

5. Working capital advances and advances receivable

Working capital advances are provided to the Authority's agencies through the Province of Manitoba. The Province has approved the advances based on two twelfths of the annual expenditures an agency invoices Family Services and Housing for child maintenance. The advances are non-interest bearing and are repayable at the time the agency is no longer providing services on behalf of the department. Total working capital advances to agencies at March 31, 2015 are \$116,600 (2014 - \$116,600).

6. Portfolio investments

As at March 31, 2015, the fair value of the Authority's portfolio investments is \$1,151,598 (2014 - \$1,639,014).

7. Capital assets

| | Cost | Accumulated amortization | Net book value | |
|------------------------|------------|-----------------------------|----------------|------------|
| | | | 2015 | 2014 |
| Computer software | \$ 53,259 | \$ 44,389 | \$ 8,870 | \$ 11,625 |
| Furniture and fixtures | 110,650 | 77,973 | 32,677 | 34,081 |
| Leasehold improvements | 253,479 | 164,814 | 88,665 | 113,914 |
| | \$ 417,388 | \$ 287,176 | \$ 130,212 | \$ 159,620 |

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at March 31 is comprised of the following:

| | 2015 | 2014 |
|--|------------|------------|
| Trade payables and accrued liabilities | \$ 46,393 | \$ 125,655 |
| Wages payable | 13,740 | 3,742 |
| Vacation pay accrual | 3,015 | 11,721 |
| Due to the Province of Manitoba | 234,646 | 103,281 |
| | \$ 297,794 | \$ 244,399 |

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

9. Deferred contributions

Deferred contributions are externally restricted for specific purposes as determined by the funders and will be recognized as revenue in the appropriate fund in the period the specific expenditures are incurred. Changes in deferred contributions during the year are as follows:

(a) Deferred contributions - Operating Fund

Deferred contributions in the Operating Fund relate to grants from various sources as follows:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Province of Manitoba - Operating: | | |
| Balance, beginning of year | \$ 105,007 | \$ 337,805 |
| Add: contributions received (see (i) below) | - | 2,434,195 |
| Less: amounts recognized as revenue (Note 11) | 105,007 | 2,666,993 |
| Balance, end of year | - | 105,007 |
| Province of Manitoba - Differential Response: | | |
| Balance, beginning of year | - | 23,738 |
| Less: amounts recognized as revenue | - | 23,738 |
| Balance, end of year | - | - |
| Office of the Standing Committee: | | |
| Balance, beginning of year | 105,569 | 87,078 |
| Add: contributions received | - | 57,333 |
| Less: amounts recognized as revenue | 9,835 | 38,842 |
| Balance, end of year | 95,734 | 105,569 |
| David Thomas Foundation: | | |
| Balance, beginning of year | 21,386 | - |
| Add: contributions received, net of repayment | 68,756 | 65,962 |
| Less: amounts recognized as revenue | 90,142 | 44,576 |
| Balance, end of year | - | 21,386 |
| Children's Aid Foundation: | | |
| Balance, beginning of year | 47,756 | 50,035 |
| Add: contributions received | 77,750 | 47,309 |
| Less: amounts recognized as revenue | 87,278 | 49,588 |
| Balance, end of year | 38,228 | 47,756 |
| Other: | | |
| Balance, beginning of year | 3,600 | 3,600 |
| Less: amounts recognized as revenue | 3,600 | - |
| Balance, end of year | - | 3,600 |
| Total Operating Fund | \$ 133,962 | \$ 283,318 |

(b) Deferred contributions - Agency Fund

| | 2015 | 2014 |
|---|------------|------------|
| Province of Manitoba - Agency grants: | | |
| Balance, beginning of year | \$ 510,315 | \$ 455,740 |
| Add: contributions received (see (i) below) | - | 11,517,517 |
| Less: amounts recognized as revenue (Note 11) | 510,315 | 11,462,942 |
| Balance, end of year | \$ - | \$ 510,315 |

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

9. Deferred contributions (continued)

(i) During the year ended March 31, 2015, the Authority received notification from the Department that the operating grant and agency funding received from the Province of Manitoba is unrestricted and should be recognized as revenue in the respective fund (see Note 11). In the prior year, this funding was externally restricted therefore included in deferred contributions.

10. Internally restricted and unrestricted fund balances

Internally restricted fund balances represent amounts that have been internally designated for specific purposes as approved by the Board of Directors of the Authority. Internally restricted funds may not be established with funding provided by the Department of Family Services without approval by the Department. During the year ended March 31, 2015, all amounts previously included in the internally restricted fund balance have been transferred to the unrestricted fund balance pending completion of a Departmental review which may impact how the surplus funds are to be used by the Authority.

11. Province of Manitoba - funding reconciliation

The Authority received the following funding from the Province of Manitoba during the year:

| | | Deferred Revenue Recognized | Cash Withheld for Secondments | Current Year Revenue |
|--|---------------------|-----------------------------------|-------------------------------------|----------------------------|
| Funding received: | | | | |
| Total per Province of Manitoba confirmation | \$12,537,931 | | | |
| Plus: Receivable from the Province of Manitoba at year end | 190 | | | |
| Less: Prior year receivable from the Province of Manitoba | (1,866) | | | |
| Total current year funding | <u>\$12,536,255</u> | | | |
| Funding applied to: | | | | |
| Agency grants | \$11,922,411 | \$ 510,315 | \$ - | \$12,432,726 |
| Operating grant | 551,899 | 105,007 | 1,524,800 | 2,181,706 |
| Brandon Friendship Centre | 57,500 | - | - | 57,500 |
| Province of Manitoba - other grants | 4,445 | - | - | 4,445 |
| | <u>\$12,536,255</u> | <u>\$ 615,322</u> | <u>\$ 1,524,800</u> | <u>\$14,676,377</u> |

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

12. Agency grants

During the year ended March 31, 2015, the Authority received funding from the Province of Manitoba in the amount of \$11,922,411 plus contributions previously deferred of \$510,315 for total funding recognized of \$12,432,726 (2014 - \$11,462,942) to be allocated to the agencies under its jurisdiction. Agency grants were allocated as follows:

| Agency | <u>Child and Family Services Division</u> | | Total 2015 | Total 2014 |
|--|---|--------------------------|---------------------|---------------------|
| | Child Protection Branch | Differential Response | | |
| Child and Family Services of Central Manitoba | \$ 4,218,125 | \$ 367,650 | \$ 4,585,775 | \$ 4,175,540 |
| Child and Family Services of Western Manitoba | 6,799,307 | - | 6,799,307 | 6,855,050 |
| Jewish Child and Family Service | 494,710 | - | 494,710 | 432,352 |
| Total | \$11,512,142 | \$ 367,650 | \$11,879,792 | \$11,462,942 |

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the Authority.

13. Grant expenses

Grant payments and expenses for the year include the following:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Children's Aid Foundation - CIBC Miracle Fund | \$ 5,500 | \$ 6,891 |
| Children's Aid Foundation - FC Transition & Comfort Kits | \$ 37,648 | \$ - |
| Children's Aid Foundation - Scotia Capital Stay in School Fund | 35,856 | 42,697 |
| New Canadian Awareness Education Initiative | 36,963 | 48,195 |
| Post Secondary Education and Support | 42,882 | 35,599 |
| SOS - Brandon Friendship Centre | 57,500 | 57,400 |
| Vision Catchers | 9,028 | 13,468 |
| Wings of Power | - | 25,000 |
| Youth Initiatives including Building Futures | 142,961 | 172,455 |
| | \$ 368,338 | \$ 401,705 |

14. Commitments

The Authority has entered into a lease agreement to lease space on the third and sixth floors at 180 King Street. The agreement pertaining to the space on the third floor is for a ten year term expiring on November 30, 2022. The agreement pertaining to the space on the sixth floor is for a five year term expiring on November 30, 2017 with a five year renewal option. Occupancy charges for the year ending March 30, 2016 are estimated to be \$122,800 (2015 actual - \$124,232).

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

15. Financial instruments and financial risk management

The Authority does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore did not incur any remeasurement gains or losses during the year (2014 - \$nil).

Financial risk management - overview

The Authority has exposure to the following risks resulting from its financial instruments: credit risk, liquidity risk, market risk, interest rate risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of cash and cash equivalents, accounts receivable, portfolio investments and advance receivable.

The maximum exposure of the Authority to credit risk at March 31 is:

| | 2015 | 2014 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 90,154 | \$ 53,851 |
| Accounts receivable | 22,388 | 32,569 |
| Portfolio investments | 1,135,557 | 1,621,995 |
| Advances receivable | 116,600 | 116,600 |
| | \$ 1,364,699 | \$ 1,825,015 |

Cash and cash equivalents and portfolio investments: The Authority is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are held by a reputable financial institution.

Accounts receivable and advances receivable: The Authority is not exposed to significant credit risk as the nature of the accounts receivable and advances receivable are primarily with the Province of Manitoba resulting in minimal credit exposure.

The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current economic conditions and historical funding and payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2015 is \$nil (2014 - \$nil).

As at March 31, 2015, the aging of accounts receivable is all current (2014 - current).

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they come due.

The Authority manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

Year ended March 31, 2015

15. Financial instruments and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Authority's income or the fair values of its financial instruments. The significant market risk the Authority is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered to be low because the original deposits and investments are reinvested at similar rates with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

16. Comparative information

Certain of the amounts for the year ended March 31, 2014 have been reclassified to conform to the financial statement presentation adopted in the current year.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Supplementary Schedule of Training Revenue and Expenses

Schedule 1

Year ended March 31, 2015

(Unaudited)

| | 2015 | 2014 |
|---------------------------------------|------------|-------------|
| Revenue: | | |
| Operating grant allocation | \$ 352,397 | \$ 352,397 |
| Expenses: | | |
| General Authority training events | 170,933 | 160,557 |
| Conferences | 19,177 | 37,446 |
| Training space | 67,541 | 81,897 |
| Salaries and benefits* | 87,710 | 87,789 |
| Supplies | 7,893 | 14,041 |
| | 353,254 | 381,730 |
| (Deficiency) of revenue over expenses | \$ (857) | \$ (29,333) |

* Includes .5 Leading Practice Specialist - Term

* Includes .8 Administrative Support - Term

**HELEN BETTY OSBORNE MEMORIAL FOUNDATION AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015 WERE NOT AVAILABLE AT
THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS
VOLUME IV**

**INSURANCE COUNCIL OF
MANITOBA**

Financial Statements
For the year ended March 31, 2015

INSURANCE COUNCIL OF MANITOBA

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Members of the **INSURANCE COUNCIL OF MANITOBA**

We have audited the accompanying financial statements of the **INSURANCE COUNCIL OF MANITOBA**, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **INSURANCE COUNCIL OF MANITOBA** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 12, 2015

INSURANCE COUNCIL OF MANITOBA

Statement of Financial Position

| | | |
|-----------------|-------------|-------------|
| March 31 | 2015 | 2014 |
|-----------------|-------------|-------------|

Assets

Current Assets

| | | |
|------------------------------------|------------|------------|
| Cash and cash equivalents (Note 3) | \$ 355,836 | \$ 193,551 |
| Interest receivable | 23,150 | 26,839 |
| Prepaid expenses | 6,700 | 3,855 |
| | 385,686 | 224,245 |

| | | |
|--------------------------------|-----------|-----------|
| Portfolio investments (Note 4) | 1,030,923 | 1,000,747 |
|--------------------------------|-----------|-----------|

| | | |
|-------------------------|---------|---------|
| Capital assets (Note 5) | 446,463 | 524,275 |
|-------------------------|---------|---------|

| | | |
|--|--------------|--------------|
| | \$ 1,863,072 | \$ 1,749,267 |
|--|--------------|--------------|

Liabilities and Net Assets

Current Liabilities

| | | |
|--|-----------|-----------|
| Accounts payable and accrued liabilities | \$ 36,911 | \$ 21,275 |
| Deferred revenue (Note 6) | 174,415 | 170,028 |
| | 211,326 | 191,303 |

Commitments (Note 7)

Net Assets

| | | |
|--------------------------------|-----------|-----------|
| Information Technology Reserve | 200,000 | 200,000 |
| Unrestricted net assets | 1,450,797 | 1,340,327 |
| | 1,650,797 | 1,540,327 |

| | | |
|---------------------------------|-----|--------|
| Accumulated remeasurement gains | 949 | 17,637 |
|---------------------------------|-----|--------|

| | | |
|--|-----------|-----------|
| | 1,651,746 | 1,557,964 |
|--|-----------|-----------|

| | | |
|--|--------------|--------------|
| | \$ 1,863,072 | \$ 1,749,267 |
|--|--------------|--------------|

Approved on behalf of the Council:

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_____ Member

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_____ Member

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

INSURANCE COUNCIL OF MANITOBA

Statement of Operations and Changes in Net Assets

| For the year ended March 31 | 2015 | 2014 |
|---|----------------------------|----------------------------|
| Revenue | | |
| Examinations | \$ 68,893 | \$ 62,162 |
| Interest income | 29,562 | 33,909 |
| Licences (Note 8) | 1,074,665 | 1,001,528 |
| Other | 88,279 | 48,422 |
| Realized gain on sale of portfolio investments | 16,778 | 29,151 |
| | <u>1,278,177</u> | <u>1,175,172</u> |
| Expenses | | |
| Advertising, dues and subscriptions | 21,753 | 24,341 |
| Amortization | 168,247 | 154,723 |
| Computer consulting fees | 58,327 | 51,186 |
| Conferences | 1,000 | - |
| Council | 43,450 | 34,750 |
| Equipment leases | 4,926 | 4,509 |
| Insurance | 4,165 | 3,812 |
| Meetings and travel | 28,318 | 35,972 |
| Merchant card expense, bank charges and interest | 24,510 | 21,059 |
| Office and equipment rental | 21,085 | 23,082 |
| Postage and courier | 5,691 | 18,552 |
| Professional fees | 48,462 | 99,134 |
| Recruiting and human resource | - | 5,105 |
| Rent | 84,408 | 86,244 |
| Salaries and benefits | 641,884 | 555,953 |
| Telephone and Internet | 9,023 | 8,307 |
| Training | 2,458 | 387 |
| | <u>1,167,707</u> | <u>1,127,116</u> |
| Excess of revenue over expenses for the year | 110,470 | 48,056 |
| Net assets, beginning of year | <u>1,340,327</u> | <u>1,292,271</u> |
| Net assets, end of year | <u>\$ 1,450,797</u> | <u>\$ 1,340,327</u> |

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

INSURANCE COUNCIL OF MANITOBA

Statement of Remeasurement Gains and Losses

| For the year ended March 31 | 2015 | 2014 |
|--|-----------------|-----------------|
| Accumulated remeasurement gains, beginning of year | \$ 17,637 | \$ 46,195 |
| Unrealized gain attributable to portfolio investments | 90 | 593 |
| Amounts reclassified to the statement of operations attributable to disposition of portfolio investments | <u>(16,778)</u> | <u>(29,151)</u> |
| Net remeasurement losses during the year | <u>(16,688)</u> | <u>(28,558)</u> |
| Accumulated remeasurement gains, end of year | \$ 949 | \$ 17,637 |

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

INSURANCE COUNCIL OF MANITOBA

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Excess of revenue over expenses for the year | \$ 93,782 | \$ 19,498 |
| Adjustments for | | |
| Amortization | 168,247 | 154,723 |
| Unrealized loss on portfolio investments | (90) | (593) |
| | <u>261,939</u> | 173,628 |
| Changes in non-cash working capital balances | | |
| Interest receivable | 3,689 | (6,194) |
| Prepaid expenses | (2,845) | 5,210 |
| Accounts payable and accrued liabilities | 15,636 | (4,202) |
| Deferred revenue | 4,387 | 2,888 |
| | <u>282,806</u> | 171,330 |
| Cash Flows from Investing Activities | | |
| Purchase of capital assets | (90,435) | (63,045) |
| Proceeds on sale of investments | 168,289 | 304,540 |
| Purchase of investments | (198,375) | (328,768) |
| | <u>(120,521)</u> | (87,273) |
| Increase in cash and cash equivalents for the year | 162,285 | 84,057 |
| Cash and cash equivalents, beginning of year | 193,551 | 109,494 |
| Cash and cash equivalents, end of year | \$ 355,836 | \$ 193,551 |

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

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents and adjusters in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

Management's Responsibility for the Financial Statements

The financial statements of the Council are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for non-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

| | |
|------------------------|-------------------------------|
| Computer hardware | 30% diminishing balance basis |
| Computer software | 30% diminishing balance basis |
| Furniture and fixtures | 20% diminishing balance basis |
| Leasehold improvements | 5 year straight-line basis |
| Licence database | 5 year straight-line basis |
| Website | 30% diminishing balance basis |

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Revenue Recognition

Licence fees are recognized as income over the term of the licence period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Employee Benefits

The Council contributes 5.1% of employee salaries to a self administered RRSP on behalf of the employees up to the first \$35,400 of earnings. The Council matches employee contributions to a maximum of 7% on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSPs for the year ended March 31, 2015 were \$29,496 (\$24,853 in 2014).

3. Cash and Cash Equivalents

| | <u>2015</u> | <u>2014</u> |
|------------------------|-------------------|-------------------|
| Cash and bank | \$ 53,042 | \$ 52,063 |
| Short term investments | 302,794 | 141,488 |
| | <u>\$ 355,836</u> | <u>\$ 193,551</u> |

The fair value of the cash and cash equivalents approximates the carrying value.

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

For the year ended March 31, 2015

4. Long-term Investments

| | 2015 | | 2014 |
|---|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Fair Value |
| Home Trust GIC, 1.95%, due October 26, 2015 | \$ 20,000 | \$ 20,000 | \$ - |
| Home Trust GIC, 2.05%, due October 24, 2016 | 20,000 | 20,000 | - |
| Canadian Tire Bank GIC, 2.45%, due August 20, 2019 | 55,743 | 55,743 | - |
| Laurentian Bank GIC, 2.46%, due August 20, 2019 | 50,000 | 50,000 | - |
| Home Trust GIC, 2.55%, due October 24, 2019 | 52,632 | 52,632 | - |
| Manulife Bank of CDA GIC, 3.65%, due June 22, 2015 | 69,943 | 69,943 | 69,943 |
| HSBC Bank of CDA GIC, 3.70%, due June 22, 2015 | 100,000 | 100,000 | 100,000 |
| Equitable Bank GIC, 2.20%, due October 7, 2015 | 19,355 | 19,355 | 19,355 |
| Mont Trust GIC, 2.95%, due June 23, 2016 | 100,000 | 100,000 | 100,000 |
| Maple Trust GIC, 2.95%, due June 23, 2016 | 38,916 | 38,916 | 38,916 |
| Bank of Montreal GIC, 2.37%, due October 7, 2016 | 19,000 | 19,000 | 19,000 |
| Royal Bank of Canada GIC, 2.45%, due November 17, 2016 | 33,272 | 34,166 | 34,117 |
| AGF Trust Company GIC, 2.52%, due June 26, 2017 | 36,649 | 36,704 | 36,662 |
| Advisor's Advantage Trust GIC, 2.40%, due July 10, 2017 | 34,051 | 34,051 | 34,051 |
| Manulife Bank of CDA GIC, 2.60%, due July 10, 2017 | 30,000 | 30,000 | 30,000 |
| Royal Bank of CDA GIC, 2.40%, due July 10, 2017 | 60,000 | 60,000 | 60,000 |
| Canadian Western GIC, 2.40%, due November 27, 2017 | 41,159 | 41,159 | 41,159 |
| Bank of Montreal Mortgage GIC, 2.60%, due July 4, 2018 | 199,683 | 199,683 | 199,683 |
| Laurentien Bank GIC, 2.55%, due March 28, 2019 | 49,571 | 49,571 | 49,571 |
| Equitable Trust GIC, 3.41%, matured August 7, 2014 | - | - | 81,973 |
| Home Trust GIC, 3.35%, due matured October 22, 2014 | - | - | 86,317 |
| | \$ 1,029,974 | \$ 1,030,923 | \$ 1,000,747 |

The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

For the year ended March 31, 2015

5. Capital Assets

| | 2015 | | | 2014 | | |
|--|---------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Computer hardware | \$ 199,292 | \$ 164,808 | \$ 34,484 | \$ 184,605 | \$ 153,575 | \$ 31,030 |
| Computer software | 111,787 | 108,088 | 3,699 | 111,787 | 105,925 | 5,862 |
| Furniture and fixtures | 129,592 | 96,422 | 33,170 | 129,592 | 88,130 | 41,462 |
| Leaseholds improvements | 25,000 | 25,000 | - | 25,000 | 20,000 | 5,000 |
| Licence database | 249,700 | 224,730 | 24,970 | 249,700 | 174,790 | 74,910 |
| Website | 27,353 | 24,617 | 2,736 | 27,353 | 23,445 | 3,908 |
| Licence database #2 | 37,239 | 22,343 | 14,896 | 37,239 | 14,895 | 22,344 |
| Online renewal system | 290,225 | 106,416 | 183,809 | 290,225 | 48,371 | 241,854 |
| Online renewal system: CE enhancements | 193,113 | 44,414 | 148,699 | 117,365 | 19,460 | 97,905 |
| | \$ 1,263,301 | \$ 816,838 | \$ 446,463 | \$ 1,172,866 | \$ 648,591 | \$ 524,275 |

6. Deferred Revenue

Deferred revenue represents payments received for licenses and fees that cover more than the current fiscal year. The deferred portion will be recognized as revenue in the year to which it pertains to.

Licenses are recognized as revenue on a straight-line basis over the term of the license. Examination fees are recognized at the time the related exam is held.

7. Commitments

The Council leases equipment and office premises under the provisions of operating leases. These commitments are as follows:

| | |
|------|-----------|
| 2016 | \$ 33,055 |
| 2017 | 2,526 |
| 2018 | 210 |

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

For the year ended March 31, 2015

8. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 44% of licence and other fees and 15% of examination fees to the OSIM. These amounts are not included in the financial statements. In 2015, this amount is \$911,407 (\$825,627 in 2014).

9. Financial Risk Management

The Council is exposed to different types of risk in the normal course of operations, including credit risk, market risk, interest rate risk and liquidity risk. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities. The Council limits its exposure to credit risk and market risk by maintaining a diversified portfolio and by investing in high quality investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Council is exposed to credit risk from its interest receivable from various investments they hold. The risk is mitigated by investing in safe and secure investments, such as Guaranteed Investment Certificates and Provincial bonds.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Council limits its exposure to market risk by placing its cash and bank and investments in low risk investment vehicles. Risk and volatility of investment returns are mitigated through the diversification of investment vehicles.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Council is exposed to interest rate risk through its investments. The Council limits its exposure to interest rate risk by investing in only fixed rate guaranteed investment certificates and bonds.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council has a planning and budgeting process in place to help determine the funds required to support the Council's normal operating requirements on an ongoing basis. The Council ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

**LEAF RAPIDS TOWN PROPERTIES LTD AUDITED FINANCIAL STATEMENTS FOR THE
YEAR ENDED MARCH 31, 2015 WERE NOT AVAILABLE AT THE TIME OF PRINTING
THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV**

Responsibility for Financial Reporting

The accompanying financial statements of Legal Aid Manitoba are the responsibility of management and have been prepared in accordance with the accounting policies stated in Note 2 to the financial statements for the year ended March 31, 2015.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Auditor General is to express an independent professional opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

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Gil Clifford
Executive Director
Legal Aid Manitoba

August 24, 2015

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the accompanying financial statements of Legal Aid Manitoba, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in blue ink, reading "Office of the Auditor General".

Office of the Auditor General
August 24, 2015
Winnipeg, Manitoba

LEGAL AID MANITOBA
Statement of Financial Position
As at March 31

| | 2015 | 2014 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 2,088,880 | \$ 3,017,150 |
| Short-term investment | 1,518,277 | - |
| Client accounts receivable (Note 3) | 187,444 | 258,838 |
| Receivable from the Province of Manitoba | 5,790,000 | 5,115,000 |
| Other receivables (Note 4) | 221,448 | 334,433 |
| Prepaid expenses | 232,621 | 244,124 |
| | 10,038,670 | 8,969,546 |
| Capital Assets (Note 5) | 299,302 | 325,865 |
| | | |
| Long-term receivable - charges on land (Note 6) | 877,702 | 742,633 |
| Long-term receivable - severance - Province of Manitoba (Note 7) | 716,166 | 716,166 |
| Long-term receivable - pension - Province of Manitoba (Note 14) | 23,320,997 | 22,017,688 |
| | \$ 35,252,837 | \$ 32,771,897 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,705,345 | \$ 5,183,560 |
| Accrued vacation pay | 1,242,116 | 1,344,588 |
| Deferred revenue from clients | 670,323 | 616,814 |
| | 6,617,784 | 7,144,962 |
| Provision for employee future benefits (Note 8) | 2,815,603 | 2,388,693 |
| Provision for employee pension benefits (Note 14) | 23,320,997 | 22,017,688 |
| | 26,136,600 | 24,406,381 |
| Net Assets | | |
| Invested in Capital Assets | 299,302 | 325,865 |
| Externally Restricted Net Assets (Note 15) | 78,559 | 78,559 |
| Internally Restricted Net Assets (Note 16) | 1,500,000 | - |
| Unrestricted Net Assets | 620,592 | 816,130 |
| | 2,498,453 | 1,220,554 |
| | | |
| | \$ 35,252,837 | \$ 32,771,897 |

Approved by the Council

Original Document Signed _____

Chairperson

Original Document Signed _____

Council Member

LEGAL AID MANITOBA
Statement of Operations
for the year ended March 31

| | 2015 | 2014 |
|---|---------------------|-------------------|
| Revenue | | |
| Province of Manitoba (Note 9) | \$ 31,985,141 | \$ 30,305,241 |
| Manitoba Law Foundation (Note 10) | 1,420,635 | 1,273,629 |
| Contributions from clients | 750,827 | 923,768 |
| Recoveries from third parties | 879,747 | 958,524 |
| Government of Canada | - | 25,000 |
| Judgment costs and settlements | 169,501 | 127,430 |
| Interest income | 20,611 | 8,849 |
| Other | 20,965 | 8,692 |
| | 35,247,427 | 33,631,133 |
| Expense | | |
| Private bar fees and disbursements (Note 13) | | |
| Legal aid certificates | 11,577,889 | 10,807,024 |
| Duty counsel services | 546,371 | 463,324 |
| Transcripts | 55,667 | 48,250 |
| | 12,179,927 | 11,318,598 |
| Community Law Centres, Schedule 1 | 12,736,438 | 13,024,953 |
| Public Interest Law Centre, Schedule 1 | 1,717,032 | 1,733,025 |
| University of Manitoba Community Law Centre, Schedule 1 | 128,093 | 124,632 |
| General and Administrative, Schedule 1 | 7,208,038 | 6,786,018 |
| | 33,969,528 | 32,987,226 |
| | | |
| Excess of revenue over expense | \$ 1,277,899 | \$ 643,907 |

LEGAL AID MANITOBA
Statement of Changes in Net Assets
for the year ended March 31

| | 2015 | | | | 2014 | |
|--|----------------------------------|---|---|----------------------------|---------------------|---------------------|
| | Invested in Capital Assets | Externally Restricted Net Assets (Note 15) | Internally Restricted Net Assets (Note 16) | Unrestricted Net Assets | Total | Total |
| Balance, Beginning of Year | \$ 325,865 | \$ 78,559 | \$ - | \$ 816,130 | \$ 1,220,554 | \$ 576,647 |
| Excess (deficiency) of revenue over expense | (67,872) | - | - | 1,345,771 | 1,277,899 | 643,907 |
| Capital Asset Additions | 41,309 | - | - | (41,309) | - | - |
| Internally imposed restriction | - | - | 1,500,000 | (1,500,000) | - | - |
| BALANCE, END OF YEAR | \$ 299,302 | \$ 78,559 | \$ 816,130 | \$ 620,592 | \$ 2,498,453 | \$ 1,220,554 |

LEGAL AID MANITOBA
Statement of Cash Flow
for the year ended March 31

| | 2015 | 2014 |
|---|--------------------|------------------|
| Cash Flow Provided by (Used In) Operating Activities: | | |
| Excess of revenue over expense | \$ 1,277,899 | \$ 643,907 |
| Add items not affecting cash | | |
| Amortization | 67,872 | 95,464 |
| Loss on disposal of capital assets | - | 94,311 |
| Changes in working capital: | | |
| Client accounts receivable | 71,394 | (90,252) |
| Receivable from Province of Manitoba | (675,000) | 226,692 |
| Receivable from Government of Manitoba | - | 167,450 |
| Other receivables | 112,985 | 138,021 |
| Prepaid expenses | 11,503 | (16,265) |
| Accounts payable and accrued vacation pay | (580,687) | (175,074) |
| Deferred revenue from clients | 53,509 | 162,274 |
| Charges on land | (135,069) | 40,204 |
| Long-term receivable - pension | (1,303,309) | (1,430,011) |
| Severance liability | 42,410 | 214,266 |
| Sick Leave liability | 384,500 | - |
| Provision for employee pension benefits | 1,303,309 | 1,430,011 |
| | 631,316 | 1,500,998 |
| Cash Flow Provided by (Used In) Capital Activities: | | |
| Purchase of short-term investment | (1,518,277) | - |
| Purchase of capital assets | (41,309) | (73,758) |
| | (1,559,586) | (73,758) |
| Net Increase (Decrease) in Cash for the Year | (928,270) | 1,427,240 |
| Cash - Beginning of Year | 3,017,150 | 1,589,910 |
| Cash - End of Year | \$ 2,088,880 | \$ 3,017,150 |

| Supplemental Cash Flow Information | 2015 | 2014 |
|------------------------------------|-----------|----------|
| Interest Received | \$ 20,611 | \$ 8,849 |

SCHEDULE 1

Schedule of Expenses

for the year ended March 31

| | Community Law Centres | | | | Public Interest Law Centre | | | | University of Manitoba Community Law Centre | | | | General and Administrative | | | | Total | | | |
|-----------------------------|-----------------------|------------|------|------------|----------------------------|-----------|------|-----------|--|---------|------|---------|----------------------------|-----------|------|-----------|-------|------------|------|------------|
| | 2015 | | 2014 | | 2015 | | 2014 | | 2015 | | 2014 | | 2015 | | 2014 | | 2015 | | 2014 | |
| | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| Advertising | | 42,514 | | 41,871 | | 2,110 | | 2,412 | | 1,515 | | 2,816 | | 21,733 | | 48,365 | | 67,872 | | 95,464 |
| Amortization | | - | | - | | - | | - | | - | | - | | 286,951 | | 239,674 | | 286,951 | | 239,674 |
| Bad debts | | - | | - | | - | | - | | - | | - | | 2,384 | | 2,075 | | 2,384 | | 2,075 |
| Bank charges | | - | | - | | - | | - | | - | | - | | 15,150 | | 14,230 | | 15,150 | | 14,230 |
| Collection costs | | 69,566 | | 21,835 | | 7,047 | | 972 | | 3,912 | | 159 | | 75,063 | | 20,493 | | 155,588 | | 43,459 |
| Computer costs | | - | | - | | - | | - | | - | | - | | 85,370 | | 103,123 | | 85,370 | | 103,123 |
| Council expenses | | 202,712 | | 196,100 | | 3,669 | | 3,899 | | - | | - | | 735 | | 904 | | 207,116 | | 200,903 |
| Equipment maintenance | | 57,728 | | 81,600 | | 3,918 | | 3,280 | | - | | 612 | | 28,273 | | 32,160 | | 89,919 | | 117,652 |
| File disbursements | | 312,606 | | 287,114 | | 711,347 | | 641,893 | | 2,090 | | 3,551 | | 26,370 | | 24,621 | | 1,052,413 | | 957,180 |
| Library | | 71,732 | | 79,391 | | 11,522 | | 9,627 | | 140 | | 133 | | 2,651 | | 1,707 | | 86,045 | | 90,858 |
| Meetings | | 2,965 | | 4,238 | | 763 | | 907 | | 1,544 | | 1,813 | | 9,960 | | 8,752 | | 15,232 | | 15,710 |
| Office expenses | | 160,042 | | 187,158 | | 14,591 | | 13,936 | | 5,552 | | 5,019 | | 132,110 | | 129,856 | | 312,295 | | 335,969 |
| Office relocation | | 7,425 | | 6,767 | | 3,176 | | 480 | | - | | - | | 3,773 | | - | | 14,374 | | 7,247 |
| Pension costs (Note 14) | | - | | - | | - | | - | | - | | - | | 2,352,428 | | 2,376,552 | | 2,352,428 | | 2,376,552 |
| Premise costs | | 908,055 | | 998,498 | | 61,965 | | 56,044 | | 67 | | 92 | | 310,154 | | 303,131 | | 1,280,241 | | 1,357,765 |
| Professional fees | | 212,774 | | 204,886 | | 20,663 | | 19,423 | | 650 | | 775 | | 146,164 | | 133,732 | | 380,251 | | 358,816 |
| Salaries, benefits and levy | | 10,332,351 | | 10,577,137 | | 845,862 | | 948,543 | | 97,228 | | 98,547 | | 2,941,823 | | 2,965,636 | | 14,217,264 | | 14,589,863 |
| Severance benefits | | - | | - | | - | | - | | - | | - | | 269,039 | | 269,947 | | 269,039 | | 269,947 |
| Sick leave provision | | - | | - | | - | | - | | - | | - | | 384,500 | | - | | 384,500 | | - |
| Staff development | | 91,545 | | 45,547 | | 4,452 | | 7,966 | | - | | - | | 15,774 | | 7,156 | | 111,771 | | 60,669 |
| Staff recruitment | | 7,501 | | 21,842 | | 264 | | 214 | | 40 | | 34 | | 855 | | 262 | | 8,660 | | 22,322 |
| Telephone | | 99,026 | | 109,302 | | 12,902 | | 10,419 | | 2,614 | | 2,696 | | 61,199 | | 67,366 | | 175,741 | | 189,783 |
| Transcripts | | 20,662 | | 14,517 | | - | | - | | - | | - | | - | | - | | 20,662 | | 14,517 |
| Travel | | 137,234 | | 147,180 | | 12,781 | | 13,010 | | 12,741 | | 8,385 | | 13,152 | | 14,469 | | 175,908 | | 183,044 |
| TOTAL | \$ | 12,736,438 | \$ | 13,024,953 | \$ | 1,717,032 | \$ | 1,733,025 | \$ | 128,093 | \$ | 124,632 | \$ | 7,208,038 | \$ | 6,786,018 | \$ | 21,789,601 | \$ | 21,668,628 |

Notes to Financial Statements

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2015

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

- a) Providing quality legal advice and representation to eligible low-income individuals;
- b) Administering the delivery of legal aid in a cost-effective and efficient manner; and
- c) Providing advice to the Minister on legal aid generally and on the specific legal needs of low-income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Basis of Presentation

The financial statements are prepared in accordance with the Canadian standards for government not-for-profit organizations ("GNFPO") including Public Sector Accounting Handbook 4200 series as issued by the Canadian Public Sector Accounting Standards Board.

b) Financial Instruments

Financial assets and liabilities are initially recorded at fair value and subsequently recorded at cost or amortized cost.

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. The Corporation did not incur any re-measurement gains and losses during the year ended March 31, 2015 (2014 – \$nil).

Gains and losses on financial instruments subsequently measured at cost or amortized cost are recognized in the statement of revenue and expense in the period the gain or loss occurs.

The Corporation's financial instruments include cash, short-term investments, client accounts receivable, receivable from the Province of Manitoba, other receivables, long-term receivables, and accounts payable.

Notes to Financial Statements for the year ended March 31, 2015

c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include the allowance for doubtful accounts, accrual for private bar fees and the severance liability and provision for employee pension benefits. Actual results could differ from these estimates.

d) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

e) Short-Term Investments

Short-term investments consist of Guaranteed Investment Certificates with maturity dates within one year.

f) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Corporation based on the clients' ability to pay.

i) Agreements to Pay – Partial

Clients who are able to pay, sign an Agreement to Pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the Legal Aid Certificate. The revenue and receivable are recognized when the service is provided.

ii) Agreements to Pay – Full

Under terms of Agreements to Pay - Full, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case. The maximum administration fee is \$250. The revenue and receivable are recognized based on the date of the lawyer's billing which coincide with when the service is provided.

iii) Charges on Land

Charges on land are registered under section 17 of the *Corporations Act* in a land titles office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the

Notes to Financial Statements
for the year ended March 31, 2015

date of the lawyer's billing which coincide with when the service is provided. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

g) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

h) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment – 10 years
- Computer hardware & software – 4 years
- Leasehold improvements – over the term of the lease

Work in progress assets are not amortized until the asset is available to be put into service.

i) Pension Plan

Employees of the Corporation are pensionable under the *Civil Service Superannuation Act*. The Civil Service Superannuation Plan is a defined benefit pension plan. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment is amortized over the expected remaining service life of the employee group (EARS) which is currently 15 years (2014 – 15 years). Amortization commences the year following the year when the actuarial gain or loss arises.

j) Severance Liability

The Corporation records the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized on a

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

straight-line basis over the expected average remaining service life (EARSLS) of the related employee group. Amortization commences the year following the year when the actuarial gain or loss arises.

k) Sick Leave Liability

The Corporation records the estimated liability for accumulated sick leave benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used.

3. Client Accounts Receivable

| | 2015 | 2014 |
|---------------------------------------|------------|------------|
| Agreements to Pay – Partial | \$ 36,540 | \$ 51,655 |
| Agreements to Pay – Full | 391,670 | 442,805 |
| | 428,210 | 494,460 |
| Less: Allowance for Doubtful Accounts | 240,766 | 235,622 |
| Client accounts receivable | \$ 187,444 | \$ 258,838 |

4. Other Receivables

| | 2015 | 2014 |
|---|------------|------------|
| Court costs | \$ 375,126 | \$ 273,886 |
| Child and Family Services agencies | 91,859 | 61,762 |
| Employment and Income Assistance | 110,300 | 153,809 |
| Employee advances, GST recoverable, and miscellaneous | 12,838 | 113,302 |
| | 590,123 | 602,759 |
| Less: Allowance for Doubtful Accounts | 368,675 | 268,326 |
| Other receivables | \$ 221,448 | \$ 334,433 |

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

5. Capital Assets

| | 2015 | | 2014 | |
|--------------------------------|------------|--------------------------|------------|--------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Furniture and office equipment | \$ 299,555 | \$ 217,277 | \$ 318,731 | \$ 216,469 |
| Computer hardware & software | 281,496 | 224,304 | 324,385 | 266,036 |
| Leasehold improvements | 211,322 | 51,490 | 198,923 | 33,669 |
| | \$ 792,373 | \$ 493,071 | \$ 842,039 | \$ 516,174 |
| Net book value | | \$ 299,302 | | \$ 325,865 |

6. Charges on Land

| | 2015 | 2014 |
|---------------------------------------|--------------|--------------|
| Charges on land | \$ 1,873,004 | \$ 1,587,154 |
| Less: Allowance for Doubtful Accounts | 995,302 | 844,521 |
| Charges on land | \$ 877,702 | \$ 742,633 |

7. Long-term Receivable - Severance Benefits

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

8. Provision for Employee Future Benefits

| | 2015 | 2014 |
|---------------------|--------------|--------------|
| Severance benefits | \$ 2,431,103 | \$ 2,388,693 |
| Sick leave benefits | 384,500 | - |
| | \$ 2,815,603 | \$ 2,388,693 |

Notes to Financial Statements
for the year ended March 31, 2015

Severance benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized on a straight-line basis over the expected average remaining service life (EARSLS) of the related employee group. Amortization commences the year following the year when the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2015 by Ellement Consulting Group. The Corporation's actuarially determined net liability for accounting purposes as at March 31, 2015 was \$2,431,103 (2014 - \$2,388,693). The report provides a formula to update the liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of 9 years of service and that the employee is retiring from the Corporation.

| | 2015 | 2014 |
|--------------------------------------|--------------|--------------|
| Balance at beginning of year | \$ 2,461,648 | \$ 2,258,837 |
| Benefits accrued | 117,594 | 117,444 |
| Interest accrued on benefits | 150,653 | 149,761 |
| Benefits paid | (226,629) | (55,681) |
| Actuarial (gain) loss | (200,336) | (8,713) |
| Balance at end of year | 2,302,930 | 2,461,648 |
| Unamortized actuarial gains (losses) | 128,173 | (72,955) |
| | \$ 2,431,103 | \$ 2,388,693 |

The Corporation's severance costs consist of the following:

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

| | 2015 | 2014 |
|--|------------|------------|
| Benefits accrued | \$ 117,594 | \$ 117,444 |
| Interest accrued on benefits | 150,653 | 149,761 |
| Amortization of actuarial losses (gains) | 792 | 2,742 |
| | \$ 269,039 | \$ 269,947 |

Significant long-term actuarial assumptions used in the March 31, 2015 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

| | 2015 | 2014 |
|---|-------|-------|
| Annual rate of return | | |
| Inflation component | 2.00% | 2.00% |
| Real rate of return | 4.00% | 4.00% |
| | 6.00% | 6.00% |
| Assumed salary increase rates | | |
| Annual productivity increase | 0.75% | 0.75% |
| Annual general salary increase | 2.00% | 2.00% |
| Service, merit, & promotion (SMP) – average | 1.00% | 1.00% |
| | 3.75% | 3.75% |

Sick leave benefits

Effective April 1, 2014, the Corporation commenced recording the estimated liability for sick leave benefits for their employees that accumulate but do not vest. The amount of this estimated liability is based on actuarial calculations.

An actuarial report was completed for the sick leave liability as at March 31, 2015 by Ellement Consulting Group. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include an annual rate of return of 6.00% and a salary increase rate of 3.75%. The Corporation's actuarially determined net liability for accounting purposes as at March 31, 2015 was \$384,500.

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

9. Revenue from the Province of Manitoba

| | 2015 | 2014 |
|--|---------------|---------------|
| Grant | \$ 16,648,632 | \$ 15,014,767 |
| Salaries and other payments | 12,955,017 | 12,984,329 |
| Health and post secondary education tax levy | 280,012 | 276,993 |
| Employer portion of employee benefits | 1,984,780 | 1,949,402 |
| Other government agencies | 116,700 | 79,750 |
| | \$ 31,985,141 | \$ 30,305,241 |

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from the Manitoba Law Foundation

| | 2015 | 2014 |
|---|--------------|--------------|
| Statutory grant | \$ 1,154,635 | \$ 1,007,629 |
| Public Interest Law Centre | 180,000 | 180,000 |
| University of Manitoba Community Law Centre | 86,000 | 86,000 |
| | \$ 1,420,635 | \$ 1,273,629 |

A statutory grant, pursuant to subsection 90(1) of the *Legal Profession Act*, is received annually from the Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of \$1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of \$1,007,629 to the Corporation, the Act provides for pro-rata sharing of the net interest.

Other grants from the Manitoba Law Foundation are received pursuant to subsection 90(4) of the *Legal Profession Act*. These grants are restricted for the Public Interest Law Centre and the University of Manitoba Community Law Centre. At March 31, 2015, all funds received through these grants have been spent in the current year.

11. Commitments

a) Lease

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

| | |
|------------|----------------------|
| 2016 | \$ 1,165,875 |
| 2017 | 1,106,776 |
| 2018 | 1,114,686 |
| 2019 | 1,122,183 |
| 2020 | 1,074,599 |
| Thereafter | 5,318,565 |
| | \$ 10,902,684 |

b) Private Bar

Estimated total commitments for future billings on outstanding Legal Aid Certificates amount to \$2,866,000 as at March 31, 2015 (2014 - \$2,587,000).

12. Related Parties Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

13. Private Bar Fees and Disbursements

| | 2015 | | | 2014 |
|------------------------|----------------------|-------------------|----------------------|----------------------|
| | Fees | Disbursements | Total | Total |
| Legal aid certificates | \$ 10,895,053 | \$ 682,836 | \$ 11,577,889 | \$ 10,807,024 |
| Duty counsel services | 546,371 | 0 | 546,371 | 463,324 |
| Transcripts | 0 | 55,667 | 55,667 | 48,250 |
| | \$ 11,441,424 | \$ 738,503 | \$ 12,179,927 | \$ 11,318,598 |

14. Provision for Employee Pension Benefits

Pension costs consist of benefits accrued, interest accrued on benefits and experience (gain) loss. This liability is determined by an actuarial valuation annually with the balances for the intervening periods being determined by a formula provided by the actuary. The most recent valuation was completed as at December 31, 2014 by Ellement Consulting Group. The actuary has projected the pension obligation to March 31, 2015.

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

| | 2015 | 2014 |
|--------------------------------------|---------------|---------------|
| Balance at beginning of year | \$ 22,718,698 | \$ 22,017,185 |
| Benefits accrued | 858,640 | 853,343 |
| Interest accrued on benefits | 1,357,407 | 1,428,121 |
| Benefits paid | (1,049,120) | (945,541) |
| Actuarial (gain) loss | 95,703 | (634,410) |
| Balance at end of year | 23,981,328 | 22,718,698 |
| Unamortized actuarial gains (losses) | (660,331) | (701,010) |
| | \$ 23,320,997 | \$ 22,017,688 |

The Corporation's pension costs consist of the following:

| | 2015 | 2014 |
|--|--------------|--------------|
| Benefits accrued | \$ 858,640 | \$ 853,343 |
| Interest accrued on benefits | 1,357,407 | 1,428,121 |
| Amortization of actuarial (gains) losses | 136,381 | 94,088 |
| | \$ 2,352,428 | \$ 2,375,552 |

The key actuarial assumptions were a rate of return of 6.00% (2014 – 6.00%), 2.00% inflation (2014 – 2.00%), salary rate increases of 3.75% (2014 – 3.75%) and post retirement indexing 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2015.

The Province of Manitoba has accepted responsibility for funding of the Corporation's pension liability and related expense which includes an interest component. The Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability \$23,320,997 (2014 – \$22,017,688), and has recorded revenue for 2014/15 equal to its increase in the unfunded pension liability during the year of \$1,303,309 (2014 – \$1,430,011). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

15. Externally Restricted Net Assets - Wrongful Conviction Cases

During the fiscal year ended March 31, 2006, the Province of Manitoba approved a reallocation of \$130,000 from the Corporation's unrestricted net assets. This funding was provided for section 696 applications under the Criminal Code for wrongful conviction

Notes to Financial Statements for the year ended March 31, 2015

appeals. In the current fiscal year, the Corporation did not incur any expenses (2014 - nil) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is \$78,559.

16. Internally Restricted Net Assets – Access to Justice Initiatives

Effective the fiscal year ended March 31, 2015, the Management Council internally restricted \$1,500,000 of the accumulated surplus for the purpose of implementing access to justice initiatives and addressing the low financial eligibility guidelines. These funds are not available for other purposes without approval by the Management Council.

17. Public Sector Compensation Disclosure

For the purposes of the *Public Sector Compensation Disclosure Act*, all compensation for employees, Management Council members, and the private bar fees and disbursements from the Corporation is disclosed in a separate statement.

18. Financial Risk Management

The Corporation has potential exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Interest rate risk; and
- Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Corporation's Management Council has overall responsibility for the establishment and oversight of the Corporation's objectives, policies and procedures for measuring, monitoring and managing these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist principally of cash and accounts receivable.

The maximum exposure of the Corporation to credit risk at March 31, 2015 is:

LEGAL AID MANITOBA

Notes to Financial Statements for the year ended March 31, 2015

| | |
|--|---------------|
| Cash | \$ 2,088,880 |
| Short term investment | 1,518,277 |
| Client accounts receivable | 187,444 |
| Receivable from the Province of Manitoba | 5,790,000 |
| Other receivables | 221,448 |
| Long-term receivables: | |
| • Charges on land | 877,702 |
| • Severance - Province of Manitoba | 716,166 |
| • Pension - Province of Manitoba | 23,320,997 |
| | \$ 34,720,914 |

Cash: The Corporation is not exposed to significant credit risk as the cash is held by a large financial banking institution.

Short term investment: The Corporation is not exposed to significant credit risk as the short term investments consists of a Guaranteed Investment Certificate held by a large financial banking institution.

Client accounts receivable includes clients that contribute toward the cost of their case under the Agreements to Pay – Partial and Agreements to Pay – Full payment programs based on a contract. The Corporation manages its credit risk on these accounts receivables which are primarily small amounts held by a large client base. It is typically expected that clients will settle their account based on their payment program. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses.

Receivable from the Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivable is from the provincial government.

Other receivables include court costs, Child and Family Services agencies, Employment and Income Assistance, and miscellaneous. The Corporation is exposed to significant credit risk related to court costs and therefore, an allowance of 95% is set up to recognize the likelihood of collection. In the case of receivables from Child and Family Services agencies and Employment and Income Assistance, they are funded through the Province of Manitoba. Miscellaneous includes employee advances, GST and other recoverable costs. Employee advances are usually paid within one month, GST is received quarterly and other recoverable costs are usually paid within 90 days of receipt of an order to pay by the courts or other authority.

Long-term receivable – charges on land: The Corporation manages its credit risk on these accounts receivables which primarily consists of small amounts held by a large client base for which payment is secured by a lien on property. The Corporation

Notes to Financial Statements
for the year ended March 31, 2015

establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated on a specific identification basis and a general provision based on historical experience.

Long-term receivables – severance and pension – Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivables are with the provincial government.

The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, client analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| Balance, beginning of the year | \$ 1,348,469 | \$ 1,399,172 |
| Provision for bad debts | 286,951 | 239,674 |
| Amounts written off | (30,677) | (290,377) |
| Balance, end of the year | \$ 1,604,743 | \$ 1,348,469 |

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due.

The Corporation manages liquidity risk by maintaining adequate cash balances. The Corporation prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. The Corporation continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the fair values of its financial instruments. The significant market risks the Corporation is exposed to are: interest rate risk and foreign currency risk.

Notes to Financial Statements
for the year ended March 31, 2015

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and accounts payable.

The interest rate risk is considered to be low on cash because of its short-term nature and low on accounts payable because they are typically paid when due.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

**LIQUOR AND GAMING
AUTHORITY OF MANITOBA**

Financial Statements
For the year ended March 31, 2015

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Financial Statements

For the year ended March 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of the Liquor and Gaming Authority of Manitoba:

We have audited the accompanying financial statements of the Liquor and Gaming Authority of Manitoba, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and surplus (deficit), change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Liquor and Gaming Authority of Manitoba as at March 31, 2015, and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
June 26, 2015
Winnipeg, Manitoba

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Statement of Financial Position

| | Actual | Actual |
|---|---------------------|---------------------|
| For the year ended March 31 | 2015 | 2014 |
| Financial assets | | |
| Cash and cash equivalents | \$ 4,332,628 | \$ 3,196,958 |
| Accounts receivable (Note 5) | 340,645 | 54,466 |
| Long-term investment (Note 6) | 146,079 | 146,079 |
| | <u>4,819,352</u> | <u>3,397,503</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 7) | 1,348,529 | 751,906 |
| Deferred revenue (Note 8) | 579,666 | 0 |
| Severance benefits (Note 9) | 890,178 | 830,626 |
| Retirement benefits (Note 9) | 94,939 | 94,909 |
| Non-vested sick leave benefits (Note 9) | 153,086 | 75,653 |
| | <u>1,138,203</u> | <u>1,001,188</u> |
| Total employee future benefits | <u>3,066,398</u> | <u>1,753,094</u> |
| Net financial assets | <u>1,752,954</u> | <u>1,644,409</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 10) | 321,193 | 279,963 |
| Prepaid expenses | 62,137 | 36,825 |
| | <u>383,330</u> | <u>316,788</u> |
| Accumulated surplus | <u>\$ 2,136,284</u> | <u>\$ 1,961,197</u> |

On behalf of the Board:

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Original Document Signed

Board Member

Board Member

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Statement of Operations and Accumulated Surplus (Deficit)

| | Budget | Actual | Actual |
|---|-------------------|-------------------|------------------|
| For the year ended March 31 | 2015 | 2015 | 2014 |
| Revenue | | | |
| Licence fees – gaming | \$ 6,058,200 | \$ 6,062,160 | \$ 5,762,317 |
| Licence fees – liquor | 1,605,000 | 1,755,184 | 0 |
| MLLC funding transfer | 3,500,000 | 2,500,000 | 0 |
| Other revenue | 36,000 | 39,550 | 32,540 |
| Interest earned | 31,800 | 37,300 | 45,416 |
| | <u>11,231,000</u> | <u>10,394,194</u> | <u>5,840,273</u> |
| Expenses | | | |
| Salaries and benefits | 7,753,300 | 7,513,169 | 4,321,320 |
| Rent | 703,900 | 611,762 | 377,994 |
| Transportation | 569,800 | 406,412 | 145,554 |
| Supplies and services | 433,000 | 385,150 | 174,373 |
| Legal and professional fees | 501,600 | 304,962 | 234,921 |
| Communications | 228,800 | 268,072 | 123,922 |
| Public education | 225,000 | 235,741 | 0 |
| Education, training, conferences | 240,000 | 211,148 | 109,082 |
| Amortization | 390,800 | 83,827 | 68,154 |
| Accommodations | 90,300 | 73,320 | 49,312 |
| Board | 48,000 | 33,410 | 121,759 |
| Other expenses | 69,800 | 32,644 | 21,896 |
| HR/Systems support | 43,900 | 32,218 | 30,715 |
| Amalgamation expenses (Note 11) | 0 | 21,163 | 183,370 |
| First Nations legal and professional | 0 | 5,934 | 64,196 |
| Loss on disposal of tangible capital assets | 136,800 | 175 | 1,711 |
| | <u>11,435,000</u> | <u>10,219,107</u> | <u>6,028,279</u> |
| Annual surplus (deficit) | (204,000) | 175,087 | (188,006) |
| Accumulated surplus, beginning of year | 1,825,400 | 1,961,197 | 2,149,203 |
| Accumulated surplus, end of year | \$ 1,621,400 | \$ 2,136,284 | \$ 1,961,197 |

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

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Statement of Change in Net Financial Assets

| | Budget | Actual | Actual |
|--|---------------------|---------------------|---------------------|
| For the year ended March 31 | 2015 | 2015 | 2014 |
| Annual surplus (deficit) | \$ (204,000) | \$ 175,087 | \$ (188,006) |
| Acquisition of tangible capital assets | (2,500,000) | (125,232) | (49,683) |
| Amortization of tangible capital assets | 390,800 | 83,827 | 68,154 |
| Loss on disposal of tangible capital assets | 136,800 | 175 | 1,711 |
| | (1,972,400) | (41,230) | 20,182 |
| Increase in prepaid expenses | 0 | (25,312) | (1,016) |
| Increase (decrease) in net financial assets | (2,176,400) | 108,545 | (168,840) |
| Net financial assets, beginning of year | 1,541,800 | 1,644,409 | 1,813,249 |
| Net financial assets, end of year | \$ (634,600) | \$ 1,752,954 | \$ 1,644,409 |

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

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|---|--------------|--------------|
| Operating transactions | | |
| Annual surplus (deficit) | \$ 175,087 | \$ (188,006) |
| Loss on disposal of tangible capital assets | 175 | 1,711 |
| Changes in non-cash items | | |
| Accounts receivable | (286,179) | (14,727) |
| Prepaid expenses | (25,312) | (1,016) |
| Accounts payable and accrued liabilities | 596,623 | 158,001 |
| Deferred revenue | 579,666 | 0 |
| Provision for employee severance benefits | 59,552 | 49,589 |
| Provision for employee sick leave benefits | 77,433 | 12,842 |
| Provision for employee pension benefits | 30 | 41,849 |
| Amortization | 83,827 | 68,154 |
| Cash provided by operating transactions | 1,260,902 | 128,397 |
| Capital transactions | | |
| Cash used to acquire tangible capital assets | (125,232) | (49,683) |
| Investing transactions | 0 | 0 |
| Financing transactions | 0 | 0 |
| Increase (decrease) in cash and cash equivalents | 1,135,670 | 78,714 |
| Cash and cash equivalents, beginning of year | 3,196,958 | 3,118,244 |
| Cash and cash equivalents, end of year | \$ 4,332,628 | \$ 3,196,958 |
| Supplemental cash flow information | | |
| Interest received | 36,869 | 45,369 |

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

LIQUOR AND GAMING AUTHORITY OF MANITOBA

Notes to Financial Statements

for the year ended March 31, 2015

1. Nature of Operations

The Liquor and Gaming Authority of Manitoba (LGA) began its operations on April 1, 2014. The LGA was established by *The Liquor and Gaming Control Act* and accompanying Lieutenant Governor in Council and LGA board regulations. As per this act, the Manitoba Gaming Control Commission (MGCC) is continued under the name LGA. The LGA regulates liquor sales, service and manufacturing, and regulates gaming employees, products and operations.

2. Amalgamation

In April 2012, as part of the provincial budget announcements, the Government of Manitoba announced its intention to merge the regulatory responsibilities for gaming (MGCC) and liquor (Manitoba Liquor Control Commission's Regulatory Services Division), into a single agency. The primary reason for the amalgamation was that the two agencies serve many of the same client groups including the hospitality industry, charities and citizens. As well, each of the agencies regulates adult consumer products that require oversight to ensure public safety and fairness. The 2012 provincial budget also announced that the operational responsibilities held by the Manitoba Liquor Control Commission and Manitoba Lotteries Corporation would be combined into a single operating entity, now Manitoba Liquor and Lotteries Corporation.

Thirty nine employees were transferred from the Manitoba Liquor Control Commission to the LGA effective April 1, 2014. The regulatory responsibilities that were also transferred consist of licensing and approval for all regulated liquor activities as well as ensuring compliance with applicable terms and conditions, regulations and legislation. Particulars on the nature of assets and liabilities transferred, and revenues and expenses related to the transferred responsibilities are described in subsequent notes.

A new funding model was established for the LGA. Prior to the amalgamation, Manitoba Liquor Control Commission's Regulatory Services Division's expenses were covered in part by licence and permit fees, with the shortfall covered within the Manitoba Liquor Control Commission's operating budget. The MGCC was entirely self-funded by licence and registration fees. The Act mandates a new model which allows the LGA to be funded by licence and permit fees supplemented by an annual funding transfer from Manitoba Liquor and Lotteries Corporation, subject to Treasury Board approval.

Unionized staff of the LGA is currently represented by two separate legacy agency bargaining units of the Manitoba General Employees' Union. The MGCC's collective agreement ended in March 2014, while the Manitoba Liquor Control Commission's Regulatory Services Division's collective agreement, which ended in March 2013, was extended by formal agreement to March 2014 to lay the foundation for negotiating a new unified agreement. As of March 31, 2015, negotiations were ongoing. The LGA will be responsible for any negotiated retroactive pay subsequent to April 1, 2014.

The financial statements have not been restated to retroactively report the effects of the amalgamation as if the amalgamation took place prior to April 1, 2014. The amalgamation resulted in the MGCC continuing as the LGA from April 1, 2014 and onward. It does not change the history or accountability of the MGCC for the past.

3. Summary of Significant Accounting Policies

a. Basis of Accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, established by the Public Sector Accounting Board.

b. Cash and Cash Equivalent

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

c. Employee Future Benefits

- (i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2015. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. For legacy MGCC employees and former non-unionized Manitoba Liquor Control Commission's Regulatory Services Division employees, the maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGA. For former unionized Manitoba Liquor Control Commission's Regulatory Services Division employees, entitlement is 1 week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement. Manitoba Liquor and Lotteries Corporation will maintain the severance liability to March 31, 2014 for all former Manitoba Liquor Control Commission employees who transferred to the LGA.

- (ii) All LGA employees belong to the Province of Manitoba's Civil Services Superannuation Fund (Superannuation Fund), which is a multi-employer joint trustee plan. The Superannuation Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Superannuation Fund determines the required contribution rates.

The LGA's contribution to the Superannuation Fund is recorded as an expense for the year.

- (iii) The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

d. Tangible Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

| | |
|------------------------|---|
| Equipment | 20% declining balance basis |
| Furniture and fixtures | 10% declining balance basis |
| Computer equipment | 30% declining balance basis |
| Leasehold improvements | Straight-line method over remaining term of lease (21 months) |

e. Prepaid Expenses

Prepaid expenses include rent, insurance and supplies and are charged to expenses over the periods expected to benefit from it.

f. Revenues

Revenues related to the transferred regulatory responsibilities include liquor service, liquor retail and beer vendor licence fees, liquor licence application fees, and occasional permit fees. Retail liquor licence fees were collected for the first time in the year ended March 31, 2015 as mandated by *The Liquor and Gaming Control Act*. These fees are classified as Licence fees – liquor on the Statement of Operations and Accumulated Surplus (Deficit).

Revenues are recorded on an accrual basis except for gaming event licence fees, supplier licence fees, occasional permit fees, and licence application fees which are recognized on a cash receipt basis.

The annual funding transfer from Manitoba Liquor and Lotteries Corporation is the amount that the LGA, with the approval of Treasury Board, directs Manitoba Liquor and Lotteries Corporation to pay to the LGA.

g. Expenses

Expenses related to the transferred regulatory responsibilities include salaries and benefits and transportation expenses.

Expenses are recorded on an accrual basis.

h. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The LGA records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The LGA also records its financial liabilities at cost. Financial liabilities are accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The LGA did not incur any re-measurement gains and losses during the year ended March 31, 2015 (2014 - \$nil).

The LGA has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the LGA to credit risk consist principally of cash and cash equivalents and accounts receivable.

The maximum exposure of the LGA to credit risk as at March 31, 2015 is:

| | <u>2015</u> | <u>2014</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 4,332,628 | \$ 3,196,958 |
| Accounts receivable | <u>340,645</u> | <u>54,466</u> |
| | <u>\$ 4,673,273</u> | <u>\$ 3,251,424</u> |

Cash and cash equivalents: The LGA is not exposed to significant credit risk as the deposits are primarily held by the Minister of Finance.

Accounts receivable: The LGA is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The LGA does not use an allowance for doubtful accounts. The policy is to write off any accounts deemed uncollectible during the year.

The aging of accounts receivable as at March 31, 2015 was:

| | |
|---|-------------------|
| Current | \$ 77,634 |
| 30 to 60 days past billing date | 5,400 |
| 61 to 90 days past the billing date | 2,556 |
| More than 90 days past the billing date | <u>255,055</u> |
| | <u>\$ 340,645</u> |

\$252,381 of the accounts receivable balance relates to the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014. This receivable is currently more than 90 days past due and is expected to be collected from Manitoba Liquor and Lotteries Corporation during the 2015/16 fiscal year.

Liquidity risk

Liquidity risk is the risk that the LGA will not be able to meet its financial obligations as they come due.

The LGA manages liquidity risk by maintaining adequate cash balances. The LGA prepares and monitors forecasts of cash flows from operations and anticipated investing and financing

activities. The LGA continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the LGA's income or the fair values of its financial instruments. The significant market risk the LGA is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents. The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The LGA is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts Receivable

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|------------------|
| MLLC | \$ 277,567 | \$ 25,969 |
| Liquor service/retail beer vendor licensees | 3,750 | 0 |
| First Nations casinos | 10,600 | 7,200 |
| Occasional permits | 3,950 | 0 |
| Gaming event licensees | 805 | 1,832 |
| Interest on short-term investments | 5,218 | 4,787 |
| Other trades | 38,755 | 3,233 |
| Supplier investigations | 0 | 2,452 |
| Employee advances | 0 | 8,993 |
| | <u>\$ 340,645</u> | <u>\$ 54,466</u> |

The Manitoba Liquor and Lotteries Commission receivable includes \$252,381 related to the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014.

6. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2014 the Province of Manitoba placed the amount of \$146,079 into an interest-bearing trust account to be held on the LGA's behalf until the cash is required to discharge the related liabilities. Interest earned on this investment in the year was \$1,432 (2014 - \$1,561).

7. Accounts Payable and Accrued Liabilities

| | 2015 | 2014 |
|--|---------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 283,553 | \$ 166,187 |
| Salaries and benefits payable | 239,348 | 98,720 |
| Accrued vacation pay | 820,852 | 474,802 |
| Other | 4,776 | 12,197 |
| | <u>\$ 1,348,529</u> | <u>\$ 751,906</u> |

Accrued vacation pay now includes the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014. The value of this additional liability as at March 31, 2014 was \$252,381.

8. Deferred Revenue

Deferred revenue consists of liquor service and retail beer vendor licence fees received to be recognized as revenue in the year in which the related revenues are earned.

| | Balance at Beginning of Year | Receipts During Year | Transferred to Revenue | Balance at End of Year |
|--------------|---------------------------------|-------------------------|---------------------------|---------------------------|
| Licence Fees | \$ - | \$ 1,461,275 | \$ 881,609 | \$ 579,666 |

9. Employee Future Benefits

a. Severance Benefits

The amount of the estimated liability for accumulated severance pay benefits for LGA employees is determined using the annual actuarial report of severance obligations as at March 31, 2015. It should be noted that Manitoba Liquor and Lotteries Corporation will maintain the severance liability earned to March 31, 2014 for all former Regulatory Services Division Manitoba Liquor Control Commission employees who transferred to the LGA. The LGA will continue to accrue the severance liability for the former MGCC employees and will accrue the severance liability for the former Regulatory Services Division Manitoba Liquor Control Commission employees April 1, 2014 and onwards.

For former MGCC employees and former non-unionized Regulatory Services Division Manitoba Liquor Control Commission employees, the maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGA. For former unionized Regulatory Services Division Manitoba Liquor Control Commission employees, entitlement is 1 week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement.

An actuarial report was completed for the severance pay liability as of March 31, 2015. The LGA's actuarially-determined net liability for accounting purposes as at March 31, 2015 was \$829,464 (2014 - \$747,452). An actuarial loss of \$11,097 will be amortized over the expected average remaining service life of the employee group. This loss will begin to be amortized at the beginning of the next fiscal year. Severance payments for 2015 amounted to \$0 (2014 - \$10,327).

Significant long-term actuarial assumptions used in the March 31, 2015 valuation and in the

determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

| | |
|--------------------------|--------------|
| Annual rate of return | |
| (i) inflation component | 2.00% |
| (ii) real rate of return | <u>4.00%</u> |
| | <u>6.00%</u> |

| | |
|--------------------------------|--------------|
| Annual salary escalation rates | |
| (i) general increases | |
| a) salary increase | 2.00% |
| b) real rate | <u>0.75%</u> |
| | <u>2.75%</u> |

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.

The severance benefit liability at March 31, 2015 includes the following components:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|-------------------|
| Accrued benefit liability | \$ 829,464 | \$ 747,452 |
| Unamortized actuarial gains (losses) | <u>60,714</u> | <u>83,174</u> |
| Severance benefit liability | <u>\$ 890,178</u> | <u>\$ 830,626</u> |

The total expenses related to severance benefits at March 31, 2015 include the following components:

| | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|
| Interest on obligation | \$ 48,584 | \$ 45,426 |
| Current period benefit cost | <u>22,331</u> | <u>24,618</u> |
| | <u>70,915</u> | <u>70,044</u> |
| Amortization of actuarial gain over expected average remaining service lifetime | <u>(11,363)</u> | <u>(10,128)</u> |
| Total expense related to severance benefit | <u>\$ 59,552</u> | <u>\$ 59,916</u> |

b. Retirement Benefits

All employees of the LGA, including former Regulatory Services Division Manitoba Liquor Control Commission employees, are members of the Province of Manitoba's defined benefit Superannuation Fund.

In accordance with the provisions of the *Civil Service Superannuation Act*, LGA employees are eligible for pension benefits. Plan members are required to contribute to the Superannuation Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The LGA is required to match contributions contributed to the Superannuation Fund by the employees at prescribed rates, which is recorded as an operating expense. Under the *Civil*

Service Superannuation Act , the LGA has no further pension liability.

The LGA's portion of contributions to the Superannuation Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$417,610. Contributions for the 2013/14 year were \$231,567.

For employees whose annual earnings exceed the limit under the Superannuation Fund or are a disability retirement, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2015, a reserve of \$94,939 (2014 - \$94,909) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were \$30 (2014 - \$41,849). Significant long-term actuarial assumptions used in the March 31, 2015 valuation and in the determination of the March 31, 2015 present value of the accrued basic pension benefit obligations were:

| | |
|--------------------------|--------------|
| Annual rate of return | |
| (i) inflation component | 2.00% |
| (ii) real rate of return | <u>4.00%</u> |
| | <u>6.00%</u> |

| | |
|--------------------------------|--------------|
| Annual salary escalation rates | |
| (i) general increases | |
| a) salary increase | 2.00% |
| b) productivity component | <u>0.75%</u> |
| | <u>2.75%</u> |

- (ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.

c. Non-Vested Sick Leave Benefits

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreements. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plans are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 2.225% annual return and a 3.00% annual salary increase.

10. Tangible Capital Assets

March 31, 2015

| | Equipment | Furniture and Fixtures | Computer Equipment | Leasehold Improvements | Total |
|---------------------------------|------------------|-------------------------------|---------------------------|-----------------------------------|--------------|
| Cost | | | | | |
| Opening balance | \$54,442 | \$432,628 | \$1,075,934 | \$57,318 | \$1,620,322 |
| Additions | | 12,242 | 110,879 | 2,111 | 125,232 |
| Disposals | | (956) | | | (956) |
| Closing balance | \$54,442 | \$443,914 | \$1,186,813 | \$59,429 | \$1,744,598 |
| Accumulated amortization | | | | | |
| Opening balance | \$46,377 | \$305,841 | \$950,946 | \$37,195 | \$1,340,359 |
| Amortization | 1,613 | 13,297 | 60,966 | 7,951 | 83,827 |
| Disposals | | (781) | | | (781) |
| Closing balance | \$47,990 | \$318,357 | \$1,011,912 | \$45,146 | \$1,423,405 |

Net Book Value **\$321,193**

March 31, 2014

| | Equipment | Furniture and Fixtures | Computer Equipment | Leasehold Improvements | Total |
|---------------------------------|-----------|------------------------|--------------------|------------------------|-------------|
| Cost | | | | | |
| Opening balance | \$54,442 | \$430,830 | \$1,040,795 | \$57,318 | \$1,583,385 |
| Additions | | 1,798 | 47,885 | | 49,683 |
| Disposals | | | (12,746) | | (12,746) |
| Closing balance | \$54,442 | \$432,628 | \$1,075,934 | \$57,318 | \$1,620,322 |
| Accumulated amortization | | | | | |
| Opening balance | \$44,361 | \$291,892 | \$917,109 | \$29,878 | \$1,283,240 |
| Amortization | 2,016 | 13,949 | 44,872 | 7,317 | 68,154 |
| Disposals | | | (11,035) | | (11,035) |
| Closing balance | \$46,377 | \$305,841 | \$950,946 | \$37,195 | \$1,340,359 |

Net Book Value \$279,963

11. Amalgamation Expenses

The LGA has incurred certain expenses as a result of the amalgamation process. These expenses have been recognized when incurred.

12. Commitments

The LGA has an operating lease for its premises expiring December 31, 2016.

The minimum annual lease payment for the next three years is:

| | |
|------|-----------|
| 2016 | \$311,834 |
| 2017 | \$233,876 |

13. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the LGA Board.

14. Working Capital Advance

The Minister of Finance, with Lieutenant Governor in Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the LGA. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2014 - \$2,000,000). As at March 31, 2015, \$2,000,000 (2014 - \$2,000,000) of these advances were unused and available.

15. Related Party Transactions

The LGA is related in terms of common ownership to all Province of Manitoba created departments, agencies, and Crown corporations. The LGA enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

A black and white photograph of a man wearing a baseball cap, looking down at a handful of wheat he is holding in his palm. He is standing in a field of wheat. The background shows a line of trees under a cloudy sky.

Financial Statements





RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original signed by

Original signed by

NEIL HAMILTON

PRESIDENT & CHIEF EXECUTIVE OFFICER

JIM LEWIS

VICE PRESIDENT, FINANCE & ADMINISTRATION

August 6, 2015



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the accompanying financial statements of the Manitoba Agricultural Services Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Agricultural Services Corporation as at March 31, 2015, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by

Office of the Auditor General
Winnipeg, Manitoba
August 6, 2015

Statement of Financial Position

AS AT MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | NOTE | MARCH 31, 2015 | MARCH 31, 2014 |
|---|------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Cash | | \$ 2,081 | \$ 4,951 |
| Accounts receivable | 8 | 4,490 | 4,914 |
| Receivables from the Province of Manitoba | 9 | 13,425 | 15,123 |
| Receivables from the Government of Canada | 10 | 8,330 | 12,115 |
| Investments | 11 | 350,596 | 310,822 |
| Loans receivable | 12 | 463,659 | 410,488 |
| Total Financial Assets | | \$ 842,581 | \$ 758,413 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 13 | \$ 21,224 | \$ 23,867 |
| Claims payable | 14 | 16,953 | 19,602 |
| Loans from the Province of Manitoba | 15 | 482,549 | 438,108 |
| Provisions for losses on guaranteed loans | 16 | 15,191 | 15,100 |
| Future employee benefits | 17 | 8,850 | 8,957 |
| Total Liabilities | | \$ 544,767 | \$ 505,634 |
| Net Financial Assets | | \$ 297,814 | \$ 252,779 |
| NON-FINANCIAL ASSETS | | | |
| Inventories held for use | 2 | \$ 274 | \$ 350 |
| Prepaid expenses | 2 | 133 | 128 |
| Tangible capital assets | 19 | 314 | 152 |
| Total Non-Financial Assets | | \$ 721 | \$ 630 |
| Accumulated surplus | | \$ 298,535 | \$ 253,409 |
| Loan guarantees and contingencies | 16 | | |
| Commitments | 18 | | |

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

Approved by the Board:

Original signed by

Frieda Krpan
Chair, Board of Directors

Original signed by

Jonathan Hildebrand
Chair, Board Audit and Finance Committee

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | 2015 | | 2014 |
|--|------------|-------------------|------------|
| | BUDGET | ACTUAL | ACTUAL |
| REVENUE | | | |
| Premiums from insured producers | \$ 127,386 | \$ 121,788 | \$ 147,292 |
| Interest from loans | 20,415 | 22,011 | 20,296 |
| Contribution from the Province of Manitoba | 105,105 | 96,614 | 100,569 |
| Contribution from the Government of Canada | 97,034 | 95,156 | 116,190 |
| Investment income | 3,380 | 3,774 | 2,894 |
| Other income | 182 | 436 | 553 |
| | 353,502 | 339,779 | 387,794 |
| EXPENSE | | | |
| Lending Programs | 24,644 | 22,570 | 17,475 |
| AgrilInsurance Program | 261,195 | 214,575 | 180,572 |
| Hail Insurance Program | 31,521 | 17,273 | 30,038 |
| Wildlife Damage Compensation Program | 3,413 | 4,168 | 3,697 |
| Farmland School Tax Rebate Program | 36,039 | 34,021 | 32,583 |
| Western Livestock Price Insurance Program | 2,332 | 1,067 | 751 |
| Other Programs | 74 | 979 | (9,793) |
| | 359,218 | 294,653 | 255,323 |
| Income for the year | \$ (5,716) | 45,126 | 132,471 |
| Accumulated surplus, beginning of year | | 253,409 | 120,938 |
| Accumulated surplus, end of year | | \$ 298,535 | \$ 253,409 |

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

Statement of Change in Net Financial Assets

FOR THE YEAR ENDED MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | 2015 | 2014 |
|---|------------|------------|
| | ACTUAL | ACTUAL |
| Income for the year | \$ 45,126 | \$ 132,471 |
| Tangible capital assets | | |
| Acquisition of tangible capital assets | (223) | (46) |
| Amortization of tangible capital assets | 61 | 58 |
| Disposal of tangible capital assets | - | 4 |
| | (162) | 16 |
| Other non-financial assets | | |
| Disposal of inventory held for use | 76 | 101 |
| (Increase) decrease in prepaid expenses | (5) | 11 |
| | 71 | 112 |
| Increase in net financial assets | 45,035 | 132,599 |
| Net financial assets, beginning of year | 252,779 | 120,180 |
| Net financial assets, end of year | \$ 297,814 | \$ 252,779 |

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

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | 2015 | 2014 |
|---|-------------------|------------|
| Cash provided by (used for): | | |
| Operating | | |
| Income for the year | \$ 45,126 | \$ 132,471 |
| Amortization of tangible capital assets | 61 | 58 |
| | 45,187 | 132,529 |
| Changes in: | | |
| Receivables | 5,907 | 21,273 |
| Loans receivable | (1,448) | (7,060) |
| Accounts payable and accrued liabilities | (2,643) | 130 |
| Claims payable | (2,649) | (27,078) |
| Provisions for losses on guaranteed loans | 91 | (1,076) |
| Future employee benefits | (107) | 92 |
| Prepaid expenses | (5) | 11 |
| Inventories held for use | 76 | 101 |
| Cash provided by (used for) operating activities | 44,409 | 118,922 |
| Capital | | |
| Acquisition of tangible capital assets | (223) | (46) |
| Disposal of tangible capital assets | - | 4 |
| Cash used for capital activities | (223) | (42) |
| Investing | | |
| Investments redeemed (purchased) | 13,304 | (25,083) |
| Loans disbursed | (143,235) | (136,347) |
| Loan principal received | 91,512 | 86,565 |
| Cash provided by (used for) investing activities | (38,419) | (74,865) |
| Financing | | |
| Debt repayments to the Province of Manitoba | (83,559) | (80,963) |
| Loans from the Province of Manitoba | 128,000 | 132,000 |
| Cash provided by financing activities | 44,441 | 51,037 |
| Net increase in cash and cash equivalents | 50,208 | 95,052 |
| Cash and cash equivalents, beginning of year | 211,469 | 116,417 |
| Cash and cash equivalents, end of year | \$ 261,677 | \$ 211,469 |
| Cash and cash equivalents are comprised of the following: | | |
| Investments | \$ 350,596 | \$ 310,822 |
| Investments with terms greater than 90 days | (91,000) | (104,304) |
| Investments with terms of 90 days or less | 259,596 | 206,518 |
| Cash | 2,081 | 4,951 |
| | \$ 261,677 | \$ 211,469 |
| Supplemental Cash Flow Information | | |
| Interest paid | \$ 16,619 | \$ 15,583 |
| Interest received | \$ 25,785 | \$ 23,060 |

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

Notes to Financial Statements

AS AT MARCH 31, 2015 | TABULAR AMOUNTS IN THOUSANDS OF DOLLARS

1. NATURE OF ORGANIZATION

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form a provincial Crown corporation called the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgrilInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program, Western Livestock Price Insurance Program and other programs and services.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statements are presented in accordance with Canadian Public Sector Accounting (PSA) standards.

(A) INVESTMENTS

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*. Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) LOANS RECEIVABLE

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

(C) CLAIMS PAYABLE

Claims payable is comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(D) LOANS FROM THE PROVINCE OF MANITOBA

Loans from the Province of Manitoba are carried at cost.

(E) PROVISION FOR LOSSES ON GUARANTEED LOANS

The provision for losses on loan guarantees is determined annually through a review of each guarantee program. The provision represents management’s best estimate of probable claims against the loan guarantees. Such provision is intended to cover MASC’s share of principal, accrued and unpaid interest and any additional amounts that are recoverable by the financial institution that issued the loan.

Current year provisions for guaranteed loan losses are charged as expenses to the provision for guaranteed loan losses. Loan guarantee claims that have been paid are charged to the appropriate provision.

(F) FUTURE EMPLOYEE BENEFITS

The employees of MASC belong to The Civil Service Superannuation Fund plan, which is a multi-employer joint trustee pension plan. This plan is a defined benefit plan, providing a pension on retirement based on the member’s age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments and accrued benefits. Experience gains and losses are amortized over the Expected Average Remaining Service Lifetime beginning in the year of the actuarial valuation.

MASC employees are entitled to vacation and severance pay in accordance with the terms of the collective agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on management’s best estimate. Experience gains and losses are amortized over the Expected Average Remaining Service Life beginning in the year of the actuarial valuation.

Note 17 provides additional information on future employee benefits.

(G) INVENTORIES HELD FOR USE

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Option Program is recorded at cost. Occasionally, real estate is acquired through foreclosure and voluntary transfer of title in the settlement of loans and is recorded at the appraised value of the real estate at acquisition date.

(H) PREPAID EXPENSES

Prepaid expenses are payments for goods or services, which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(I) TANGIBLE CAPITAL ASSETS

MASC’s tangible capital assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life, as follows:

| | |
|--------------------------------|-------------------------|
| Leasehold improvements | remaining term of lease |
| Furniture and equipment | 10 years |
| Computer hardware and software | 4 years |
| Major software development | 8 years |

(J) REVENUE RECOGNITION

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Transfers (revenues from non-exchange transactions) are recognized as revenue when: the transfer is authorized, all eligible criteria are met, and a reasonable estimate of the amount can be made.

(K) PREMIUMS AND GOVERNMENT CONTRIBUTIONS

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgrilInsurance Agreement, which is consolidated in Annex B of Growing Forward 2: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgrilInsurance premiums. For most AgrilInsurance Programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Province of Manitoba. The exceptions are: the Excess Moisture Insurance (EMI) Reduced Deductible Option, which is paid entirely by participating producers; the highest EMI High Dollar Value Option, which is paid 67% by insured producers, 20% by the Government of Canada and 13% by the Province of Manitoba; and the Hay Disaster Benefit which is paid 60% by the Government of Canada and 40% by the Province of Manitoba.

(L) ADMINISTRATIVE EXPENSES

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The Canada-Manitoba AgrilInsurance Agreement referred to in Section (K) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(M) FINANCIAL INSTRUMENTS

MASC's financial instruments include: cash, receivables, investments, loans receivable, accounts payable and accrued liabilities, claims payable, loans from the Province of Manitoba and provisions for losses on guaranteed loans.

All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

(N) MEASUREMENT UNCERTAINTY

The preparation of financial statements that conform to Canadian PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include: provisions for losses on accounts receivable, loans receivable, loan guarantees, liabilities for claims and program payments, future employee benefits and accrued administration liabilities.

3. FINANCIAL STRUCTURE

(A) FUNDING

The Board of Directors approved MASC's 2014/15 budget in April 2014. MASC's approved budget includes provincial funding of \$105,149,000. Activities relating to Other Programs, with the exception of the Inspection Services component, do not have budgeted amounts. The table below provides the budgeted amounts for the Province of Manitoba and the Government of Canada and a reconciliation to the amounts that are shown in MASC's Statement of Operations:

| | PROVINCE OF MANITOBA | GOVERNMENT OF MANITOBA |
|---------------------------------|----------------------|------------------------|
| Funding approved by governments | \$ 105,149 | \$ 97,010 |
| Non-cash items* | (44) | 24 |
| Funding approved by governments | \$ 105,105 | \$ 97,034 |

*Includes items such as amortization and unfunded pension expense.

(B) AGRIINSURANCE AND HAIL INSURANCE FUND BALANCE RESTRICTIONS

The AgrilInsurance and Hail Insurance funds are restricted as set out in Sections 58 and 61 of *The Manitoba Agricultural Services Corporation Act*. The only items to be paid out of these funds are: indemnities payable under the contracts of insurance; premiums or other amounts payable for reinsurance; interest on any money borrowed for the purpose of the funds; and expenses relating to the administration of the funds (for Hail Insurance only).

4. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation Program, which pays producers for damage to agricultural crops and related products caused by migratory waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The program compensates for 90% of production loss with the top-up level (80% to 90%) of protection funded entirely by the Province of Manitoba. Administrative expenses and program payments up to the 80% level of protection are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

5. FARMLAND SCHOOL TAX REBATE PROGRAM

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate on the school tax paid on farmland. The rebate level of 80% remained unchanged from the 2013 tax year to the 2014 tax year. The rebates are subject to a \$5,000 maximum, which includes all parties that are related persons of the applicant. The definition of related persons for this program includes the spouse or common-law partner and any corporation controlled by the applicant and/or the applicant's spouse or common law partner. Eligible individuals and corporations who apply must be Manitoba residents. The application deadline is March 31 of the year following the taxation year.

Recorded rebate payments of \$33,398,000 are comprised of \$33,500,000 for the 2014 tax rebates, and a decrease of \$102,000 for rebates relating to prior years. Included in the 2014 tax rebates is a provision of \$1,821,000 for rebates that have been applied for and are in process of payment as of March 31, 2015. A provision of \$170,000 remains for pre-2014 rebates that are in process of payment. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

6. WESTERN LIVESTOCK PRICE INSURANCE PROGRAM

Introduced in Manitoba as a four-year pilot, the Western Livestock Price Insurance Program (WLPIP) offers price protection for cattle and hog producers, with settlement prices based on the average price in Western Canadian markets. Livestock price insurance was first implemented for Alberta producers in 2009 through the Agriculture Financial Services Corporation (AFSC). Producers in Manitoba, Saskatchewan and British Columbia were able to participate in the program starting in April 2014. In Manitoba, MASC is the insurer, with the Internet application, premium payment and indemnity settlement being handled by AFSC (on behalf of MASC). AFSC's administrative expenses are shared by the participating provinces with MASC paying 20% of the cost. Participating producers pay 100% of the insurance premiums, with Canada and Manitoba cost sharing the administration expenses 60% and 40%, respectively. Canada is providing a financial backstop for WLPIP for the duration of the pilot. Any deficit on account of Manitoba producers at the end of the four-year pilot will be the responsibility of Manitoba. No indemnities were paid or are projected to be paid related to 2014/15 policies.

7. OTHER PROGRAMS

(A) INSPECTION SERVICES

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include such things as adjusting services for another province, certificates of local production for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance Program. Inspection Services revenue totaled \$109,000 in 2015 (2014 - \$29,000).

(B) FLOOD 2011 - BUILDING AND RECOVERY ACTION PLAN

In May 2011, MASC was given the responsibility of administering the following flood assistance programs announced under the Flood 2011 - Building and Recovery Action Plan. All funding for these programs was provided to MASC by the Province of Manitoba.

a) Lake Manitoba Financial Assistance Program

Part A - Lake Manitoba Pasture Flooding Assistance Component: This program assisted Manitoba livestock producers in managing their feed requirements resulting from the loss of pasture in the designated Lake Manitoba Flood Zone.

Part B - Lake Manitoba Agricultural Infrastructure, Transportation and Crop/Forage Loss Component: This program assisted agricultural producers with flood mitigation measures, lost crop production, damage to agricultural infrastructure and extra costs for feeding and transporting livestock in the Lake Manitoba Flood Zone.

Part C - Lake Manitoba Business, Principal and Non-Principal Residence Component: This program compensated residents and businesses for the cost of uninsurable property damage and flood protection measures taken as a direct result of the elevated water levels in the Lake Manitoba Flood Zone.

Part D - Lake Manitoba Flood Protection for Principal Residences, Non-Principal Residences and Business Structures: This program provided financial assistance for flood protection measures undertaken individually or cooperatively for the purpose of protecting principal residences, non-principal residences and business structures in the Lake Manitoba Flood Zone.

b) Hoop and Holler Compensation Program

This program provided compensation to families, businesses and agricultural producers in the area of the controlled release of water from the Assiniboine River near the Hoop and Holler Bend on Highway 331, and the overflow of water diverted from the Assiniboine River into the Portage Diversion. Compensation covered the majority of the cost of property damage, income loss and flood protection measures.

c) 2011 Dauphin River Flood Assistance Program

This program provided compensation to commercial fishers in the Dauphin River area for 2011 income losses resulting from the inability to access their fishery and fish processing facilities.

d) 2011 Lake Dauphin Emergency Flood Protection Program

This program provided financial assistance for emergency structural flood protection measures to protect principal residences and non-principal residences in the Lake Dauphin Flood Zone.

e) Shoal Lakes Agricultural Flood Assistance Program

This program provided financial support to agricultural producers affected by chronic flooding in the Shoal Lakes complex in the Interlake area of Manitoba. This program consisted of: assistance for lost income due to flooded hay and pasture land in 2010 and 2011, transportation assistance for movement of feed and/or animals, a voluntary buy-out option for producers with flooded property and transition assistance for producers who participated in the voluntary buy-out option. The buy-out component of this program was administered by Manitoba Agriculture, Food and Rural Development.

f) Lake St. Martin Fishers Program

This program provided compensation to Lake St. Martin commercial fishers who experienced net income losses due to not being able to participate in the 2011/12 winter commercial fishery resulting from ice and/or flooding, or because they were evacuated from their community.

g) 2012 Dauphin River Commercial Fishers Income Loss Assistance Program

This program provided compensation to commercial fishers who experienced income losses for the 2012 summer commercial fishing season, due to lack of access to their fishery and fish processing facilities as a direct result of elevated water levels on Dauphin River in 2011.

h) 2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program

This program provided ongoing support for commercial fishers for income losses during the 2012 fall commercial fishing season resulting from elevated water levels on Dauphin River in 2011.

The table below outlines the total costs for each program as of March 31, 2015.

| PROGRAM | COMPENSATION | | | | | ADMINISTRATION ¹ | | | | TOTAL EXPENDITURES MARCH 31, 2015 |
|---|---------------------------------------|--------------------------------|-------------------|-----------------------|---|---------------------------------------|-------------------|-------------------|-------------------------|--------------------------------------|
| | EXPENSED (RECOVERED) IN YEAR ENDED | | | TOTAL COMPENSATION | PROVISION FOR PAYMENTS ² | EXPENSED (RECOVERED) IN YEAR ENDED | | | TOTAL ADMINISTRATION | |
| | MARCH 31, 2013 ⁴ | MARCH 31, 2014 ³ | MARCH 31, 2015 | | | MARCH 31, 2013 ⁴ | MARCH 31, 2014 | MARCH 31, 2015 | | |
| Lake Manitoba Financial Assistance Program: | | | | | | | | | | |
| Part A | \$ 2,763 | \$ (2,106) | \$ (1) | \$ 656 | \$ 10 | | | | | |
| Part B | 36,785 | (6,047) | (828) | 29,910 | 850 | | | | | |
| Part C | 71,377 | (5,781) | 96 | 65,692 | 1,505 | | | | | |
| Part D | 8,565 | (253) | (42) | 8,270 | - | | | | | |
| | \$ 119,490 | \$ (14,187) | \$ (775) | \$ 104,528 | \$ 2,365 | \$ 14,534 | \$ (1,449) | \$ (1,071) | \$ 12,014 | \$ 116,542 |
| Hoop and Holler Compensation Program | 11,272 | (838) | (1,713) | 8,721 | 24 | 408 | 22 | (3) | 427 | 9,148 |
| 2011 Dauphin River Flood Assistance Program | 1,973 | - | - | 1,973 | - | 1 | 1 | - | 2 | 1,975 |
| 2011 Lake Dauphin Emergency Flood Protection Program | 288 | 5 | - | 293 | - | 39 | 21 | (1) | 59 | 352 |
| Shoal Lakes Agricultural Flood Assistance Program | 5,278 | 29 | - | 5,307 | - | - | (4) | - | (4) | 5,303 |
| Lake St. Martin Fishers Program | 127 | - | (4) | 123 | - | 6 | (1) | (3) | 2 | 125 |
| 2012 Dauphin River Commercial Fishers Income Loss Assistance Program | 259 | - | - | 259 | - | 2 | - | - | 2 | 261 |
| 2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program | - | 281 | - | 281 | - | - | 1 | - | 1 | 282 |
| TOTAL | \$ 138,687 | \$ (14,710) | \$ (2,492) | \$ 121,485 | \$ 2,389 | \$ 14,990 | \$ (1,409) | \$ (1,078) | \$ 12,503 | \$ 133,988 |

¹ Includes provision for administration of claims in process and Flood Appeals Commission expenses and is net of any interest revenue and bad debt expense.

² The provision for payments is as of March 31, 2015 and represents the expected outstanding payments for each program. These amounts are included in total compensation.

³ In March 2014, \$7,664,000 of compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Programs. Of this amount, \$2,048,000 was removed from Part A and \$5,616,000 was removed from Part B.

⁴ Includes costs incurred in the fiscal years ended March 31, 2012 and March 31, 2013.

(C) 2011 MANITOBA AGRIRECOVERY PROGRAMS

In June 2011, MASC was given the responsibility of administering the following emergency assistance programs. The purpose of these programs was to provide financial assistance for the restoration, maintenance and rehabilitation of farms that were impacted by excess moisture and flooding in 2011.

a) 2011 Manitoba Excess Moisture Assistance Program

This program provided financial assistance to farmers who could not seed a crop by June 20, 2011 or who had an annual crop or newly seeded forage crop that was destroyed by flooding or excess moisture prior to September 15, 2011. Producers received \$30 per acre for unseeded land or drowned out crop. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided funding for 57% of the compensation payments and 60% of the program's administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of \$109,378,000 was funded by the Government of Canada (\$62,399,000) and the Province of Manitoba (\$46,979,000).

b) 2011 Manitoba Transportation Assistance Program

This program provided livestock producers with financial assistance to deal with the extraordinary costs of transporting feed and animals, due to flooding and excess moisture conditions in 2011. The program covered breeding and market animals and provided for transportation costs associated with the pasture and overwinter feed shortages that were incurred from May 15, 2011 to March 31, 2012. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the cost of either transporting feed to breeding animals or transporting breeding animals to feed. The Government of Canada paid 60% of the related administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of \$3,320,000 was funded by the Government of Canada (\$1,788,000) and the Province of Manitoba (\$1,532,000).

c) 2011 Manitoba Forage Shortfall Assistance Program

This program provided livestock producers with financial assistance to deal with extraordinary pasture and overwinter feeding costs due to shortfalls in their forage production caused by flooding or excess moisture conditions in 2011. The program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the feeding costs of breeding animals and related administrative expenses. The remaining cost was provided by the Province of Manitoba. The program's total program cost of \$19,961,000 was funded by the Government of Canada (\$9,697,000) and the Province of Manitoba (\$10,264,000).

d) 2011 Manitoba Forage Restoration Assistance Program

This program provided forage producers with financial assistance to restore established tame forage and forage seed crops that were damaged by excess moisture in 2011. Producers were eligible for \$50 for each acre of forage that was destroyed and reseeded to forage. This program was partially funded by the Government of Canada under the Canada-Manitoba Forage Shortfall and Restoration Assistance Initiative. The Government of Canada provided 60% of the funding for the first \$30 of compensation per acre, plus 60% of the related administrative expenses during the period of June 1, 2011 to March 31, 2013. The remaining cost was provided by the Province of Manitoba. The total program cost of \$1,322,000 was funded by the Government of Canada (\$483,000) and the Province of Manitoba (\$839,000).

e) 2011 Manitoba Greenfeed Assistance Program

This program provided financial assistance to compensate producers who seeded greenfeed by July 22, 2011 on land that was left unseeded due to excess moisture. Producers were eligible for \$15 per acre based on the number of acres of greenfeed seeded that were in excess of the producers' normal acreage of greenfeed. Greenfeed crops that were harvested for seed did not qualify for compensation. This program was funded entirely by the Province of Manitoba (\$3,018,000).

f) Manitoba 2011 Infrastructure and Individual Assessment Program

This program provided financial assistance to agricultural crop and livestock producers to recover from flood losses related to mitigation and damage to agricultural property and inventory that were not eligible for compensation under Disaster Financial Assistance or the Flood 2011 - Building and Recovery Action Plan. This program was funded entirely by the Province of Manitoba (\$3,922,000).

The table below outlines the cost expended for each program as of March 31, 2015.

| PROGRAM | COMPENSATION | | | | | ADMINISTRATION¹ | | | | TOTAL EXPENDITURES MARCH 31, 2015 |
|--|---------------------------------------|--------------------|-------------------|-----------------------|-------------------------------|---------------------------------------|-------------------|-------------------|-------------------------|--------------------------------------|
| | EXPENSED (RECOVERED) IN YEAR ENDED | | | TOTAL COMPENSATION | PROVISION FOR PAYMENTS² | EXPENSED (RECOVERED) IN YEAR ENDED | | | TOTAL ADMINISTRATION | |
| | MARCH 31, 2013 | MARCH 31, 2014³ | MARCH 31, 2015 | | | MARCH 31, 2013 | MARCH 31, 2014 | MARCH 31, 2015 | | |
| 2011 Manitoba Excess Moisture Assistance Program | \$ 107,720 | \$ 1,293 | \$ - | \$ 109,013 | \$ - | \$ 427 | \$ (48) | \$ (14) | \$ 365 | \$ 109,378 |
| 2011 Manitoba Transportation Assistance Program | 2,043 | 1,161 | - | 3,204 | - | 118 | (2) | - | 116 | 3,320 |
| 2011 Manitoba Forage Shortfall Assistance Program | 14,311 | 5,202 | - | 19,513 | - | 463 | (14) | (1) | 448 | 19,961 |
| 2011 Manitoba Forage Restoration Assistance Program | 1,241 | (100) | (19) | 1,122 | - | 295 | (51) | (44) | 200 | 1,322 |
| 2011 Manitoba Greenfeed Assistance Program | 2,841 | - | - | 2,841 | - | 177 | - | - | 177 | 3,018 |
| 2011 Manitoba Infrastructure and Individual Assessment Program | 5,494 | (1,162) | (695) | 3,637 | 430 | 452 | (126) | (41) | 285 | 3,922 |
| TOTAL | \$ 133,650 | \$ 6,394 | \$ (714) | \$ 139,330 | \$ 430 | \$ 1,932 | \$ (241) | \$ (100) | \$ 1,591 | \$ 140,921 |

¹ Includes provision for administration of claims in process and appeal committee expenses and is net of any interest revenue and bad debt expense.

² The provision for payments is as of March 31, 2015 and is included in the total compensation amounts.

³ In March 2014, \$7,664,000 of compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Programs. Of this amount, \$1,293,000 was added to the 2011 Manitoba Excess Moisture Assistance Program, \$1,161,000 to the 2011 Manitoba Transportation Assistance Program, \$5,202,000 to the 2011 Manitoba Forage Shortfall Assistance Program, and \$8,000 to the 2011 Manitoba Forage Restoration Assistance Program.

(D) 2014 CANADA-MANITOBA FORAGE SHORTFALL & TRANSPORTATION INITIATIVE

In October 2014, MASC became responsible for the administration of the 2014 Canada-Manitoba Forage Shortfall & Transportation Initiative. The purpose of the program was to provide assistance to Manitoba livestock producers who experienced extraordinary costs caused by elevated water levels or excess moisture conditions in 2014. The program included a forage shortfall component that provided feed assistance to producers in the Lake Manitoba, Lake Winnipegosis and Lake St. Martin regions to maintain their breeding herds and an all-province transportation component that provided assistance for extraordinary costs incurred in transporting feed to livestock or livestock to feed. Funding as an AgriRecovery initiative was provided 60% by the Government of Canada and 40% by the Province of Manitoba. Total compensation payments of \$3,393,000 included a provision for outstanding claims of \$3,083,000. Administrative expenses are estimated to be \$295,000. The program's total cost of \$3,688,000 was funded by the Government of Canada (\$2,216,000) and the Province of Manitoba (\$1,472,000).

(E) 2014 MANITOBA PORTAGE DIVERSION FAIL-SAFE COMPENSATION PROGRAM

In October 2014, MASC became responsible for the administration of the 2014 Manitoba Portage Diversion Fail-Safe Compensation Program. The purpose of the program was to provide financial assistance to Manitoba agricultural producers affected by 2014 flooding as a result of the operation of the Portage diversion fail-safe. The program was funded entirely by the Province of Manitoba. Total compensation payments of \$1,441,000 included a provision for outstanding claims of \$395,000. Administrative expenses are estimated to be \$25,000.

8. ACCOUNTS RECEIVABLE

| | 2015 | 2014 |
|----------------------------------|----------|----------|
| Amounts from insured persons: | | |
| AgrilInsurance | \$ 2,507 | \$ 4,236 |
| Hail Insurance | 1,045 | 1,223 |
| Other | 1,698 | 880 |
| | 5,250 | 6,339 |
| Less provision for credit losses | (760) | (1,425) |
| | \$ 4,490 | \$ 4,914 |

The provisions for credit losses of \$760,000 (2014 - \$1,425,000) includes estimated losses on premiums and other accounts receivable, and is subject to measurement uncertainty. The provision estimate is formula based and depends on an assessment of MASC's ability to collect the outstanding balance. A 100% provision is assessed on accounts in arrears for more than two years, with lower provisions based on actual collection experience over the last seven years being applied to accounts that are in arrears by less than two years.

9. RECEIVABLES FROM THE PROVINCE OF MANITOBA

| | 2015 | 2014 |
|-----------------------------------|-----------|-----------|
| AgrilInsurance premiums (Note 2K) | \$ 3,066 | \$ 3,939 |
| Administrative expenses | 2,278 | 1,705 |
| Pension liability | 6,400 | 6,418 |
| Severance liability | 429 | 429 |
| Vacation pay liability | 169 | 169 |
| Other Programs (Note 7) | 1,083 | 2,463 |
| | \$ 13,425 | \$ 15,123 |

Pension liability

The Province of Manitoba has accepted responsibility for funding MASC's pension liability (for pensionable service earned by employees of the former MACC prior to the amalgamation of MACC and MCIC on September 1, 2005) and related expense, which includes an interest component. MASC has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of \$6,400,000 as of March 31, 2015 (2014 - \$6,418,000), and has recorded a decrease under other contributions from the Province of Manitoba for 2014/15 equal to the related pension reduction of \$18,000 (2014 - \$69,000 reduction). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

Severance pay liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2015, the receivable for severance pay liability was \$429,000 (2014 - \$429,000).

Vacation pay liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2015, the receivable for vacation pay liability was \$169,000 (2014 - \$169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

| | 2015 | 2014 |
|---|-----------------|------------------|
| AgrilInsurance Program | \$ 5,613 | \$ 6,793 |
| Wildlife Damage Compensation Program | 130 | 234 |
| Western Livestock Price Insurance Program | 146 | 451 |
| Other Programs | 2,441 | 4,637 |
| | \$ 8,330 | \$ 12,115 |

11. INVESTMENTS

MASC's investments as of March 31, 2015 consist of the following:

| Maturity Terms | Average Interest Rate | Lending Programs | AgrilInsurance Program | Hail Insurance Program | Farmland School Tax Rebate Program | Other Programs | 2015 | 2014 |
|------------------|-----------------------|------------------|------------------------|------------------------|------------------------------------|------------------|-------------------|-------------------|
| 90 days or less | 0.702% | \$ 5,000 | \$ 209,310 | \$ 29,550 | \$ 240 | \$ 15,063 | \$ 259,163 | \$ 206,085 |
| 1 year | 0.960% | - | 40,000 | - | - | - | 40,000 | 58,429 |
| 2 years | - | - | - | - | - | - | - | - |
| 3 years | 1.388% | - | - | 26,000 | - | - | 26,000 | 24,000 |
| 5 years | 2.136% | - | - | 25,000 | - | - | 25,000 | 21,875 |
| | 0.886% | 5,000 | 249,310 | 80,550 | 240 | 15,063 | 350,163 | 310,389 |
| Accrued Interest | | - | 173 | 254 | 1 | 5 | 433 | 433 |
| | | \$ 5,000 | \$ 249,483 | \$ 80,804 | \$ 241 | \$ 15,068 | \$ 350,596 | \$ 310,822 |

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2015 consist of the following:

| | 2015 | | | 2014 | | |
|---|-----------------------|---------------------------|-------------------|-----------------------|---------------------------|-------------------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Recorded investment | \$ 456,726 | \$ 18,429 | \$ 475,155 | \$ 404,505 | \$ 19,115 | \$ 423,620 |
| Specific provision | (2,899) | (13,356) | (16,255) | (2,521) | (15,020) | (17,541) |
| General provision | (2,313) | (675) | (2,988) | (1,933) | (1,432) | (3,365) |
| Unamortized discount on loans with concessionary interest | - | (450) | (450) | - | - | - |
| | 451,514 | 3,948 | 455,462 | 400,051 | 2,663 | 402,714 |
| Accrued interest | 7,845 | 352 | 8,197 | 7,319 | 455 | 7,774 |
| Net carrying value | \$ 459,359 | \$ 4,300 | \$ 463,659 | \$ 407,370 | \$ 3,118 | \$ 410,488 |

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Impaired loans included in the preceding schedule:

| | 2015 | | | 2014 | | |
|-----------------------|-----------------------------|---------------------------------|------------------|-----------------------------|---------------------------------|-----------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Impaired loan balance | \$ 16,874 | \$ 16,672 | \$ 33,546 | \$ 12,035 | \$ 15,118 | \$ 27,153 |
| Specific provision | (2,899) | (13,356) | (16,255) | (2,521) | (15,020) | (17,541) |
| | \$ 13,975 | \$ 3,316 | \$ 17,291 | \$ 9,514 | \$ 98 | \$ 9,612 |

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table above provides the amount of impaired loans and the specific provision for credit losses on these loans as of March 31, 2015. A total of \$1,534,000 (2014 - \$1,464,000) of interest on impaired loans was included in revenue for the year ended March 31, 2015.

Provisions for impaired loans:

| | 2015 | | | 2014 | | |
|-------------------------------|-----------------------------|---------------------------------|------------------|-----------------------------|---------------------------------|-----------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Beginning provision balance | \$ 4,454 | \$ 16,452 | \$ 20,906 | \$ 4,366 | \$ 26,545 | \$ 30,911 |
| Write-offs, net of recoveries | (4) | (588) | (592) | (72) | (6,347) | (6,419) |
| Provision (recovery) expense | 762 | (1,833) | (1,071) | 160 | (3,746) | (3,586) |
| Ending provision balance | \$ 5,212 | \$ 14,031 | \$ 19,243 | \$ 4,454 | \$ 16,452 | \$ 20,906 |

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

Included in loans receivable is a specific provision of \$16,255,000 (2014 - \$17,541,000) and a general provision of \$2,988,000 (2014 - \$3,365,000) that are subject to measurement uncertainty. The amount established for specific and general provisions of \$19,243,000 (see Note 2 (B)) could change substantially in the future, if the factors considered by management in establishing these estimates change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land, followed by buildings, livestock and other assets. The estimated value of such tangible securities is \$873,104,000 (2014 - \$822,371,000).

Remaining terms to maturities are as follows:

| | 2015 | | | 2014 | | |
|----------------------------|-----------------------------|---------------------------------|-------------------|-----------------------------|---------------------------------|------------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Less than 5 years | \$ 59,649 | \$ 14,362 | \$ 74,011 | \$ 47,538 | \$ 18,748 | \$ 66,286 |
| 5 years to up to 10 years | 76,356 | 67 | 76,423 | 74,301 | 367 | 74,668 |
| 10 years to up to 15 years | 88,627 | - | 88,627 | 88,346 | - | 88,346 |
| 15 years to up to 20 years | 135,115 | 4,000 | 139,115 | 118,361 | - | 118,361 |
| More than 20 years | 96,979 | - | 96,979 | 75,959 | - | 75,959 |
| Recorded investment | \$ 456,726 | \$ 18,429 | \$ 475,155 | \$ 404,505 | \$ 19,115 | \$ 423,620 |

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2015 consist of the following:

| | Lending Programs | AgrilInsurance Program | Wildlife Damage Compensation Program | Western Livestock Price Insurance Program | Other Programs | 2015 | 2014 |
|----------------------------|---------------------|---------------------------|---|--|-------------------|------------------|-----------|
| Accounts payable - general | \$ - | \$ 3,612 | \$ 407 | \$ 256 | \$ 679 | \$ 4,954 | \$ 6,089 |
| Salaries and benefits | 52 | 451 | 10 | 2 | 441 | 956 | 1,973 |
| Accrued vacation pay | - | 1,248 | - | - | - | 1,248 | 1,248 |
| Other* | 266 | 3,072 | - | - | 10,728 | 14,066 | 14,557 |
| | \$ 318 | \$ 8,383 | \$ 417 | \$ 258 | \$ 11,848 | \$ 21,224 | \$ 23,867 |

* Other Programs accounts payable of \$10,728 includes amounts owing to the Province of Manitoba (\$10,596) and the Government of Canada (\$132) for various other programs administered by MASC.

14. CLAIMS PAYABLE*

| | 2015 | 2014 |
|--------------------------------------|------------------|-----------|
| AgrilInsurance Program | \$ 8,397 | \$ 4,840 |
| Hail Insurance Program | 13 | - |
| Wildlife Damage Compensation Program | 213 | 373 |
| Farmland School Tax Rebate Program | 2,033 | 6,861 |
| Other Programs | 6,297 | 7,528 |
| | \$ 16,953 | \$ 19,602 |

*Includes claims approved but not paid and provisions for outstanding claims.

15. LOANS FROM THE PROVINCE OF MANITOBA

Following the practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended installments of principal and interest, with March 31, 2015 interest rates ranging from 0.960% to 7.625% (2014 - 1.340% to 7.625%).

| Maturities of principal over the following terms | 2015 | 2014 |
|--|-------------------|-------------------|
| 1 year | \$ 96,276 | \$ 82,967 |
| 2 years | 50,037 | 49,965 |
| 3 years | 51,658 | 43,585 |
| 4 years | 44,687 | 41,060 |
| 5 years | 41,301 | 37,941 |
| More than 5 years | 198,590 | 182,590 |
| | \$ 482,549 | \$ 438,108 |

16. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2015 are shown below:

| | 2015 | | | 2014 | | |
|--|----------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|
| | Contingent liability | Provision for losses | Net Contingent Liability | Contingent liability | Provision for losses | Net Contingent Liability |
| Operating Credit Guarantees for Agriculture | \$ 9,441 | \$ (944) | \$ 8,497 | \$ 9,389 | \$ (939) | \$ 8,450 |
| Operating Credit Guarantees for Rural Small Business | 132 | (13) | 119 | 148 | (15) | 133 |
| Manitoba Livestock Associations Loan Guarantees | 5,399 | (1,080) | 4,319 | 5,009 | (1,002) | 4,007 |
| Enhanced Diversification Loan Guarantees | 53,797 | (11,419) | 42,378 | 54,542 | (11,342) | 43,200 |
| Rural Entrepreneur Assistance Program | 9,983 | (1,735) | 8,248 | 10,422 | (1,802) | 8,620 |
| | \$ 78,752 | \$ (15,191) | \$ 63,561 | \$ 79,510 | \$ (15,100) | \$ 64,410 |

The change in the provision for guaranteed loan losses is as follows:

| | 2015 | 2014 |
|-------------------------------|------------------|-----------|
| Beginning provision balance | \$ 15,100 | \$ 16,176 |
| Write-offs, net of recoveries | (43) | (138) |
| Provision expense (recovery) | 134 | (938) |
| Ending provision balance | \$ 15,191 | \$ 15,100 |

The Operating Credit Guarantee for Agriculture Program was introduced in 2003, replacing the Guaranteed Operating Loan Program. Participating lending institutions are provided a guarantee of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit). The maximum allowable loan is \$700,000 for individuals and \$1,000,000 for partnerships, corporations and co-operatives.

The Operating Credit Guarantee for Rural Small Business Program was introduced in 2009. Participating lending institutions are provided a guarantee of the lesser of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit) or 75% of the lender's actual eligible loss. To be eligible for the program, annual sales have to be less than \$2,000,000. The maximum allowable loan is \$200,000.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each livestock association, MASC provides a 25% guarantee to the association's lending institution, based on a maximum loan of \$5,000,000 per association.

The Diversification Loan Guarantee Program was introduced in 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was \$3,000,000. The Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program in 2001. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) Program provides a guarantee of up to 80% on loans made by participating lenders to small rural non-agricultural businesses. REA guarantees loans up to a maximum of \$200,000. MASC assumed administration of the program in 2005.

- (B) Certain legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

17. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance, as a result of retirement, permanent layoff or death. Benefits are based on an employee's years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefit. The amount of recorded severance pay obligation is based on actuarial calculations.

Actuarial valuations are carried out every three years to provide an estimate of the accrued liability for severance pay benefits. An actuarial valuation of the severance obligations as of March 31, 2014 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include an interest rate of 6.5% (2011 - 6.5%), severance rate of 0.74% of average salary of \$64,946 for administration staff and 0.44% of average salary of \$42,015 for adjusting staff (2011 - 0.72% of average salary of \$59,978 for administration staff and 0.39% of average salary of \$38,454 for adjusting staff), and salary inflation rate increases of 3.75% (2011 - 2.75%). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is 13 years. For 2014/15, the amortization of the net actuarial loss was \$11,000 (2014 - 11,000).

| Provision for severance liability | 2015 | 2014 |
|---|-------------|-------------|
| Accrued severance obligation, beginning of year | \$ 2,718 | \$ 2,424 |
| Benefits accrued | 97 | 92 |
| Interest accrued on benefits | 35 | 158 |
| Benefits paid | (224) | (88) |
| Actuarial loss | - | 132 |
| Accrued severance obligation, end of year | 2,626 | 2,718 |
| Unamortized actuarial loss | (111) | (121) |
| Provision, end of year | \$ 2,515 | \$ 2,597 |

| MASC's severance costs consist of the following: | 2015 | 2014 |
|---|-------------|-------------|
| Benefits accrued | \$ 97 | \$ 92 |
| Interest accrued on benefits | 35 | 158 |
| Amortization of experience loss | 11 | 11 |
| Severance cost | \$ 143 | \$ 261 |

Pension Liability

MASC's employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act*. MASC contributes 50% of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005. In addition, MASC has pension liability for employees whose earnings are out of the scope of The Civil Service Superannuation Fund plan.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC. As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

Prior to the amalgamation of MACC and MCIC into MASC, MACC did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 9).

Actuarial valuations are carried out every year to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2013 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include a rate of return of 6.50% (2012 - 6.50%), inflation of 2.0% (2012 - 2.0%), salary inflation rate increases of 3.75% (2012 - 3.75%), discount rate of 6.0% (2012 - 6.0%) and post-retirement indexing at two-thirds of the inflation rate. The service to date projected benefit method prorated on services has been applied and the liabilities (adjusted for a provision for adverse experience and a trust fund credit) have been estimated to March 31, 2015 all according to the formula prescribed by the consulting actuary.

The average remaining service life of this group of employees is six years. For 2014/15, the amortization of the net actuarial gain was \$63,000 (2014 - \$41,000).

| Provision for employer's share of employees' pension plan | 2015 | 2014 |
|--|-------------|-------------|
| Accrued pension obligation, beginning of year | \$ 6,194 | \$ 6,260 |
| Interest accrued on benefits | 405 | 415 |
| Benefits paid | (348) | (429) |
| Actuarial (gain) loss | (156) | (52) |
| Accrued pension obligation, end of year | 6,095 | 6,194 |
| Unamortized actuarial gain | 240 | 166 |
| Provision, end of year | \$ 6,335 | \$ 6,360 |

| MASC's pension plan costs consist of the following: | 2015 | 2014 |
|--|-------------|-------------|
| Interest accrued on benefits | \$ 405 | \$ 415 |
| Interest earned | (11) | (16) |
| Amortization of experience gain | (63) | (41) |
| Pension cost | \$ 331 | \$ 358 |

18. COMMITMENTS

| | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| Approved, undisbursed loans | \$ 32,384 | \$ 19,193 |
| Estimated farm loan incentives | 5,704 | 6,938 |
| Operating leases | 194 | 98 |
| | \$ 38,282 | \$ 26,229 |

The estimated farm loan incentives relate to future payments for the Young Farmer Rebate and Management Training Credit programs. The Young Farmer Rebate is based on rebates that clients under 40 years of age at the time of the loan application can earn for the first five years of a loan, with the rebate being applied to the client's loan balance. The Management Training Credit is deducted from the loan balance once the eligible training has been completed. Management Training Credits are no longer being offered, with the program in a run-off situation in respect of existing obligations.

The operating lease commitments are for equipment and vehicles.

19. TANGIBLE CAPITAL ASSETS

| | Leasehold Improvements | Furniture and Equipment | Computer Hardware and Software | 2015 | 2014 |
|----------------------------------|-----------------------------------|------------------------------------|---|-------------|-------------|
| Cost | | | | | |
| Beginning of year | \$ 344 | \$ 435 | \$ 493 | \$ 1,272 | \$ 1,254 |
| Additions | 178 | - | 45 | 223 | 45 |
| Disposals and write-downs | - | - | - | - | (27) |
| | 522 | 435 | 538 | 1,495 | 1,272 |
| Accumulated amortization | | | | | |
| Beginning of year | 344 | 347 | 429 | 1,120 | 1,086 |
| Amortization expense | 9 | 20 | 32 | 61 | 58 |
| Disposals and write-downs | - | - | - | - | (24) |
| | 353 | 367 | 461 | 1,181 | 1,120 |
| Net book value at March 31, 2015 | \$ 169 | \$ 68 | \$ 77 | \$ 314 | \$ 152 |

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides fixed term loans to clients at interest rates that generally earn a reasonable interest rate margin to cover associated administrative expenses. For insurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make insurance payments when losses exceed the current year's premium income plus interest revenue less reinsurance premiums.

MASC's risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk mainly consist of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

| | 2015 | 2014 |
|---|------------|------------|
| Investments | \$ 350,596 | \$ 310,822 |
| Accounts receivable | 4,490 | 4,914 |
| Receivables from the Province of Manitoba | 13,425 | 15,123 |
| Receivables from the Government of Canada | 8,330 | 12,115 |
| Loans receivable | 463,659 | 410,488 |
| Loan guarantees | 78,752 | 79,510 |
| | \$ 919,252 | \$ 832,972 |

Investments - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable - MASC's accounts receivable consist largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums.

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

Loans Receivable - Impairment provisions are provided for losses that have been incurred as of the end of the fiscal year. Significant changes in the economic well being of Manitoba's agricultural industry or the deterioration of specific sectors of the industry, which represent a concentration within MASC's overall loan portfolio, may result in losses that differ from those provided for as of the date of the Statement of Financial Position. Management of credit risk associated with loans is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the guidelines for lending and loan guarantee programs and by setting general limits on credit exposures to individual clients. MASC has comprehensive policy and procedures manuals in place for all lending programs. In general, MASC emphasizes responsible lending, which is comprised of a combination of adequate loan security and a client's ability to pay.

MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba and economic development loans as directed by the Manitoba Government, which fall outside the normal limits set out in regular loan policies. These loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, MASC closely monitors the performance of these loans in an effort to mitigate losses. Special assistance loans make up 4% of MASC's overall lending portfolio.

Summarized below are the loan balances that are past due but not impaired.

| | 2015 | | | 2014 | | |
|-----------------------------|--------------------------|------------------------------|----------|--------------------------|------------------------------|----------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Less than 1 year in arrears | \$ 3,340 | \$ 15 | \$ 3,355 | \$ 5,054 | \$ 158 | \$ 5,212 |
| 1 to 2 years in arrears | 2,176 | 52 | 2,228 | 2,605 | 276 | 2,881 |
| Over 2 years in arrears | - | - | - | 20 | 87 | 107 |
| | \$ 5,516 | \$ 67 | \$ 5,583 | \$ 7,679 | \$ 521 | \$ 8,200 |

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Loans that are past due but not impaired generally reflect situations where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears put the loan in the "1 to 2 years" category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of the term, which is generally one year. Any delay in the sale of the cattle at the end of the term technically puts the loan in arrears, however, such loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure, as provided in Note 12 is broken down by agricultural sector as shown in the table below:

Loans Receivable by Agricultural Sector

| | 2015 | | | 2014 | | |
|----------------------------|--------------------------|------------------------------|------------|--------------------------|------------------------------|------------|
| | Regular Program Loans | Special Assistance Loans* | TOTAL | Regular Program Loans | Special Assistance Loans* | TOTAL |
| Grains and oilseeds | \$ 280,549 | \$ 1,941 | \$ 282,490 | \$ 256,744 | \$ 2,329 | \$ 259,073 |
| Potatoes | 396 | - | 396 | 621 | - | 621 |
| Other crops | 10,141 | 66 | 10,207 | 8,175 | 64 | 8,239 |
| Cattle | 143,146 | 2,360 | 145,506 | 100,189 | 4,095 | 104,284 |
| Hogs | 2,328 | 10,128 | 12,456 | 3,995 | 12,753 | 16,748 |
| Poultry | 2,942 | - | 2,942 | 3,806 | - | 3,806 |
| Dairy | 13,579 | - | 13,579 | 9,971 | 17 | 9,988 |
| Other | 11,490 | 4,286 | 15,776 | 28,323 | 312 | 28,635 |
| Provisions and concessions | (5,212) | (14,481) | (19,693) | (4,454) | (16,452) | (20,906) |
| | \$ 459,359 | \$ 4,300 | \$ 463,659 | \$ 407,370 | \$ 3,118 | \$ 410,488 |

* Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Given that the Province of Manitoba provides funding for the full amount of loans that are written off, MASC's loans receivable risk is minimal.

Loan Guarantees - MASC provides loan guarantees to private sector financial institutions, which encourage the provision of credit to operations that financial institutions consider to be higher risk. Each loan guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves five separate programs: Operating Credit Guarantees for Rural Small Business and Rural Entrepreneur Assistance (REA), which are directed at rural non-agricultural businesses; Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry.

MASC's loan guarantee exposure by agricultural sector is summarized below:

Loan Guarantees by Agricultural Sector

| | Diversification Loan Guarantees | | Operating Credit Guarantees | |
|---------------------|---------------------------------|------|-----------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| Grains and oilseeds | - | - | 55% | 53% |
| Potatoes | 5% | 5% | 5% | 10% |
| Other crops | 1% | - | 2% | 4% |
| Cattle | - | - | 17% | 14% |
| Hogs | 34% | 39% | 8% | 10% |
| Poultry | 9% | 8% | 1% | 1% |
| Dairy | 48% | 45% | 2% | 2% |
| Other | 3% | 3% | 10% | 6% |
| | 100% | 100% | 100% | 100% |

The Province of Manitoba provides funding for all claims by private sector financial institutions on loan guarantees, resulting in minimal associated risk to MASC.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable and advances from the Province of Manitoba.

Investments - MASC's investment portfolio is mainly in short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Loans from the Province of Manitoba - MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the associated borrowing rate. The vast majority of loans from the Province of Manitoba have fixed interest rates for the full term of the advance and MASC only offers fixed interest rate loans to its clients. This arrangement mitigates MASC's interest rate risk; however, some interest rate risk is imparted through MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

Loans Receivable and Advances from the Province of Manitoba

| | Scheduled Repayments | | | | | 2015 | 2014 |
|---------------------------------|----------------------|--------------|---------------|---------------|------------------------------|--------------------|-------------|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | Over 10 Years | Not Interest Rate Sensitive* | | |
| Loans receivable | \$ 55,116 | 130,899 | 115,472 | 173,668 | (11,496) | \$ 463,659 | \$ 410,488 |
| Average Interest Rate | 4.82% | 4.88% | 4.92% | 4.96% | - | 4.91% | 5.11% |
| Due to the Province of Manitoba | \$ 96,276 | 187,683 | 115,217 | 83,373 | - | \$ 482,549 | \$ 438,108 |
| Average Interest Rate | 3.42% | 3.66% | 3.65% | 3.55% | - | 3.59% | 3.91% |
| | \$ (41,160) | (56,784) | 255 | 90,295 | (11,496) | \$ (18,890) | \$ (27,620) |

* Includes provisions for impaired loans, unamortized discount on loans with concessionary interest and accrued interest.

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable, as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Consequently, MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance indemnities are funded firstly out of current net revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and placed in short-term investments, making such funds available to pay claims in excess of current net revenue. Private sector reinsurance is in place for AgrilInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted for AgrilInsurance, the Government of Canada and the Province of Manitoba have an agreement in place that provides for unlimited additional funding for claim payments (Note 23). MASC also has the ability to borrow funds from the Province of Manitoba for AgrilInsurance and Hail Insurance, if required.

21. ACTUARIAL REVIEW

Actuarial certifications of AgrilInsurance premium rates and the financial self-sustaining ability of the overall program were completed by Towers Watson, consulting actuaries, in July and October 2012, respectfully. The actuarial review concluded that: the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the entire program meets the overall financial self-sustaining criteria, as defined by the Government of Canada. The actuarial review of the methodologies used to establish the probable yields and coverage levels was completed in October 2013, and with the finding that the methodologies reflect the productive capabilities. MASC requires that all program changes receive actuarial approval prior to implementation and that the probable yield tests as prescribed by the Federal Government be completed annually.

22. RELATED PARTY TRANSACTIONS

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Information is provided throughout these statements which disclose the significant related party transactions MASC entered into, with the exception of the following:

| | 2015 | 2014 |
|--|-----------|-----------|
| Interest earned on investments from the Province of Manitoba | \$ 3,491 | \$ 2,540 |
| Interest paid on loans from the Province of Manitoba | \$ 16,619 | \$ 15,583 |

23. REINSURANCE FUNDS

AgrilInsurance

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgrilInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The balances in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share the financing of any deficits in the AgrilInsurance Program.

| | Crop Reinsurance Fund of Canada for Manitoba | | Crop Reinsurance Fund of Manitoba | |
|---|--|-----------|-----------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Opening surplus | \$ 36,056 | \$ 18,703 | \$ 58,075 | \$ 40,722 |
| Current year premium contributions (net)* | (16) | 17,353 | (15) | 17,353 |
| Net book value | \$ 36,040 | \$ 36,056 | \$ 58,060 | \$ 58,075 |

* For 2014/15, there were no current year premium contributions, as the reinsurance premium rates for the year were zero. The negative amounts are the result of prior year adjustments and are shown net of an allowance for uncollectible accounts, which is an expense of \$11,000 (2014 - \$8,000).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers for the 2014 crop year. The agreement involves 34 reinsuring companies assuming 90% (2014 - 90%) of losses (including deemed losses for adjusting expenses and a deemed loss of premium as a result of insurable land that is unseeded due to excess moisture) from 15.0% to 27.5% of AgrilInsurance liability (coverage). Reinsurance premiums were \$33,272,000 (2014 - \$40,890,000). There was an \$81,000 private sector reinsurance claim reversal reimbursement (2014 - \$119,000 claim reversal reimbursement) for outstanding prior year claims.

Hail Insurance

For 2014/15, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves 18 reinsuring companies assuming 90% of hail insurance losses (including actual loss adjusting expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were \$1,586,000 (2014 - \$1,785,000), with no reinsurance recoveries (2014 - nil).

Schedule 1: Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | 2015 | 2014 |
|---|------------------|------------------|
| Adjustors' wages, benefits and expenses | \$ 5,110 | \$ 4,795 |
| Advertising | 323 | 345 |
| Amortization expense | 61 | 62 |
| Appeal Tribunal | (256) | (1,178) |
| Audit fees and legal | 363 | 253 |
| Directors' remuneration and expense | 95 | 112 |
| Furniture and equipment | 74 | 63 |
| Information technology | 658 | 418 |
| Office rental and utilities | 1,189 | 1,158 |
| Other administrative expenses | 891 | 541 |
| Other administrative recoveries | (803) | (852) |
| Postage | 180 | 143 |
| Printing and office supplies | 171 | 179 |
| Salaries and employee benefits | 11,840 | 12,176 |
| Telephone | 212 | 221 |
| Travel and vehicle expenses | 370 | 354 |
| Total administrative expenses | \$ 20,478 | \$ 18,790 |
| Administrative expenses allocation: | | |
| Lending Programs | \$ 4,311 | \$ 4,517 |
| AgriInsurance Program | 11,429 | 9,776 |
| Hail Insurance Program | 3,390 | 3,765 |
| Wildlife Damage Compensation Program | 448 | 494 |
| Farmland School Tax Rebate Program | 613 | 791 |
| Western Livestock Price Insurance Program | 1,067 | 751 |
| Other Programs | (780) | (1,304) |
| Total administrative expenses | \$ 20,478 | \$ 18,790 |

Schedule 2: Schedule of Operations and Accumulated Surplus

FOR THE YEAR ENDED MARCH 31, 2015 | IN THOUSANDS OF DOLLARS

| | LENDING PROGRAMS | | AGRIINSURANCE PROGRAM | | HAIL INSURANCE PROGRAM | |
|---|------------------|-------------|-----------------------|------------|------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| REVENUE | | | | | | |
| Insurance Premiums | | | | | | |
| Insured producers | \$ - | \$ - | \$ 94,298 | \$ 116,905 | \$ 26,511 | \$ 30,387 |
| Province of Manitoba | - | - | 55,473 | 68,944 | - | - |
| Government of Canada | - | - | 83,209 | 103,418 | - | - |
| | - | - | 232,980 | 289,267 | 26,511 | 30,387 |
| Interest from loans | 22,011 | 20,296 | - | - | - | - |
| Other contributions - Province of Manitoba | 1,671 | 7,593 | 4,590 | 3,935 | - | - |
| Other contributions - Government of Canada | - | - | 6,857 | 5,865 | - | - |
| Investment income | 52 | 24 | 2,363 | 1,461 | 1,197 | 1,204 |
| Other income | 408 | 643 | (81) | (119) | - | - |
| Total revenue | 24,142 | 28,556 | 246,709 | 300,409 | 27,708 | 31,591 |
| EXPENSE | | | | | | |
| Insurance indemnities and compensation payments | - | - | 169,732 | 95,163 | 12,274 | 24,480 |
| Reinsurance premiums (Note 23) | - | - | 33,250 | 75,605 | 1,586 | 1,785 |
| Interest on borrowed funds | 16,619 | 15,583 | - | - | - | - |
| Provision (recoveries) for credit losses | (1,071) | (3,585) | 145 | 3 | 23 | 8 |
| Provision (recoveries) for guaranteed loan losses (Note 16) | 134 | (938) | - | - | - | - |
| Young farmer incentives | 2,031 | 1,898 | 19 | 25 | - | - |
| Loan interest concession | 546 | - | - | - | - | - |
| Farmland school tax rebates (Note 5) | - | - | - | - | - | - |
| Other program payments (Note 7) | - | - | - | - | - | - |
| Administrative expenses (Schedule 1) | 4,311 | 4,517 | 11,429 | 9,776 | 3,390 | 3,765 |
| Total expenses | 22,570 | 17,475 | 214,575 | 180,572 | 17,273 | 30,038 |
| Income (loss) for the year | 1,572 | 11,081 | 32,134 | 119,837 | 10,435 | 1,553 |
| Accumulated surplus (deficit), beginning of year | (33,313) | (44,394) | 215,084 | 95,247 | 71,638 | 70,085 |
| Surplus (deficit), end of year | \$ (31,741) | \$ (33,313) | \$ 247,218 | \$ 215,084 | \$ 82,073 | \$ 71,638 |

| WILDLIFE DAMAGE COMPENSATION | | FARMLAND SCHOOL TAX REBATE PROGRAM | | WESTERN LIVESTOCK PRICE INSURANCE PROGRAM | | OTHER PROGRAMS | | TOTAL | TOTAL |
|---------------------------------|-------|--|--------|---|------|-------------------|----------|-------------------|------------|
| 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| \$ - | \$ - | \$ - | \$ - | \$ 979 | \$ - | \$ - | \$ - | \$121,788 | \$ 147,292 |
| - | - | - | - | - | - | - | - | 55,473 | 68,944 |
| - | - | - | - | - | - | - | - | 83,209 | 103,418 |
| - | - | - | - | 979 | - | - | - | 260,470 | 319,654 |
| - | - | - | - | - | - | - | - | 22,011 | 20,296 |
| 1,915 | 1,692 | 33,982 | 32,522 | 427 | 301 | (1,444) | (14,418) | 41,141 | 31,625 |
| 2,253 | 2,005 | - | - | 640 | 450 | 2,197 | 4,452 | 11,947 | 12,772 |
| - | - | 39 | 61 | 6 | - | 117 | 144 | 3,774 | 2,894 |
| - | - | - | - | - | - | 109 | 29 | 436 | 553 |
| 4,168 | 3,697 | 34,021 | 32,583 | 2,052 | 751 | 979 | (9,793) | 339,779 | 387,794 |
| 3,720 | 3,203 | - | - | - | - | - | - | 185,726 | 122,846 |
| - | - | - | - | - | - | - | - | 34,836 | 77,390 |
| - | - | - | - | - | - | - | - | 16,619 | 15,583 |
| - | - | 10 | 1 | - | - | 147 | (173) | (746) | (3,746) |
| - | - | - | - | - | - | - | - | 134 | (938) |
| - | - | - | - | - | - | - | - | 2,050 | 1,923 |
| - | - | - | - | - | - | - | - | 546 | - |
| - | - | 33,398 | 31,791 | - | - | - | - | 33,398 | 31,791 |
| - | - | - | - | - | - | 1,612 | (8,316) | 1,612 | (8,316) |
| 448 | 494 | 613 | 791 | 1,067 | 751 | (780) | (1,304) | 20,478 | 18,790 |
| 4,168 | 3,697 | 34,021 | 32,583 | 1,067 | 751 | 979 | (9,793) | 294,653 | 255,323 |
| - | - | - | - | 985 | - | - | - | 45,126 | 132,471 |
| - | - | - | - | - | - | - | - | 253,409 | 120,938 |
| \$ - | \$ - | \$ - | \$ - | \$ 985 | \$ - | \$ - | \$ - | \$ 298,535 | \$ 253,409 |

MANITOBA ARTS COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

MANITOBA ARTS COUNCIL

Management's Responsibility for Financial Reporting

The accompanying financial statements and note disclosures are the responsibility of management of Manitoba Arts Council and have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. The financial statements have been reviewed by the Audit/Finance/HR Committee and approved by the Council on June 22, 2015.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and other data available as at the date of approval of the financial statements by the Council.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are being followed.

The financial statements have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Manitoba Arts Council are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the financial statements.

On behalf of Management of
Manitoba Arts Council

Original Document Signed

Douglas Riske
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Members of the Council of
Manitoba Arts Council

Report on the Financial Statements

We have audited the accompanying financial statements of Manitoba Arts Council, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Arts Council as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards for government not-for-profit organizations.



June 22, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

MANITOBA ARTS COUNCIL**Statement of Financial Position**

March 31, 2015

| | Grants & Programs Fund | Bridges Fund | Total 2015 | Total 2014 |
|--|------------------------------|-----------------|------------------|------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$360,347 | \$0 | \$360,347 | \$470,505 |
| Accounts receivable (Note 4) | 3,055 | 0 | 3,055 | 7,368 |
| Prepaid administrative and grant expenses | 138,632 | 0 | 138,632 | 165,355 |
| | 502,034 | 0 | 502,034 | 643,228 |
| Recoverable from Province of Manitoba (Note 8) | 36,000 | 0 | 36,000 | 36,000 |
| Portfolio investments (Note 5) | 203,598 | 0 | 203,598 | 200,401 |
| Capital assets (Note 6) | 22,479 | 0 | 22,479 | 14,986 |
| TOTAL ASSETS | \$764,111 | \$0 | \$764,111 | \$894,615 |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$133,770 | \$0 | \$133,770 | \$136,110 |
| Commitments for grants and programs | 426,377 | 0 | 426,377 | 467,293 |
| | 560,147 | 0 | 560,147 | 603,403 |
| Employee future benefits (Note 8) | 73,903 | 0 | 73,903 | 63,596 |
| Fund Balances: | | | | |
| Invested in capital assets | 22,479 | 0 | 22,479 | 14,986 |
| Unrestricted | 107,582 | 0 | 107,582 | 212,630 |
| | 130,061 | 0 | 130,061 | 227,616 |
| Collections (Note 7) | | | | |
| Designated Assets (Note 8) | | | | |
| Commitments (Note 9) | | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$764,111 | \$0 | \$764,111 | \$894,615 |

Approved on behalf of Council:

Original Document Signed

Chair

Original Document Signed

Executive Director

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

MANITOBA ARTS COUNCIL

Statement of Operations

Year ended March 31, 2015

| | Grants & Programs Fund | Bridges Fund | Total 2015 | Total 2014 |
|--|------------------------------|------------------|-------------------|--------------------|
| REVENUE | | | | |
| Province of Manitoba - Operating Grant | \$8,598,000 | \$0 | \$8,598,000 | \$8,598,000 |
| Province of Manitoba - Bridges Grant | 0 | 875,000 | 875,000 | 875,000 |
| Province of Manitoba - Manitoba Theatre Centre | 0 | 150,000 | 150,000 | 150,000 |
| Other | 45,000 | | 45,000 | 59,194 |
| Investment Income | 14,099 | 0 | 14,099 | 25,777 |
| | 8,657,099 | 1,025,000 | 9,682,099 | 9,707,971 |
| EXPENSES | | | | |
| ORGANIZATIONS | | | | |
| <i>Annual & Operating Grants</i> | | | | |
| Arts Training Schools | 162,500 | 0 | 162,500 | 162,500 |
| Arts Service Organizations | 94,000 | 0 | 94,000 | 95,000 |
| Dance Companies | 882,500 | 0 | 882,500 | 900,000 |
| Music Organizations | 1,197,060 | 0 | 1,197,060 | 1,199,000 |
| Theatre Companies | 1,651,700 | 150,000 | 1,801,700 | 1,864,000 |
| Visual Arts Organizations | 881,840 | 0 | 881,840 | 889,000 |
| Book Publishers | 268,200 | 0 | 268,200 | 271,000 |
| Periodical Publishers | 207,690 | 0 | 207,690 | 211,225 |
| | 5,345,490 | 150,000 | 5,495,490 | 5,591,725 |
| <i>Touring Grants</i> | 304,000 | 0 | 304,000 | 320,000 |
| <i>Presentation Grants</i> | 363,380 | 0 | 363,380 | 363,936 |
| <i>Special Grants</i> | 1,000 | 29,000 | 30,000 | 1,000 |
| <i>Management & Governance</i> | 0 | 0 | 0 | 32,500 |
| | 6,013,870 | 179,000 | 6,192,870 | 6,309,161 |
| INDIVIDUALS | | | | |
| Professional Development Grants | 232,350 | 0 | 232,350 | 249,706 |
| Creation and Production Grants | 721,905 | 0 | 721,905 | 658,482 |
| Touring Grants | 25,000 | 0 | 25,000 | 18,000 |
| Aboriginal Arts Grants | 0 | 68,000 | 68,000 | 69,400 |
| | 979,255 | 68,000 | 1,047,255 | 995,588 |
| ARTS DEVELOPMENT | | | | |
| Residencies | 461,725 | 0 | 461,725 | 481,251 |
| ArtsSmarts Projects | 115,938 | 0 | 115,938 | 98,450 |
| Award of Distinction | 0 | 0 | 0 | 30,000 |
| Special Projects | 6,277 | 78,460 | 84,737 | 111,980 |
| Community Connections & Access | 0 | 164,975 | 164,975 | 165,840 |
| Arts Education Initiatives | 0 | 21,000 | 21,000 | 22,000 |
| | 583,940 | 264,435 | 848,375 | 909,521 |
| | 7,577,065 | 511,435 | 8,088,500 | 8,214,270 |
| Arts Program Delivery Expenses (Schedule 1) | 831,824 | 183,620 | 1,015,444 | 1,027,581 |
| | 8,408,889 | 695,055 | 9,103,944 | 9,241,851 |
| Administrative Expenses (Schedule 2) | 706,122 | 0 | 706,122 | 634,454 |
| | 9,115,011 | 695,055 | 9,810,066 | 9,876,305 |
| Rescinded Commitments | (30,412) | 0 | (30,412) | (10,387) |
| Total Expenses | 9,084,599 | 695,055 | 9,779,654 | 9,865,918 |
| Excess (Deficiency) of Revenue over Expenses | (\$427,500) | \$329,945 | (\$97,555) | (\$157,947) |

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

MANITOBA ARTS COUNCIL**Statement of Changes in Fund Balances**

Year ended March 31, 2015

| | Grants & Program Fund | | Bridges Fund | | |
|--|-------------------------------|-------------------------|-------------------|-------------------------|-------------------------|
| | Invested In Capital Assets | General | | Total 2015 | Total 2014 |
| Fund Balances, Beginning of Year | \$14,986 | \$212,630 | \$0 | \$227,616 | \$385,563 |
| Excess (Deficiency) of Revenue over Expenses | (14,658) | (412,842) | 329,945 | (97,555) | (157,947) |
| Additions to Capital Assets | 22,151 | (22,151) | 0 | 0 | 0 |
| Interfund Transfers (Note 10) | <u>0</u> | <u>329,945</u> | <u>(329,945)</u> | <u>0</u> | <u>0</u> |
| Fund Balances, End of Year | <u>\$22,479</u> | <u>\$107,582</u> | <u>\$0</u> | <u>\$130,061</u> | <u>\$227,616</u> |

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

MANITOBA ARTS COUNCIL**Statement of Cash Flow**

Year ended March 31, 2015

| | 2015 | 2014 |
|---|--------------------------------|--------------------------------|
| Cash provided by (applied to) | | |
| Operating activities: | | |
| (Deficiency) of Revenue over Expenses | (\$97,555) | (\$157,947) |
| Adjustment for: | | |
| Amortization of capital assets | <u>14,658</u> | <u>11,804</u> |
| | (82,897) | (146,143) |
| Changes in the following: | | |
| Accounts receivable | 4,313 | 17,453 |
| Prepaid administrative and grant expenses | 26,723 | (150,437) |
| Accounts payable and accrued liabilities | (2,340) | 10,516 |
| Commitments for grants and programs | (40,916) | 100,778 |
| Employee future benefits | <u>10,307</u> | <u>9,996</u> |
| | (1,913) | (11,694) |
| Cash (applied to) operating activities | (84,810) | (157,837) |
| Investing activities: | | |
| Change in portfolio investments | <u>(3,197)</u> | <u>(3,448)</u> |
| Cash (applied to) investing activities | (3,197) | (3,448) |
| Capital activities: | | |
| Acquisition of capital assets | <u>(22,151)</u> | <u>(4,490)</u> |
| Cash (applied to) capital activities | (22,151) | (4,490) |
| Change in cash and cash equivalents | (110,158) | (165,775) |
| Cash and cash equivalents, beginning of year | <u>470,505</u> | <u>636,280</u> |
| Cash and cash equivalents, end of year | <u><u>\$360,347</u></u> | <u><u>\$470,505</u></u> |

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

MANITOBA ARTS COUNCIL

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of Organization

The Arts Council Act established the Manitoba Arts Council (the "Council") in 1965 to "...promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under *The Income Tax Act* (Canada).

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board, including the standards available to government not-for-profit organizations (PS 4200 - PS 4270).

3. Summary of Significant Accounting Policies

(a) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Program Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of the Council as defined in *The Arts Council Act*.

(ii) Bridges Fund

This fund was established in June of 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(b) Revenue Recognition

(i) Contributions

The Council follows the deferral method of accounting for contributions. Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted contributions are recognized as revenue in the applicable fund when received or receivable and when collection is reasonably assured.

(ii) Investment Income

Investment income is recognized on the accrual basis.

(c) Expenses

All expenses incurred are recognized on the accrual basis when the related goods or services are received.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

(e) Accounts Receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

(f) Portfolio Investments

Portfolio investments include term deposits and investments with original maturities greater than three months. These investments are recognized at cost.

(g) Capital Assets

Capital assets are recognized at cost. Cost includes the purchase price and other acquisition costs. The costs of capital assets, less any residual value, are amortized over their estimated useful lives as follows:

| | |
|--------------------------------|--------------------------|
| Office furniture and equipment | 5-10 years straight line |
| Computer hardware and software | 3 years straight line |

(h) Collections of Musical Instruments and Works of Visual Art

The Council has collections of musical instruments and works of visual art which are not recognized in the financial statements. See Note 7 for information relating to the Council's collections.

3. Summary of Significant Accounting Policies (continued)

(i) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year, the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(j) Commitments for Grants and Programs

Grants and program commitments are recognized as expenses when funding is formally approved and committed by the Council. Cancellations of prior years' grant expenses are reflected as rescinded commitments in the statement of operations in the year of cancellation.

(k) Financial Instruments - Measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Council records its financial assets at cost, which include cash and cash equivalents, accounts receivable, portfolio investments and recoverable from the Province of Manitoba. The Council also records its financial liabilities at cost, which include accounts payable and accrued liabilities and commitments for grants and programs

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on any financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(l) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Accounts Receivable

Accounts receivable at March 31 is comprised of the following:

| | 2015 | 2014 |
|-------------------|----------------|----------------|
| Accrued interest | \$2,540 | \$5,015 |
| Other receivables | 515 | 2,353 |
| | <u>\$3,055</u> | <u>\$7,368</u> |

5. Portfolio investments

As at March 31, 2015, the market value of the Council's portfolio investments is \$205,781 (2014 - \$200,401).

6. Capital Assets

| | 2015 | | 2014 |
|--------------------------------|------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Office furniture and equipment | \$132,775 | \$130,636 | \$2,139 |
| Computer hardware and software | 503,142 | 482,802 | 20,340 |
| | <u>\$635,917</u> | <u>\$613,438</u> | <u>\$22,479</u> |

7. Collections

Works of Visual Art

The Council's collection of works of visual art is comprised of 399 pieces of art currently in the care of the Arts Gallery of Southwestern Manitoba in Brandon, Manitoba and at Council's Winnipeg, Manitoba office. There were no acquisitions, disposals or expenditures on collection items incurred during the year (2014 - \$nil). The most recent appraisal of the visual art collection was completed in 2005 indicating a market value of \$449,222.

Musical Instruments

The Manitoba Arts Council jointly owns a collection of stringed instruments with the Universities of Manitoba and Brandon, Schools of Music which are for the exclusive use of the students. There were no acquisitions, disposals or expenditures on stringed instruments during the year (2014 - \$nil). The most recent valuation of these instruments indicated a value of \$104,796.

8. Employee Future Benefits

Pension Benefits

Employees of the Council are provided pension benefits as a result of the participation of its eligible employees in the *Civil Service Superannuation Act (CSSA)*. The Council participates on a fully funded basis and its contributions of \$50,531 (2014 - \$47,464) represents the total pension expense for the year. Pursuant to the CSSA, the Council has no further liability for pension benefits.

Severance Liability

Effective March 31, 1999, Manitoba Arts Council, as a Crown organization, is required to record a severance liability. The Province of Manitoba has recognized an opening liability of \$36,000 as at April 1, 1998 and the Council has recorded a corresponding recoverable from the Province; this recoverable from the Province is designated for future severance obligations of the Council. Any subsequent changes to the severance liability is the responsibility of the Council.

As at March 31, 2015, the Council recorded a severance liability of \$73,903 (2014 - \$63,596) based on the provision of its Employee Handbook and management's best assumptions regarding severance rates and compensation increases. The assumptions used parallel those used by the Province of Manitoba and include a 6% rate of return and 3.75% annual salary increases. The liability is based on actuarial calculations and is updated annually based on a formula included in the most recent actuarial valuation dated December 31, 2013.

The severance liability as at March 31 includes the following components:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| Severance liability, beginning of year | \$63,596 | \$53,600 |
| Actuarial (gains) losses | - | - |
| Interest cost | 3,820 | 3,718 |
| Current service cost | 6,487 | 6,278 |
| Severance benefits paid | - | - |
| | 73,903 | 63,596 |
| Less: Unamortized actuarial (gains) losses | - | - |
| Severance liability, end of year | <u>\$73,903</u> | <u>\$63,596</u> |

9. Commitments

The Council has entered into an agreement to lease office premises for ten years commencing April 1, 2012. The 2015 basic annual rent was \$127,609. The 2016 basic annual rent is estimated to be \$128,159. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

10. Interfund Transfers and Internally Restricted Fund Balances

In 2015, there were no internally restricted funds allocated to programs. In addition, \$329,945 (2014 - \$289,477) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Organizations and Arts Development Grants during the year.

11. Financial Instruments and Financial Risk Management

The Council does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Council did not incur any remeasurement gains or losses during the year (2014 - \$nil).

Financial Risk Management - Overview

The Council has exposure to the following risks resulting from its financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of cash and cash equivalents, accounts receivable, portfolio investments and recoverable from the Province of Manitoba.

The maximum exposure of the Council to credit risk at March 31 is:

| | 2015 | 2014 |
|---|------------------|------------------|
| Cash and cash equivalents | \$360,347 | \$470,505 |
| Accounts receivable | 3,055 | 7,368 |
| Portfolio investments | 203,598 | 200,401 |
| Recoverable from the Province of Manitoba | 36,000 | 36,000 |
| | <u>\$603,000</u> | <u>\$714,274</u> |

Cash and Cash Equivalents and Portfolio Investments

The Council is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and the Minister of Finance.

Accounts Receivable and Recoverable from the Province of Manitoba

The Council is not exposed to significant credit risk as any significant balances are due from the Province of Manitoba. The Council manages this credit risk through close monitoring and follow up of any overdue accounts. When necessary, the Council establishes an allowance for doubtful accounts that represent its estimate of potential credit losses. The balance in the allowance for doubtful accounts as at March 31, 2015 is \$nil (2014 - \$nil).

11. Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due. The Council manages liquidity risk by maintaining adequate cash balances to meet its obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's results of operations or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered to be low because the original deposits and investments are reinvested at similar rates with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

MANITOBA ARTS COUNCIL**SCHEDULE 1 - ARTS PROGRAM DELIVERY EXPENSES**

Year ended March 31, 2015

| | Grants & Programs Fund | Bridges Fund | Total 2015 | Total 2014 |
|--------------------------------|------------------------------|------------------|--------------------|--------------------|
| Salaries and benefits | \$600,364 | \$160,171 | \$760,535 | \$816,270 |
| Jurors' fees and expenses | 76,991 | 5,079 | 82,070 | 53,046 |
| Rent | 60,243 | 14,037 | 74,280 | 73,636 |
| Communications | 30,195 | 0 | 30,195 | 29,617 |
| Professional fees | 25,347 | 0 | 25,347 | 16,161 |
| Staff travel and expenses | 13,996 | 1,927 | 15,923 | 12,582 |
| Postage, courier and telephone | 9,415 | 2,164 | 11,579 | 12,849 |
| Office supplies | 1,671 | 242 | 1,913 | 1,261 |
| Sundry | 612 | 0 | 612 | 19 |
| Memberships & partnerships | 12,990 | 0 | 12,990 | 12,140 |
| | \$831,824 | \$183,620 | \$1,015,444 | \$1,027,581 |

MANITOBA ARTS COUNCIL
SCHEDULE 2 - ADMINISTRATIVE EXPENSES
Year ended March 31, 2015

| | Grants & Programs Fund | |
|--|------------------------|------------------|
| | 2015 | 2014 |
| Salaries and benefits | \$452,675 | \$411,122 |
| Council expenses | 39,692 | 34,482 |
| Rent | 54,994 | 53,377 |
| Postage, courier and telephone | 14,759 | 8,787 |
| Office supplies, printing and stationery | 12,007 | 12,628 |
| Communications: | | |
| Recruitment costs | 4,783 | 0 |
| Advocacy | 1,344 | 3,610 |
| Annual report | 11,072 | 153 |
| Strategic planning | 1,855 | 4,600 |
| Amortization | 14,658 | 11,804 |
| Equipment repairs and maintenance | 33,042 | 27,147 |
| Professional fees | 15,348 | 18,129 |
| Memberships and subscriptions | 12,585 | 15,123 |
| Insurance and sundry | 7,179 | 7,017 |
| Staff travel and expenses | 15,129 | 11,475 |
| Other (Art Bank Administration) | 15,000 | 15,000 |
| | \$706,122 | \$634,454 |

**MANITOBA CATTLE ENHANCEMENT COUNCIL AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015 WERE NOT AVAILABLE AT THE TIME OF
PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV**

Management Report

The accompanying financial statements of the Manitoba Centennial Centre Corporation (the "Corporation") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. We understand that fair presentation of these financial statements includes: providing sufficient information about certain transactions, or events having an effect on the Corporation's financial position; results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect on the Corporation's financial statements; and providing information in a manner that is clear and understandable.

Management are responsible for the design, implementation and operation of internal controls to safeguard the assets of the corporation and to prevent, deter and detect fraud and error, including internal controls over the financial reporting process.

The responsibility of KPMG is to express an independent, professional opinion on whether the financial statements of the Corporation are fairly presented in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of the audit examination and provides their opinion.

On behalf of Management,

Original Document Signed

Robert Olson
Chief Executive Officer

Original Document Signed

Candace Trussler
Director, Finance & Administration



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Centennial Centre Corporation

We have audited the accompanying financial statements of Manitoba Centennial Centre Corporation which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Centennial Centre Corporation as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Signed “**KPMG LLP**”

Chartered Accountants

June 17, 2015

Winnipeg, Canada



Financial Statements of

**MANITOBA CENTENNIAL
CENTRE CORPORATION**

Year ended March 31, 2015

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 672,610 | \$ 402,969 |
| Term deposits - Province of Manitoba | 611,117 | 767,455 |
| Accounts receivable | 424,014 | 375,108 |
| Capital grant receivable - Province of Manitoba (note 10) | 241,576 | 915,540 |
| Inventory | 49,779 | 40,737 |
| Prepaid expenses | 91,478 | 59,178 |
| Vacation pay recoverable from the Province of Manitoba (note 4) | 199,964 | 199,964 |
| | 2,290,538 | 2,760,951 |
| Amounts recoverable - Province of Manitoba: | | |
| Severance (note 4[b]) | 307,561 | 307,561 |
| Pension (note 5) | 6,490,000 | 6,368,000 |
| Capital assets (note 6) | 1,169,413 | 1,153,584 |
| Other investments (note 9[b]) | 106,856 | 105,695 |
| | \$ 10,364,368 | \$ 10,695,791 |

2015

2014

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:

| | | |
|--|----------------|------------------|
| Accounts payable and accrued liabilities | \$ 585,746 | \$ 1,161,668 |
| Accrued vacation liability (note 4[a]) | 272,344 | 286,185 |
| Capital advances (note 10) | 48,434 | 48,434 |
| Deferred income and rental deposits | 79,040 | 39,215 |
| | <u>985,564</u> | <u>1,535,502</u> |

| | | |
|-----------------------------------|-----------|-----------|
| Accrued severance pay (note 4[b]) | 343,769 | 388,056 |
| Accrued sick leave (note 4[c]) | 41,834 | 43,327 |
| Pension liability (note 5) | 6,490,000 | 6,368,000 |

| | | |
|--|---------|---------|
| Deferred contributions related to capital assets (note 7) | 952,615 | 835,069 |
|--|---------|---------|

Fund balances:

| | | |
|--------------------------------------|------------------|------------------|
| Invested in capital assets (note 8) | 216,798 | 318,515 |
| Internally restricted funds (note 9) | 434,123 | 425,695 |
| Unrestricted funds: | | |
| General fund | 899,665 | 781,627 |
| | <u>1,550,586</u> | <u>1,525,837</u> |

| | | |
|--|----------------------|----------------------|
| | <u>\$ 10,364,368</u> | <u>\$ 10,695,791</u> |
|--|----------------------|----------------------|

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed

Director

Original Document Signed

Director

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

| | General | Capital | Internally restricted | 2015 Total | 2014 Total |
|--|--------------|--------------|-----------------------|---------------|---------------|
| Revenue: | | | | | |
| Concert Hall | \$ 1,438,714 | \$ — | \$ — | \$ 1,438,714 | \$ 1,324,817 |
| Rental fees | 112,668 | — | — | 112,668 | 294,754 |
| Concession sales | 407,450 | — | — | 407,450 | 447,461 |
| Parking fees | 1,248,946 | — | — | 1,248,946 | 1,177,130 |
| Miscellaneous | 69,423 | — | — | 69,423 | 89,021 |
| | 3,277,201 | — | — | 3,277,201 | 3,333,183 |
| Province of Manitoba grants: | | | | | |
| Operating | 3,077,586 | — | — | 3,077,586 | 3,004,045 |
| Amortization of deferred contributions (note 7) | — | 173,271 | — | 173,271 | 183,521 |
| Province of Manitoba - pension, net (note 5) | 26,761 | — | — | 26,761 | 34,476 |
| | 3,104,347 | 173,271 | — | 3,277,618 | 3,222,042 |
| City of Winnipeg grant: | | | | | |
| Strategic Economic Development grant | 31,812 | — | — | 31,812 | 25,253 |
| Recoveries of expenses | 260,248 | — | — | 260,248 | 255,369 |
| Investment income (note 9) | — | — | 1,161 | 1,161 | 943 |
| Total revenues, grants and recoveries | 6,673,608 | 173,271 | 1,161 | 6,848,040 | 6,836,790 |
| Expenses: | | | | | |
| Administration and general | 712,751 | — | — | 712,751 | 640,831 |
| Amortization of capital assets | — | 274,988 | — | 274,988 | 260,436 |
| Bannatyne Condominium | — | — | — | — | 108,000 |
| Concession operations | 275,000 | — | — | 275,000 | 245,356 |
| Building services and maintenance | 1,434,073 | — | — | 1,434,073 | 1,373,720 |
| Host services and special projects | 413,813 | — | — | 413,813 | 385,236 |
| Manitoba Production Centre | 245,444 | — | — | 245,444 | 252,568 |
| Parking services | 249,256 | — | — | 249,256 | 262,815 |
| Pension (note 5) | 379,335 | — | — | 379,335 | 342,405 |
| Security services | 552,775 | — | — | 552,775 | 523,085 |
| Stage operations | 440,684 | — | — | 440,684 | 433,492 |
| | 4,703,131 | 274,988 | — | 4,978,119 | 4,827,944 |
| Expenses incurred on behalf of The Manitoba Museum (note 11) | 1,845,172 | — | — | 1,845,172 | 1,845,606 |
| Total expenses (schedule - operating expenses) | 6,548,303 | 274,988 | — | 6,823,291 | 6,673,550 |
| Excess (deficiency) of revenue over expenses | \$ 125,305 | \$ (101,717) | \$ 1,161 | \$ 24,749 | \$ 163,240 |

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

| | General | Capital | Internally restricted | 2015 Total | 2014 Total |
|--|------------|------------|--------------------------|---------------|---------------|
| Fund balances, beginning of year | \$ 781,627 | \$ 318,515 | \$ 425,695 | \$ 1,525,837 | \$ 1,362,597 |
| Excess (deficiency) of revenue over expenses | 125,305 | (101,717) | 1,161 | 24,749 | 163,240 |
| Transfer from Equipment Purchase Fund (note 9[a]) | 12,733 | — | (12,733) | — | — |
| Transfer to Special Projects Fund (note 9[a]) | (20,000) | — | 20,000 | — | — |
| Fund balances, end of year | \$ 899,665 | \$ 216,798 | \$ 434,123 | \$ 1,550,586 | \$ 1,525,837 |

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Excess of revenue over expenses | \$ 24,749 | \$ 163,240 |
| Adjustments for: | | |
| Amortization of deferred contributions | (173,271) | (183,521) |
| Amortization of capital assets | 274,988 | 260,436 |
| | 126,466 | 240,155 |
| Change in other investments | (1,161) | (943) |
| Change in accrued severance pay | (44,287) | 39,389 |
| Change in accrued sick leave | (1,493) | 3,448 |
| Change in non-cash working capital balances: | | |
| Accounts receivable | (48,906) | (86,860) |
| Inventory | (9,042) | (7,064) |
| Prepaid expenses | (32,300) | (301) |
| Accounts payable and accrued liabilities | (575,922) | 506,834 |
| Accrued vacation liability | (13,841) | 55,471 |
| Deferred income and rental deposits | 39,825 | 1,152 |
| | (560,661) | 751,281 |
| Financing: | | |
| Capital assets grants and advances - Province of Manitoba | 964,781 | (281,532) |
| Capital: | | |
| Purchase of capital assets | (290,817) | (278,949) |
| Increase in cash and cash equivalents | 113,303 | 190,800 |
| Cash and cash equivalents, beginning of year | 1,170,424 | 979,624 |
| Cash and cash equivalents, end of year | \$ 1,283,727 | \$ 1,170,424 |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 672,610 | \$ 402,969 |
| Term deposits - Province of Manitoba | 611,117 | 767,455 |
| | \$ 1,283,727 | \$ 1,170,424 |

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of the Corporation's operations:

Manitoba Centennial Centre Corporation (the Corporation) was established in 1968 for the development and management of a permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Sub-section 149(1) of the *Income Tax Act*.

2. Properties of the Corporation:

The Corporation oversees properties on behalf of the Province of Manitoba. At March 31, 2015, registered titles to these properties, being the Manitoba Centennial Centre, Manitoba Production Centre, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the financial results of the Manitoba Production Centre and Condominium property at 211 Bannatyne Avenue within its financial statements as per Letters of Understanding/Agreement between Manitoba Culture, Heritage and Tourism and Manitoba Centennial Centre Corporation dated December 14, 2005 and June 30, 2010, in which the Corporation agreed to manage these properties for the Province. Effective April 1, 2014, the responsibility for overseeing the Condominium property at 211 Bannatyne Avenue reverted back to the Province of Manitoba, with the financial results included in the Corporation's financial statements up to this date.

3. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

(a) Fund accounting:

The Corporation's financial statements have been prepared on a fund basis.

The General fund is used to account for the operations of the Corporation.

Internally restricted funds consist of the Foundation of the Future Fund which is to be used towards funding of youth based arts and culture, Manitoba Production Centre Fund which is to be reinvested in that facility, an Equipment Purchases Fund which is used to acquire capital equipment and a Special Projects Fund to support significant one-time expenditures as approved by the Board from time to time. Internally restricted funds cannot be expended without the approval of the Board of Directors.

The Capital Asset fund reports the assets, liabilities, revenues and expenses related to capital assets other than assets that are funded by the Province of Manitoba (notes 2, 3[e] and 8).

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis corresponding with the amortization rate for the related capital assets.

Revenue from fees contracts and sales of goods is recognized when the services are provided or the goods are sold.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

(c) Inventory:

Inventory is valued at the lower of cost, using the first-in, first-out basis, and net replacement cost.

(d) Cash:

Cash includes cash on hand and balances with banks.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

| Asset | Rate |
|--------------------------------------|----------|
| Computer equipment | 20% |
| Concert hall refurbishments | 10% |
| Concrete replacement | 8% |
| Equipment and furnishings | 20% |
| Marquee | 20% |
| Office renovations | 5% - 10% |
| Courtyard vestibule | 2.5% |
| Physical plant and building controls | 10% |
| Stage equipment | 20% |
| Security equipment | 20% |
| System and motor controls | 10% |

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

Assets under construction are included in the appropriate asset category. Assets under construction are not amortized until asset construction is complete.

The financial statements of the Corporation exclude capital assets that are recorded as capital assets in the accounts of the Province of Manitoba. Expenditures on these excluded assets, and the related advances from the Province of Manitoba, are presented in note 10. Effective April 1, 2006, the Corporation began reflecting all other capital asset expenditures in its financial statements. Such assets are accounted for in accordance with the requirements of Canadian public sector accounting standards section 4230.

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Investments consist of term deposits, and are recorded at cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value, if any, are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Corporation did not incur any remeasurement gains and losses during the year ended March 31, 2015 (2014 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Employee benefits:

The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees. A provision for employee severance pay is recognized based on the number of eligible employees and year of service.

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Corporation to contribute 50 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for the employer's share of current and past service pension obligations.

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Employee benefits:

(a) Accrued vacation pay and amounts recoverable:

The Province of Manitoba funds a portion of the vacation pay benefits of the Corporation, which is limited to the amount estimated at March 31, 1995. Accordingly, the Corporation has recorded a recoverable in the amount of \$199,964 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. Each year the Corporation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

(b) Accrued severance pay and amounts recoverable:

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. At March 31, 2015, based on an actuarial estimate, the obligation for accrued severance pay is \$343,769 (2014 - \$388,056). The significant actuarial assumptions include a discount rate of 6.5 percent (2014 - 6.5 percent).

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The amount of funding which will be provided by the Province of Manitoba for severance pay benefits of \$307,561, represents the amount accumulated to March 31, 1998 by the employees of the Corporation, and is recorded as amounts recoverable - Province of Manitoba on the statement of financial position. This receivable from the Province of Manitoba has no specified terms of repayment. The Corporation is responsible for funding liabilities for severance pay benefits accumulated after March 31, 1998 through its operating grants from the Province of Manitoba. As a result, the change in the accrued severance pay liability, including the interest accretion, is reflected in the funding for severance expense.

(c) Sick leave:

The Corporation provides accumulating sick leave benefits to employees. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Corporation's accumulated non-vested sick leave benefits include a discount rate of 6 percent (2014 - 6 percent) and a rate of salary increase of 3 percent (2014 - 3 percent).

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Pension liability:

The Corporation records the pension liability and the related pension expense, including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report as at December 31, 2013, the Corporation has recorded an amount of \$6,490,000 in its financial statements, representing the estimated unfunded liability for the Corporation's employees as at March 31, 2015 (2014 - \$6,368,000). Total pension expense of \$497,670 (2014 - \$452,621) has been recorded in the statement of operations (see schedule - operating expenses), or \$379,335 (2014 - \$342,405) net of expenses incurred on behalf of Manitoba Museum.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense. The Corporation has therefore recorded an amount recoverable from the Province of Manitoba of \$6,490,000 (2014 - \$6,368,000) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded associated net revenue of \$26,761 (2014 - net revenue of \$34,476). The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

| | 2015 | 2014 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 6,368,000 | \$ 6,261,273 |
| Increase in trust account held by the Province of Manitoba | (20,418) | (46,511) |
| Benefits accrued | 186,560 | 159,824 |
| Interest accrued (6.5 percent; 2014 - 6.5 percent) | 428,697 | 420,176 |
| Benefits paid | (468,105) | (414,713) |
| Actuarial (gains) losses ¹ | (4,734) | (12,049) |
| Balance, end of year | \$ 6,490,000 | \$ 6,368,000 |

¹The actuarial valuations as at December 31, 2013 and 2012 were completed in 2015 and 2014, respectively. Actuarial gains and losses are recognized over the estimated average remaining service life (EARSLS) of the plan members of 9 years. Assumed salary rate increases are 3.75 percent (2014 - 3.75 percent).

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Capital assets:

| | | | 2015 | 2014 |
|--------------------------------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 100,058 | \$ 83,880 | \$ 16,178 | \$ 24,266 |
| Concert hall refurbishments | 309,879 | 177,795 | 132,084 | 162,173 |
| Concrete replacement | 10,060 | 6,438 | 3,622 | 4,426 |
| Equipment and furnishings | 180,537 | 145,202 | 35,335 | 32,220 |
| Marquee | 382,230 | 382,230 | — | — |
| Office renovations | 578,096 | 410,788 | 167,308 | 185,151 |
| Courtyard vestibule | 250,017 | 100,007 | 150,010 | 175,012 |
| Physical plant and building controls | 235,031 | 153,085 | 81,946 | 95,149 |
| Stage equipment | 733,624 | 454,900 | 278,724 | 129,528 |
| Security equipment | 460,181 | 177,322 | 282,859 | 317,196 |
| System and motor controls | 71,158 | 49,811 | 21,347 | 28,463 |
| | \$ 3,310,871 | \$ 2,141,458 | \$ 1,169,413 | \$ 1,153,584 |

7. Deferred contributions:

Deferred contributions represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

| | 2015 | 2014 |
|--|------------|------------|
| Balance, beginning of year | \$ 835,069 | \$ 746,732 |
| Capital grants received and receivable | 290,817 | 271,858 |
| Less amortized to revenue | (173,271) | (183,521) |
| Balance, end of year | \$ 952,615 | \$ 835,069 |

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Invested in capital assets:

Amounts invested in capital assets are as follows:

| | 2015 | 2014 |
|---|--------------|--------------|
| Capital assets (note 6) | \$ 1,169,413 | \$ 1,153,584 |
| Amounts financed by deferred contributions (note 7) | (952,615) | (835,069) |
| | \$ 216,798 | \$ 318,515 |

During the year, nil (2014 - \$7,091) was transferred from the General Fund to the Capital Asset Fund for capital assets additions.

9. Internally restricted funds and other investments:

a) Internally restricted funds:

| | 2015 | 2014 |
|------------------------------------|------------|------------|
| Foundation of the Future Fund: | | |
| Balance, beginning of year | \$ 105,695 | \$ 104,752 |
| Investment income | 1,161 | 943 |
| Balance, end of year | \$ 106,856 | \$ 105,695 |
| Manitoba Production Centre Fund: | | |
| Balance, beginning of year | \$ 30,000 | \$ 30,000 |
| Balance, end of year | \$ 30,000 | \$ 30,000 |
| Equipment Purchases Fund: | | |
| Balance, beginning of year | \$ 190,000 | \$ 130,000 |
| Transferred (to) from general fund | (12,733) | 60,000 |
| Balance, end of year | \$ 177,267 | \$ 190,000 |

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Internally restricted funds and other investments (continued):

| | 2015 | 2014 |
|--|------------|------------|
| Special Projects Fund: | | |
| Balance, beginning of year | \$ 100,000 | \$ – |
| Transferred from general fund | 20,000 | 100,000 |
| Balance, end of year | \$ 120,000 | \$ 100,000 |
| Total internally restricted funds, end of year | \$ 434,123 | \$ 425,695 |

During the year ended March 31, 2015, \$12,733 was transferred to the General Fund from the Equipment Purchases Fund for the purchase of office equipment.

Special Projects Fund:

During the year ended March 31, 2014, the Corporation established the Special Projects Fund, which is to be used as described in note 3(a). During the year ended March 31, 2015, the Corporation transferred \$20,000 from the General Fund to the Special Projects Fund.

(b) Other investments:

Foundation of the Future funds are held in term deposits with the Province of Manitoba.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Capital advances:

Changes in capital funds on projects awarded by the Province of Manitoba during fiscal 2015 and the remaining advances not yet undertaken at March 31, 2015 were as follows:

| | 2015 | 2014 |
|--|-----------|-----------|
| Capital advances - Province of Manitoba: | | |
| Advances brought forward from previous years | \$ 48,434 | \$ 48,434 |
| Awarded during the year (including receivable at year end) | 727,759 | 915,540 |
| Allocated to other entity | — | (15,655) |
| | 776,193 | 948,319 |
| Capital expenditures recorded as capital assets in the accounts of the Province of Manitoba (note 3[e]): | | |
| Tenant improvements | 383,288 | 569,313 |
| Fire Alarm System upgrade | 2,538 | 17,518 |
| Exterior lighting | 5,120 | 29,696 |
| Chiller Upgrade Plan | — | 11,500 |
| Lamp retrofit | 45,996 | — |
| | 436,942 | 628,027 |
| Capital expenditures reflected in the Corporation's financial statements (note 3[e]) | 290,817 | 271,858 |
| Advances carried forward to future years | \$ 48,434 | \$ 48,434 |

Included in the capital advances awarded during the year is capital grants receivable from the Province of Manitoba of \$241,576 (2014 - \$915,540).

11. Grant of service:

Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of The Manitoba Museum. These expenses amounted to \$1,845,172 for the year ended March 31, 2015 (2014 - \$1,845,606). Included in these expenses is \$228,066 (2014 - \$212,289) of administration and general expenses of the Corporation that are allocated to The Manitoba Museum proportionately on a predetermined basis.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Financial risk and concentration of credit risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable, capital grant receivable - Province of Manitoba, amounts recoverable - Province of Manitoba for severance and pension, cash and term deposits - Province of Manitoba.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at March 31, 2015 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. There was no allowance for doubtful accounts at March 31, 2015. As at March 31, 2015, there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2014.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2014.

13. Economic dependence:

The Corporation is economically dependent on funding received from the Province of Manitoba.

MANITOBA CENTENNIAL CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Capital management:

The Corporation's objective when managing its capital is to maintain sufficient capital to cover its costs of operations, while fulfilling its mandate under the *Manitoba Centennial Centre Corporations Act*. The Corporation's capital consists of unrestricted funds, internally restricted funds and funds invested in capital assets. The Corporation's ability to meet its capital objectives is dependent on its cash flows, including operating and capital grants received from the Province of Manitoba.

The Corporation manages financial risk by maintaining a balance equivalent to approximately three months of salary and benefits in its unrestricted funds.

The Corporation is not subject to externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the period.

MANITOBA CENTENNIAL CENTRE CORPORATION

Schedule - Operating Expenses

Year ended March 31, 2015, with comparative information for 2014

The following operating expenses include the expenses incurred on behalf of The Manitoba Museum.

| | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| Administration and general: | | |
| Salaries and employee benefits | \$ 552,700 | \$ 486,878 |
| Audit and legal | 38,095 | 32,698 |
| Insurance | 83,357 | 79,947 |
| Telephone and fax | 32,975 | 24,393 |
| Other | 225,546 | 221,609 |
| Marketing | 8,143 | 7,595 |
| | 940,816 | 853,120 |
| Bannatyne Condominium: | | |
| Administration costs | — | 78,184 |
| Property taxes | — | 29,816 |
| | — | 108,000 |
| Building services and maintenance: | | |
| Salaries and employee benefits | 1,490,806 | 1,409,624 |
| Repairs, maintenance and supplies | 521,722 | 631,866 |
| Utilities | 851,969 | 793,274 |
| | 2,864,497 | 2,834,764 |
| Concession operations: | | |
| Salaries and employee benefits | 123,109 | 98,249 |
| Cost of goods sold | 138,702 | 134,919 |
| Other | 13,189 | 12,188 |
| | 275,000 | 245,356 |
| Host services and special projects: | | |
| Salaries and employee benefits | 394,278 | 358,660 |
| Other | 19,535 | 26,576 |
| | 413,813 | 385,236 |
| Manitoba Production Centre: | | |
| Salaries and employee benefits | 11,003 | 11,425 |
| Administration costs | 55,452 | 61,548 |
| Repairs, maintenance and supplies | 38,075 | 60,384 |
| Property taxes | 96,451 | 75,786 |
| Utilities | 44,463 | 43,425 |
| | 245,444 | 252,568 |
| Parking services: | | |
| Salaries and employee benefits | 183,796 | 158,349 |
| Agency fees and expenses | 48,676 | 86,763 |
| Other | 16,784 | 17,703 |
| | 249,256 | 262,815 |
| Pension | 497,670 | 452,621 |
| Security services: | | |
| Salaries and employee benefits | 573,991 | 564,718 |
| Other | 47,132 | 20,424 |
| | 621,123 | 585,142 |
| Stage operations: | | |
| Salaries and employee benefits | 360,194 | 348,934 |
| Repairs, supplies and equipment | 80,490 | 84,558 |
| | 440,684 | 433,492 |
| Total expenses of general fund | \$ 6,548,303 | \$ 6,413,114 |

MANITOBA COMBATIVE SPORTS COMMISSION

Financial Statements

Year Ended March 31, 2015

MANITOBA COMBATIVE SPORTS COMMISSION

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Year Ended March 31, 2015

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THE EXCHANGE

chartered accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of Manitoba Combative Sports Commission

We have audited the accompanying financial statements of Manitoba Combative Sports Commission, which comprise the statement of financial position as at March 31, 2015 and the statements of revenue and expenses, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Combative Sports Commission as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
June 24, 2015

MANITOBA COMBATIVE SPORTS COMMISSION
Statement of Financial Position
March 31, 2015

| | 2015 | 2014 |
|--|-----------|-----------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 94,410 | \$ 94,530 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 4,646 | \$ 3,500 |
| Deposits received | 4,000 | - |
| | 8,646 | 3,500 |
| NET ASSETS | | |
| Unrestricted | 85,764 | 91,030 |
| | \$ 94,410 | \$ 94,530 |

ON BEHALF OF THE BOARD

Original Document Signed *Director*

Original Document Signed *Director*

See notes to financial statements

MANITOBA COMBATIVE SPORTS COMMISSION

Statement of Revenue and Expenses

Year Ended March 31, 2015

| | 2015 | 2014 |
|---|-------------------|------------------|
| REVENUE | | |
| Grant - Province of Manitoba | \$ 15,900 | \$ 15,900 |
| Commission, licenses, and permits | 1,926 | 136,627 |
| Event administration fees | 1,500 | - |
| Other | 450 | 7,035 |
| Interest | 174 | 139 |
| | <u>19,950</u> | <u>159,701</u> |
| EXPENSES | | |
| Administration | 2,500 | 2,500 |
| Advertising and promotion | - | 3,531 |
| Card expenses - boxing | 659 | 3,366 |
| Conferences | 275 | 4,887 |
| Dues and subscriptions | 125 | 12,738 |
| Event official | 2,000 | 28,560 |
| Honoraria | 3,900 | 3,800 |
| Interest and bank charges | - | 31 |
| Office | 1,261 | 1,310 |
| Professional fees | 6,145 | 5,650 |
| Training | 3,367 | 360 |
| Travel | 4,984 | 9,982 |
| | <u>25,216</u> | <u>76,715</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | (5,266) | 82,986 |
| OTHER INCOME | | |
| Gain on disposal of assets | - | 125 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ (5,266) | \$ 83,111 |

See notes to financial statements

MANITOBA COMBATIVE SPORTS COMMISSION

Statement of Changes in Net Assets

Year Ended March 31, 2015

| | 2015 | 2014 |
|--|-----------|-----------|
| NET ASSETS - BEGINNING OF YEAR | \$ 91,030 | \$ 7,919 |
| Excess (Deficiency) of revenue over expenses | (5,266) | 83,111 |
| NET ASSETS - END OF YEAR | \$ 85,764 | \$ 91,030 |

See notes to financial statements

MANITOBA COMBATIVE SPORTS COMMISSION

Statement of Cash Flow

Year Ended March 31, 2015

| | 2015 | 2014 |
|---------------------------------------|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from funders and others | \$ 19,776 | \$ 159,701 |
| Cash paid to suppliers and others | (20,070) | (84,729) |
| Interest received | 174 | 139 |
| INCREASE (DECREASE) IN CASH | (120) | 75,111 |
| CASH - BEGINNING OF YEAR | 94,530 | 19,419 |
| CASH - END OF YEAR | \$ 94,410 | \$ 94,530 |

See notes to financial statements

MANITOBA COMBATIVE SPORTS COMMISSION

Notes to Financial Statements

Year Ended March 31, 2015

1. DESCRIPTION OF OPERATIONS

Manitoba Combative Sports Commission was incorporated under the Province of Manitoba by a proclamation dated October 16, 1983.

On June 14, 2012 the Provincial government passed legislation changing the name of the Manitoba Boxing Commission and the name of The Boxing Commission Act. As per section 4 of The Statute Correction and Minor Amendments Act, 2012, the name of commission will be The Manitoba Combative Sports Commission and the Act will be The Boxing Act. The purpose of the organization is to regulate professional combative sport matches in the Province of Manitoba in accordance with regulations set down in the Act

Manitoba Combative Sports Commission is tax-exempt as a registered charity under paragraph 149(1)(f) of the Income Tax Act of Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Capital Assets

Capital assets are expensed in the year of acquisition.

Revenue recognition

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Interest revenue is generated through interest received from bank. The revenue is recognized as interest when received.

MANITOBA COMBATIVE SPORTS COMMISSION

Notes to Financial Statements

Year Ended March 31, 2015

3. FINANCIAL INSTRUMENTS

The commission is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the commission's risk exposure and concentration as of March 31, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The commission is exposed to credit risk from customers. In order to reduce its credit risk, the commission reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The commission has a significant number of customers which minimizes concentration of credit risk.

4. ECONOMIC DEPENDENCE

The organization is economically dependent on the Province of Manitoba which provides funding through an annual grant.

5. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants.

**MANITOBA COMMUNITY SERVICES
COUNCIL INC.**

FINANCIAL STATEMENTS

MARCH 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the accompanying financial statements of Manitoba Community Services Council Inc., which comprise the statement of financial position as at March 31, 2015 and the statements of changes in net assets and financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Community Services Council Inc. as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

| | <u>Assets</u> | <u>2015</u> | <u>2014</u> |
|---|--------------------|-------------------|-------------------|
| Current assets | | | |
| Cash | | \$ 84,816 | \$ 141,504 |
| Guaranteed investment certificates (note 4) | | 308,556 | 298,000 |
| Accrued interest | | 5,612 | 5,318 |
| GST refund | | 2,619 | 2,874 |
| Prepaid expense | | <u>3,052</u> | <u>5,887</u> |
| | | 404,655 | 453,583 |
| Guaranteed investment certificates (note 4) | | 302,339 | 303,148 |
| Capital assets (note 5) | | <u>22,886</u> | <u>28,321</u> |
| | | <u>\$ 729,880</u> | <u>\$ 785,052</u> |
| | <u>Liabilities</u> | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 10,876 | \$ 6,845 |
| Allocations not yet paid | | <u>389,857</u> | <u>438,754</u> |
| | | <u>400,733</u> | <u>445,599</u> |
| | <u>Net assets</u> | | |
| Invested in capital assets | | 22,886 | 28,321 |
| Funds for future allocation | | <u>306,261</u> | <u>311,132</u> |
| | | <u>329,147</u> | <u>339,453</u> |
| | | <u>\$ 729,880</u> | <u>\$ 785,052</u> |

Approved on Behalf of the Board

Original Document Signed Director

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2015

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|------------------|
| Revenue | | |
| Province of Manitoba | | |
| Manitoba Housing and Community Development | \$ 1,704,000 | \$ 1,704,000 |
| Interest | <u>11,767</u> | <u>11,801</u> |
| | <u>1,715,767</u> | <u>1,715,801</u> |
| Allocations and expenses | | |
| Administrative expenses | | |
| Amortization | 7,821 | 6,562 |
| Bank charges | 1,355 | 1,268 |
| Communications | 3,693 | 6,593 |
| Computer expense | 6,895 | 8,347 |
| Insurance | 5,737 | 5,573 |
| Meeting costs and volunteer travel | 29,064 | 32,973 |
| Occupancy | 33,505 | 34,243 |
| Office supplies | 10,690 | 10,428 |
| Postage, courier and delivery | 2,512 | 3,972 |
| Professional and consulting fees | 17,321 | 7,826 |
| Salaries and benefits - regular | 210,246 | 264,834 |
| Salaries and benefits - retirement allowance | 15,731 | - |
| Telephone | <u>5,824</u> | <u>5,436</u> |
| | 350,394 | 388,055 |
| Grant allocations - regular | 1,133,702 | 1,209,339 |
| Grant allocations - emergency capital | 270,055 | 143,177 |
| Grant allocations (recovered) | <u>(28,078)</u> | <u>(31,000)</u> |
| | <u>1,726,073</u> | <u>1,709,571</u> |
| Excess (deficiency) of revenue over allocations and expenses | \$ <u>(10,306)</u> | \$ <u>6,230</u> |

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2015

| | Invested in Capital <u>Assets</u> | Funds for Future <u>Allocation</u> | Total <u>2015</u> | Total <u>2014</u> |
|---|---|--|----------------------|----------------------|
| Balance, beginning of year | \$ 28,321 | \$ 311,132 | \$ 339,453 | \$ 333,223 |
| Excess (deficiency) of revenue over allocations and expenses | (7,821) | (2,485) | (10,306) | 6,230 |
| Purchase of capital assets | <u>2,386</u> | <u>(2,386)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | \$ <u>22,886</u> | \$ <u>306,261</u> | \$ <u>329,147</u> | \$ <u>339,453</u> |

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

1. Purpose and objectives

Manitoba Community Services Council Inc. was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of allocating funds and/or bingo events to non-profit, volunteer community service, recreation and health-related organizations in Manitoba.

2. Summary of significant accounting policies

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The financial statements include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Guaranteed investment certificates

Guaranteed investment certificates are carried at cost. Interest earned but unpaid at the date of the statement of financial position is recorded as accrued interest receivable.

c) Capital assets

Capital asset acquisitions are recorded in the year of purchase at cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

| | |
|-------------------------|-----|
| Computer equipment | 20% |
| Computer software | 20% |
| Furniture and equipment | 20% |

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2015

2. Summary of significant accounting policies, cont'd

d) Revenue recognition

Funding for programs and grant allocations comes from the Province of Manitoba, Minister of Housing and Community Development. The fiscal period relates to the same fiscal period as the Province and is included in their fiscal budgets. If funding were approved and not received, it would be accrued at the end of the fiscal period.

Interest revenue is accrued based on the investment rate of return over the fiscal period.

3. Financial instruments

The Council's financial instruments consist of cash, guaranteed investment certificates, accrued interest, accounts payable and allocations not yet paid. The Council initially measures its financial assets and liabilities at fair value and subsequently carries all financial assets and liabilities at amortized cost. The Council manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Governance Policies. The objective of this policy is to reduce volatility in cash flow and earnings. The Council monitors compliance with risk management policies and reviews risk management policies on an annual basis.

The Council's investment policy is to invest funds not currently needed for operating purposes at the highest rate obtainable consistent with safety of the principal and their most effective possible utilization in serving the best interest of the general public. Investments must be guaranteed by the federal or provincial governments, a chartered bank or credit union or a CDIC member institution. The duration of the term of the deposit is not to exceed a period of three years.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2015

4. Guaranteed investment certificates

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| National Trust Company, bearing interest at 1.85% compounded annually, maturing April 13, 2015. | \$ 104,641 | \$ 102,740 |
| Scotia Mortgage Corporation, bearing interest at 1.75% compounded annually, maturing October 21, 2015. | 203,915 | 200,408 |
| Assiniboine Credit Union, bearing interest at 2.2% maturing June 3, 2016. | 302,339 | - |
| The Bank of Nova Scotia, matured during the year. | <u>-</u> | <u>298,000</u> |
| | <u>\$ 610,895</u> | <u>\$ 601,148</u> |
| Current portion due within one year | \$ 308,556 | \$ 298,000 |
| Long-term portion | <u>302,339</u> | <u>303,148</u> |
| | <u>\$ 610,895</u> | <u>\$ 601,148</u> |

5. Capital assets

| | <u>2015</u> | | <u>2014</u> | |
|------------------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer equipment | \$ 19,464 | \$ 8,176 | \$ 19,464 | \$ 4,283 |
| Computer software | 17,908 | 12,528 | 17,908 | 11,155 |
| Furniture and equipment | <u>38,122</u> | <u>31,904</u> | <u>35,736</u> | <u>29,349</u> |
| | <u>\$ 75,494</u> | <u>\$ 52,608</u> | <u>\$ 73,108</u> | <u>\$ 44,787</u> |
| Cost less accumulated amortization | | <u>\$ 22,886</u> | | <u>\$ 28,321</u> |

6. Provincial funding

The Province of Manitoba has committed funding in the amount of \$1,704,000 for the year ended March 31, 2016.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2015

7. Commitment

The Council has leased realty pursuant to a lease agreement, until March 31, 2020. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building. The minimum base rent payment for the year ended March 31, 2016 is \$14,715.

8. Pension plan

The employees of the organization participate in the Community Agencies' Retirement Plan, a multi-employer, defined benefit pension plan. The Council's pension contribution and expense for the year was \$9,924 (2014 - \$15,584).

In accordance with the provisions of the Manitoba Pensions Benefit Act the plan is required to calculate the value of its assets and actuarial liabilities on a going concern valuation, a hypothetical wind-up valuation and a solvency basis.

Following the most recent Actuarial Valuation Report (AVR) as at December 31, 2012, the Plan remains in a solvency deficiency. As a result, the Board of Trustees have elected to apply for the Special Payments Relief Regulation 2011 – solvency relief. This regulation permits the Plan's solvency deficiencies to be amortized over a 10 year period, rather than the normal 5 year period. It is possible to elect relief only once, provided funding payments are up to date, for the first AVR filed with the Office of the Superintendent – Pension Commission before January 2, 2014.

By electing, the Board of Trustees is hoping to alleviate the current financial strain in contributions by spreading the payments over a longer period of time. The election of the solvency relief will not affect the benefits accrued to the Members of the Plan.

The Province of Manitoba has committed annual on-going funding assistance to the member agencies, and as a result of these commitments, the Trustees of the Plan have committed to preserving the Plan as a defined benefit pension plan.

Based on the proposed employee and employer contribution rates and a 10 year solvency amortization, the proposed contributions should be sufficient to fund the current solvency deficiency without additional payments from the agencies.

9. Bingo earnings

The Council allocates a certain number of bingo events to various organizations that it funds.

The funds received from bingos are paid directly by the Manitoba Liquor & Lotteries to the above organizations. These funds are not reflected on the statement of financial activities.

Financial Statements of

**MANITOBA DEVELOPMENT
CORPORATION**

Year ended March 31, 2015

MANITOBA DEVELOPMENT CORPORATION

Financial Statements
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Year ended March 31, 2015

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Manitoba Development Corporation and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 24, 2015.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Development Corporation are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
MANITOBA DEVELOPMENT CORPORATION

Original Document Signed

Jim Kilgour, General Manager

June 24, 2015



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

We have audited the accompanying financial statements of Manitoba Development Corporation, which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Development Corporation as at March 31, 2015, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements as at and for the period ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 24, 2014.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in Schedules A to D are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants

June 24, 2015

Winnipeg, Canada

MANITOBA DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | PNP-B | Business support | MTI | 2015 Total | 2014 Total |
|--------------------------------|-----------------------|----------------------|-------------------|-----------------------|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 35,205,778 | \$ 2,941,977 | \$ 423,419 | \$ 38,571,174 | \$ 25,426,323 |
| Accounts receivable (note 4) | 457,133 | 25,968 | 14,835 | 497,936 | 1,019,108 |
| Loans receivable (note 5) | — | 70,285,541 | — | 70,285,541 | 72,433,240 |
| Portfolio investments (note 6) | 16,765,049 | 2,814,680 | 500,000 | 20,079,729 | 25,245,619 |
| Restricted funds (note 9) | 50,033,001 | 445,657 | — | 50,478,658 | 61,389,918 |
| | \$ 102,460,961 | \$ 76,513,823 | \$ 938,254 | \$ 179,913,038 | \$ 185,514,208 |

Liabilities and Surplus

Liabilities:

| | | | | | |
|--|-------------------|-------------------|----------------|--------------------|--------------------|
| Accounts payable and accrued liabilities | \$ 5,297,635 | \$ 409,503 | \$ 3,579 | \$ 5,710,717 | \$ 3,978,118 |
| Deferred revenue (note 7) | — | 415,607 | 23,710 | 439,317 | 759,779 |
| Operating advance payable (note 8) | — | — | 500,000 | 500,000 | 500,000 |
| Funds provided by the Province of Manitoba | — | 70,716,198 | — | 70,716,198 | 72,864,464 |
| Deposits payable (note 9) | 50,033,001 | — | — | 50,033,001 | 61,060,459 |
| | 55,330,636 | 71,541,308 | 527,289 | 127,399,233 | 139,162,820 |
| Accumulated surplus (note 10) | 47,130,325 | 4,972,515 | 410,965 | 52,513,805 | 46,351,388 |
| Commitments (note 11) | | | | | |

| | | | | | |
|--|-----------------------|----------------------|-------------------|-----------------------|-----------------------|
| | \$ 102,460,961 | \$ 76,513,823 | \$ 938,254 | \$ 179,913,038 | \$ 185,514,208 |
|--|-----------------------|----------------------|-------------------|-----------------------|-----------------------|

See accompanying notes to financial statements.

On behalf of the Board:

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Director

Original Document Signed

Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

| | Budget | 2015 | 2014 |
|---|--------------|---------------|---------------|
| Income: | | | |
| Income from portfolio investments | \$ 1,867,000 | \$ 1,911,391 | \$ 2,314,541 |
| Interest income | 8,943,000 | 3,634,504 | 4,530,028 |
| Deposit retentions (note 9) | 12,500,000 | 11,626,130 | 12,497,927 |
| Application processing fees (note 9) | — | 768,861 | 19,178 |
| Cost recoveries | — | — | 13,504 |
| Participation fees | 170,000 | 48,827 | 150,766 |
| Project revenue | 625,800 | 311,669 | 76,568 |
| Recovery of Business Support expenses from the Province of Manitoba: | | | |
| Provision for doubtful loans receivable | 1,922,502 | 64,477 | 933,930 |
| Provision for decline in value of investments | 562,500 | 14,070 | 4,600,821 |
| | 26,590,802 | 18,379,929 | 25,137,263 |
| Expenses: | | | |
| Program administration | 3,650,800 | 1,525,376 | 1,692,392 |
| Payment of Business Support interest on loans receivable to the Province of Manitoba | 8,810,000 | 3,259,920 | 4,244,838 |
| Provision for doubtful loans receivable | 1,922,502 | 64,477 | 933,930 |
| Provision for decline in value of investments | 562,500 | 14,070 | 4,600,821 |
| Project costs | — | 311,669 | 76,568 |
| | 14,945,802 | 5,175,512 | 11,548,549 |
| Transfers to the Department of Education and Advanced Learning (note 12) | 208,000 | 208,000 | 208,000 |
| Transfers to the Department of Labour and Immigration (note 12) | 2,892,000 | 4,457,000 | 2,994,000 |
| Transfers to the Department of Jobs and the Economy (note 12) | 2,737,000 | 2,377,000 | 2,094,000 |
| | 20,782,802 | 12,217,512 | 16,844,549 |
| Accumulated surplus | 5,808,000 | 6,162,417 | 8,292,714 |
| Accumulated surplus, beginning of year | | 46,351,388 | 38,058,674 |
| Accumulated surplus, end of year | | \$ 52,513,805 | \$ 46,351,388 |

See accompanying notes to financial statements.

MANITOBA DEVELOPMENT CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---------------|---------------|
| Annual surplus | \$ 6,162,417 | \$ 8,292,714 |
| Net financial assets, beginning of year | 46,351,388 | 38,058,674 |
| Net financial assets, end of year | \$ 52,513,805 | \$ 46,351,388 |

See accompanying notes to financial statements.

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 6,162,417 | \$ 8,292,714 |
| Adjustments for: | | |
| Provision for doubtful loans receivable | 64,477 | 933,930 |
| Provision for decline in value of investments | 14,070 | 4,600,821 |
| Deposit retentions | (11,626,130) | (12,497,927) |
| Amortization of bond premiums | 992,310 | 1,201,256 |
| Capitalized interest | (118,172) | 587,393 |
| Capitalized interest written off | — | 80,902 |
| Reimbursement of Business Support expenses to the Province of Manitoba | (78,547) | (5,534,751) |
| Change in non-cash operating working capital: | | |
| Restricted funds | 10,252,292 | 3,477,062 |
| Accounts receivable | 521,172 | 139,786 |
| Accounts payable and accrued liabilities | 1,732,599 | 894,329 |
| Deferred revenue | (320,462) | (76,818) |
| Net change in deposits payable | 598,672 | 9,826,565 |
| Cash provided by operating activities | 8,194,698 | 11,925,262 |
| Investing activities: | | |
| Loans receivable principal repayments | 11,767,843 | 17,301,543 |
| Issuance of loans receivable | (9,566,449) | (7,657,608) |
| Change in accrued interest receivable | — | 46,220 |
| Purchase of portfolio investments | (21,213,909) | (1,816,762) |
| Redemption of portfolio investments | 26,032,387 | 2,561,197 |
| Cash provided by investing activities | 7,019,872 | 10,434,590 |
| Financing activities: | | |
| Funds provided by the Province of Manitoba for Business Support | (2,069,719) | (12,344,371) |
| Increase in cash and cash equivalents | 13,144,851 | 10,015,481 |
| Cash and cash equivalents, beginning of year | 25,426,323 | 15,410,842 |
| Cash and cash equivalents, end of year | \$ 38,571,174 | \$ 25,426,323 |
| Cash and cash equivalents consists of the following: | | |
| Cash | \$ 2,755,685 | \$ 1,686,024 |
| Cash equivalents | 35,815,489 | 23,740,299 |
| | \$ 38,571,174 | \$ 25,426,323 |
| Supplementary information: | | |
| Cash paid for interest | \$ 3,259,920 | \$ 4,244,838 |
| Cash received for interest | 7,051,616 | 8,122,461 |

See accompanying notes to financial statements.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of operations and economic dependence:

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under the Manitoba Development Corporation Act. The objectives of the Corporation are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are three divisions administered by the Corporation: Business Support, the Provincial Nominee Program for Business (PNP-B) and the Manitoba Trade and Investment Division (MTI). Business Support administers the Manitoba Industrial Opportunities Program (MIOP) and the Third-Party Investment Funds Program (Investment Program). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for the financial assets due to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets. Losses are the responsibility of the Province and are charged directly against advances received from the Province.

The Corporation considers its capital to comprise its accumulated surplus (including share capital, restricted surplus and retained earnings). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated retained earnings over its history, which is included in retained earnings in the statement of financial position. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted retained earnings for the year to be equal to three years' operating expenses of the Business Immigration and Investment Branch (based on the most recent year's actual expenses) plus 25 percent of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province, would then be transferred to unrestricted accumulated surplus. For the year ended March 31, 2015, the Corporation has complied with these restrictions.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Basis of presentation:

On April 1, 2014, Manitoba Development Corporation amalgamated with Economic Innovation and Technology Council and The Manitoba Trade and Investment Corporation. These financial statements have been prepared as though Manitoba Development Corporation, Economic Innovation and Technology Council and The Manitoba Trade and Investment Corporation had been combined since their inception. The financial statements have been prepared using the continuity of interest method of accounting whereby the assets and liabilities have been recorded at historical carrying values and the earnings and cash flows presented are those of Manitoba Development Corporation, Economic Innovation and Technology Council and The Manitoba Trade and Investment Corporation.

3. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(a) Revenue recognition

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Interest income from portfolio investments and loans receivable is recognized on an accrual basis in the fiscal period in which it is earned.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with the Province of Manitoba and banks with maturities of three months or less.

(c) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

(d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. Interest on loans is recorded as income on an accrual bases except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

Provisions are established for individual loans for which the estimated realizable amount is less than the carrying value. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans receivable as an adjustment of the provision.

(e) Portfolio investments.

Portfolio investments consist of provincial bonds, term deposits, guaranteed investment certificates (GIC's) and equity investments.

The Corporation's investment in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The Corporation's investment in GIC's and term deposits are recorded at cost.

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investment in the CentreStone Ventures Limited Partnership and Manitoba Science and Technology Fund are accounted for using the cost method of accounting.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of investments.

(f) Restricted funds:

Restricted funds are deposits held under the PNP-B (note 9) and consist of balances with banks, provincial bonds and term deposits with maturities of three months or less held with the Province of Manitoba. The provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. Term deposits are recorded at cost.

(g) Deferred revenue:

Deferred revenue represents funds received for specific projects for which expenditures will be incurred in future periods as well as fees received in advance of event days for specific trade projects.

(h) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Contributed services:

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the carrying amount of loans receivable and portfolio investments. Actual results could differ from those estimates.

4. Accounts receivable:

| | 2015 | 2014 |
|-------------------|-------------------|---------------------|
| Accrued interest: | | |
| PNP-B | \$ 457,133 | \$ 947,249 |
| Business support | 25,968 | 38,957 |
| Other receivables | 14,835 | 32,902 |
| | <u>\$ 497,936</u> | <u>\$ 1,019,108</u> |

5. Loans receivable managed for the Province of Manitoba:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Business support: | | |
| Manitoba Industrial Opportunities Program - repayable | \$ 80,088,924 | \$ 75,182,970 |
| Other loans receivable | 11,038,498 | 18,368,662 |
| | <u>91,127,422</u> | <u>93,551,632</u> |
| Provision for doubtful loans receivable | (20,841,881) | (21,118,392) |
| | <u>\$ 70,285,541</u> | <u>\$ 72,433,240</u> |

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Loans receivable managed for the Province of Manitoba (continued):

The Manitoba Industrial Opportunities Program (MIOP) provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

| | 2015 | 2014 |
|---|---------------|---------------|
| 2015 | \$ — | \$ 3,159,037 |
| 2016 | 9,111,552 | 6,302,265 |
| 2017 | 9,997,272 | 8,588,152 |
| 2018 | 11,221,304 | 8,914,818 |
| 2019 | 9,582,336 | 8,119,779 |
| 2020 | 7,223,889 | 5,981,926 |
| Subsequent to 2020 | 32,456,032 | 33,738,024 |
| Accrued and capitalized interest | 496,539 | 378,969 |
| | 80,088,924 | 75,182,970 |
| Provision for doubtful loans receivable | (20,091,881) | (15,156,448) |
| | \$ 59,997,043 | \$ 60,026,522 |

Interest rates charged for Manitoba Industrial Opportunities Program loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation, under the direction of the Province, may charge interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba, but this has not happened since 2003. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

| | 2015 | 2014 |
|---|---------------|---------------|
| Greater than nil, less than 5% | \$ 43,551,280 | \$ 38,789,740 |
| 5% or greater, less than 6% | 34,814,438 | 34,035,331 |
| 6% or greater, less than 7% | — | — |
| 7% or greater, less than 8% | 1,226,667 | 1,686,667 |
| 8% or greater, less than 9% | — | — |
| Royalty-based interest repayment | — | 292,263 |
| Accrued and capitalized interest | 496,539 | 378,969 |
| | 80,088,924 | 75,182,970 |
| Provision for doubtful loans receivable | (20,091,881) | (15,156,448) |
| | \$ 59,997,043 | \$ 60,026,522 |

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Loans receivable managed for the Province of Manitoba (continued):

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

At March 31, 2015, other loans receivable include non-interest bearing loans (2014 - bearing interest ranging from zero to 4.75 percent) and maturities ranging from no fixed terms of repayment to December 2022 (2014 - ranging from no fixed terms of repayment to December 2027). At March 31, 2015, the provision for doubtful loans receivable for these loans is \$750,000 (2014 - \$5,961,944).

6. Portfolio investments:

Portfolio investments are comprised of provincial bonds, term deposits, GICs and equity investments.

| | 2015 | 2014 |
|--------------------|----------------------|----------------------|
| Provincial bonds | \$ 16,765,049 | \$ 20,204,590 |
| GIC's | 814,680 | 4,439,264 |
| Term deposits | 2,500,000 | 500,000 |
| Equity investments | — | 101,765 |
| | <u>\$ 20,079,729</u> | <u>\$ 25,245,619</u> |

The provincial bonds, which are included in PNP-B, bear interest at rates ranging from 2.05 percent to 4.50 percent (2014 - 3.25 percent to 5.50 percent) and mature between December 2015 and November 2019 (2014 - between September 2014 and December 2014). Interest earned on provincial bonds for the year ended March 31, 2015 totaled \$862,141 (2014 - \$938,125). Amortization of bond premiums for the year ended March 31, 2015 totaled \$333,342 (2014 - \$302,253). Fair value of the provincial bonds at March 31, 2015 is \$17,203,320 (2014 - \$20,493,650).

The GIC's and term deposits, which are included in Business Support and MTI, bear interest at rates ranging from 0.68 percent to 3.05 percent (2014 - 0.98 percent to 3.05 percent) and mature between June 2015 and February 2017 (2014 - May 2014 and February 2017). Fair values approximate cost. Interest earned on GIC's and term deposits for the year ended March 31, 2015 totaled \$112,698 (2014 - \$144,419).

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Portfolio investments (continued):

Equity investments managed for the Province of Manitoba included in Business Support consist of the following:

| | 2015 | 2014 |
|---|-------------|-------------|
| Canterbury Park Capital Limited Partnership | \$ – | \$ 437,095 |
| CentreStone Ventures Limited Partnership | 3,408,522 | 3,358,392 |
| Manitoba Science and Technology Fund | 1,830,918 | 1,829,602 |
| | 5,239,440 | 5,625,089 |
| Provision for decline in value of investments | (5,239,440) | (5,523,324) |
| | \$ – | \$ 101,765 |

7. Deferred revenue:

| 2015 | 2014 |
|---|-----------------------|
| Business Support | |
| BFO funding (geothermal program) | \$ 235,340 \$ 560,700 |
| Electric vehicle initiative | 143,691 154,073 |
| Manitoba Hydro funding (shallow unconventional shale gas project) | 26,871 31,051 |
| Other unearned project receipts | 9,705 9,705 |
| | 415,607 755,529 |
| Manitoba Trade and Investment | 23,710 4,250 |
| Deferred revenue | \$ 439,317 \$ 759,779 |

8. Operating advance payable:

The Corporation has a \$500,000 non-interest bearing working capital advance from the Province of Manitoba for Manitoba Trade and Investment. The advance is payable on demand.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Restricted funds and deposits payable:

As at March 31, restricted funds held under the PNP-B and invested with a Schedule 1 chartered bank and the Province of Manitoba were as follows:

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Cash and cash equivalents with a chartered bank | \$ 1,304,996 | \$ 5,506,224 |
| Amounts invested with the Minister of Finance | 48,728,005 | 55,554,235 |
| | <u>\$ 50,033,001</u> | <u>\$ 61,060,459</u> |

Included within amounts invested with the Minister of Finance are provincial bonds with a carrying value of \$25,227,444 (2014 - \$50,822,863) with the remainder consisting of term deposits with maturities of three months or less held with the Province of Manitoba.

The provincial bonds bear interest at rates ranging from 2.45 percent to 5.50 percent (2014 - 4.30 percent to 5.50 percent) and mature between December 2015 and December 2019 (2014 - between December 2014 and March 2016).

Interest earned on provincial bonds for the year ended March 31, 2015 totaled \$1,928,592 (2014 - \$2,433,253). Amortization of bond premiums for the year ended March 31, 2015 totaled \$658,698 (2014 - \$899,003). Fair value of the provincial bonds at March 31, 2015 is \$25,862,350 (2014 - \$52,007,100).

As at March 31, deposits payable under the PNP-B were as follows:

| | 2015 | 2014 |
|------------------|---------------|---------------|
| Deposits payable | \$ 50,033,001 | \$ 61,060,459 |

The Corporation, Manitoba Jobs and the Economy and Labour and Immigration operate a program known as the Provincial Nominee Program for Business (PNP-B), which offers individuals who wish to immigrate to Manitoba to establish and operate a business the opportunity to obtain a nomination certificate. During the 2003 fiscal year, the Corporation began entering into agreements with qualified individuals whereby the immigrants commit to invest specified amounts to establish approved businesses in Manitoba within a specified period of time after landing in Canada.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Restricted funds and deposits payable (continued):

As evidence of their commitment, upon approval the immigrants are required to deposit \$100,000 (or \$75,000 under the Farm Strategic Recruitment Initiative) with the Corporation prior to receiving the nomination certificate. These deposits are held by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residence visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B. Approved immigrants under the FSRI are required to deposit \$75,000 with the corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application fees collected during the year were \$768,861 (2014 - \$19,178).

Actual deposits retained during the year amounted to \$11,701,130 (2014 - \$12,797,962) and are presented net of an allowance adjustment of \$75,000 (2014 - \$300,035). Net deposits retained are \$11,626,130 (2014 - \$12,497,927).

10. Accumulated surplus:

Accumulated surplus is made up of the following:

| | 2015 | | | 2014 | |
|----------------------|---------------|------------------|------------|---------------|---------------|
| | PNP-B | Business support | MTI | | |
| Unrestricted surplus | \$ 40,052,754 | \$ 4,971,515 | \$ 410,965 | \$ 45,435,234 | \$ 39,104,138 |
| Restricted surplus | 7,077,571 | — | — | 7,077,571 | 7,246,250 |
| Share capital | — | 1,000 | — | 1,000 | 1,000 |
| | \$ 47,130,325 | \$ 4,972,515 | \$ 410,965 | \$ 52,513,805 | \$ 46,351,388 |

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

11. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

| | 2015 | 2014 |
|---|---------------------|----------------------|
| Manitoba Industrial Opportunities Program | \$ 6,384,307 | \$ 5,875,756 |
| Manitoba Science & Technology Fund | 669,083 | 670,399 |
| Canterbury Park Capital Limited Partnership | — | 5,711,849 |
| CentreStone Ventures Limited Partnership | 1,381,525 | 1,431,655 |
| | <u>\$ 8,434,915</u> | <u>\$ 13,689,659</u> |

12. Growing Through Immigration Strategy and Economic Development Support:

Funds transferred to support the Growing Through Immigration Strategy and Economic Development Support are made up of the following, as approved by the Treasury Board:

| | 2015 | 2014 |
|---------------------------------|---------------------|---------------------|
| Education and Advanced Learning | \$ 208,000 | \$ 208,000 |
| Jobs and the Economy | 2,377,000 | 2,094,000 |
| Labour and Immigration | 4,457,000 | 2,994,000 |
| | <u>\$ 7,042,000</u> | <u>\$ 5,296,000</u> |

13. Related party transactions:

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Financial risks and concentration of risk:

(i) Credit risk:

Credit risk is the risk that one party to a financial instruments fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable and trust funds.

The maximum exposure of the Corporation to credit risk at March 31 is:

| | 2015 | 2014 |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 38,571,174 | \$ 25,426,323 |
| Accounts receivable | 497,936 | 1,019,108 |
| Loans receivable | 70,285,541 | 72,433,240 |
| Portfolio investments | 20,079,729 | 25,245,619 |
| Restricted funds | 50,478,658 | 61,389,918 |
| | <u>\$ 179,913,038</u> | <u>\$ 185,514,208</u> |

Cash and cash equivalents and restricted funds: the Corporation is not exposed to significant credit risk as the cash and cash equivalents and restricted funds are primarily held by the Minister of Finance and with a Schedule 1 Canadian chartered bank.

Accounts receivable, loans receivable and portfolio investments: the Corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The provision for doubtful loans receivable is determined with reference to the Corporation's historical loss experience on similar loans and management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of estimates. Management of credit risk is an integral part of the Corporation's activities with careful monitoring and appropriate remedial actions being taken.

Management has determined that the allowance required for loans receivable as at March 31, 2015 is \$20,841,881 (2014 - \$21,118,392).

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Financial risks and concentration of risk (continued):

Management has determined that the allowance required for portfolio investments as at March 31, 2015 is \$5,239,440 (2014 - \$5,523,324).

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance and a Schedule 1 Canadian chartered bank. The term deposits are interest bearing with short-term to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.

(iii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due.

The Corporation manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations. Funds provided by the Province of Manitoba have a direct correlation to the loans receivable and equity investments as funds borrowed are used for these purposes. Funding is provided by the Province of Manitoba for the full amount of loans receivable and equity investments that are written off. Subsequently, the Corporation has minimal liquidity risk on its loans receivable and equity investments in respect of the funds provided by the Province of Manitoba.

15. Comparative information:

Certain comparative figures have been reclassified to the financial statement presentation adopted in the current year.

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2015, with comparative information for 2014

| | Budget | 2015 | 2014 |
|--|--------------|---------------|---------------|
| Income: | | | |
| Income from portfolio investments | \$ 1,567,000 | \$ 1,798,693 | \$ 2,170,122 |
| Interest income | 322,000 | 368,981 | 277,973 |
| Deposit retentions | 12,500,000 | 11,626,130 | 12,497,927 |
| Application processing fees | — | 768,861 | 19,178 |
| | 14,389,000 | 14,562,665 | 14,965,200 |
| Expenses: | | | |
| Program administration | 2,752,000 | 1,390,345 | 1,348,920 |
| Transfers to the Department of Labour and Immigration | 2,892,000 | 4,457,000 | 2,994,000 |
| Transfers to the Department of Jobs and the Economy | 2,737,000 | 2,377,000 | 2,094,000 |
| Transfers to the Department of Education and Advanced Learning | 208,000 | 208,000 | 208,000 |
| | 8,589,000 | 8,432,345 | 6,644,920 |
| Annual surplus | 5,800,000 | 6,130,320 | 8,320,280 |
| Accumulated surplus, beginning of year | | 41,000,005 | 32,679,725 |
| Accumulated surplus, end of year | | \$ 47,130,325 | \$ 41,000,005 |

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2015, with comparative information for 2014

| | Budget | 2015 | 2014 |
|---|------------|--------------|--------------|
| Income: | | | |
| Interest from portfolio investments | \$ 285,000 | \$ 107,798 | \$ 144,419 |
| Interest income | 8,621,000 | 3,265,523 | 4,246,711 |
| Project revenue | 625,800 | 311,669 | 76,568 |
| Recovery of Business Support expenses from the Province of Manitoba: | | | |
| Provision for doubtful loans receivable | 1,922,502 | 64,477 | 933,930 |
| Provision for decline in value of investments | 562,500 | 14,070 | 4,600,821 |
| | 12,016,802 | 3,763,537 | 10,002,449 |
| Expenses: | | | |
| Program administration | 103,000 | 78,786 | 98,209 |
| Payment of Business Support interest on loans receivable to the Province of Manitoba | 8,810,000 | 3,259,920 | 4,244,838 |
| Provision for doubtful loans receivable | 1,922,502 | 64,477 | 933,930 |
| Provision for decline in value of investments | 562,500 | 14,070 | 4,600,821 |
| Project costs | 625,800 | 311,669 | 76,568 |
| | 12,023,802 | 3,728,922 | 9,954,366 |
| Annual surplus (deficiency) | (7,000) | 34,615 | 48,083 |
| Accumulated surplus, beginning of year | | 4,937,900 | 4,889,817 |
| Accumulated surplus, end of year | | \$ 4,972,515 | \$ 4,937,900 |

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2015, with comparative information for 2014

| | Budget | 2015 | 2014 |
|--|-----------|------------|------------|
| Income: | | | |
| Income from portfolio investments | \$ 15,000 | \$ 4,900 | \$ 5,344 |
| Cost recoveries | | — | 13,504 |
| Participation fees | 170,000 | 48,827 | 150,766 |
| | 185,000 | 53,727 | 169,614 |
| Expenses: | | | |
| Program administration | 170,000 | 56,245 | 245,263 |
| Annual surplus (deficiency) | 15,000 | (2,518) | (75,649) |
| Accumulated surplus, beginning of year | | 413,483 | 489,132 |
| Accumulated surplus, end of year | | \$ 410,965 | \$ 413,483 |

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2015

Under the Manitoba Development Corporation Act, the following new assistance was authorized in the current fiscal year:

| MIOP | Term | Amount |
|--------------------------|-----------------------------|--------------|
| Price Industries Limited | 10 year repayable term loan | \$10,000,000 |
| 6381023 Manitoba Ltd. | 10 year repayable term loan | \$3,000,000 |

Manitoba Film & Sound Recording Development Corporation
Financial Statements
March 31, 2015

Management's Responsibility

To the Board of Directors of Manitoba Film & Sound Recording Development Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Finance and Planning Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Finance and Planning Committee also undertakes the responsibilities of an Audit Committee. The Finance and Planning Committee is appointed by the Board to review the financial statements in detail with management and to recommend them to the Board prior to their approval of the financial statements for publication.

External auditors are appointed to audit the financial statements and report directly to the Finance and Planning Committee; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Finance and Planning Committee and management to discuss their audit findings.

June 10, 2015

Original Document Signed

Carole Vivier, CEO

Original Document Signed

Kevin Gabriel, Manager of Finance and Operations

Independent Auditors' Report

To the Board of Directors of Manitoba Film & Sound Recording Development Corporation:

We have audited the accompanying financial statements of Manitoba Film & Sound Recording Development Corporation, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Film & Sound Recording Development Corporation as at March 31, 2015, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

June 10, 2015

MNP LLP
Chartered Accountants

Manitoba Film & Sound Recording Development Corporation
Statement of Financial Position
As at March 31, 2015

| | 2015 | 2014 |
|--|--------------------------|-----------|
| Assets | | |
| Current | | |
| Cash (Note 3) | 1,403,379 | 1,511,581 |
| Short-term investment (Note 4) | 65,315 | 61,775 |
| Accounts receivable | 1,365 | 906 |
| Prepaid expenses | 59,703 | 52,914 |
| | 1,529,762 | 1,627,176 |
| Capital assets (Note 5) | 91,518 | 91,424 |
| | 1,621,280 | 1,718,600 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals | 176,790 | 179,739 |
| Carry-over commitments (Note 6) | 1,052,385 | 1,102,787 |
| | 1,229,175 | 1,282,526 |
| Net Assets | | |
| Invested in capital assets | 91,518 | 91,424 |
| Unrestricted | 300,587 | 344,650 |
| | 392,105 | 436,074 |
| | 1,621,280 | 1,718,600 |
| Approved on behalf of the Board | | |
| Original Document Signed | Original Document Signed | |
| Director | Director | |

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Operations
For the year ended March 31, 2015

| | 2015 | 2014 |
|---|------------------|------------------|
| Revenues | | |
| Province of Manitoba | 3,865,600 | 3,865,600 |
| Federal Film Screening Initiative | 75,000 | - |
| Other | 21,297 | 14,588 |
| | 3,961,897 | 3,880,188 |
| Expenses (Schedule 1) | | |
| Corporate Services | 223,987 | 216,833 |
| Federal Film Screening Initiative | 79,260 | - |
| Film Commission/Location Services | 368,172 | 348,862 |
| Film and Television Programs | 2,059,553 | 1,944,992 |
| Industry Support | 200,550 | 302,215 |
| Music Programs | 534,000 | 551,800 |
| Program Delivery - Film/Television, Tax Credits and Music Programs (Note 9) | 710,731 | 695,149 |
| | 4,176,253 | 4,059,851 |
| Excess of expenses over revenue before program recoupments | (214,356) | (179,663) |
| Program recoupments (Note 12) | 170,387 | 151,289 |
| Excess of expenses over revenue (Note 15) | (43,969) | (28,374) |

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Changes in Net Assets
For the year ended March 31, 2015

| | <i>Invested in capital assets</i> | <i>Unrestricted</i> | 2015 | <i>2014</i> |
|--|---------------------------------------|---------------------|-----------------|-------------|
| Net assets beginning of year | 91,424 | 344,650 | 436,074 | 464,448 |
| Excess of expenses over revenue | (15,507) | (28,462) | (43,969) | (28,374) |
| Purchase of capital assets | 15,601 | (15,601) | - | - |
| Net assets, end of year | 91,518 | 300,587 | 392,105 | 436,074 |

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Cash Flows
For the year ended March 31, 2015

| | 2015 | 2014 |
|---|------------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess of expenses over revenue | (43,969) | (28,374) |
| Amortization | 15,507 | 15,368 |
| | (28,462) | (13,006) |
| Changes in working capital accounts | | |
| Accounts receivable | (459) | 17,421 |
| Prepaid expenses | (6,789) | 879 |
| Short-term investment | (3,540) | (61,775) |
| Accounts payable and accruals | (2,949) | 73,696 |
| Carry-over commitments | (50,402) | 139,388 |
| | (92,601) | 156,603 |
| Capital activity | | |
| Purchase of capital assets | (15,601) | (7,544) |
| Increase (decrease) in cash resources | (108,202) | 149,059 |
| Cash resources, beginning of year | 1,511,581 | 1,362,522 |
| Cash resources, end of year | 1,403,379 | 1,511,581 |

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

1. Nature of operations

Manitoba Film & Sound Recording Development Corporation (the "Organization") is a statutory corporation created by the Province of Manitoba through The Manitoba Film and Sound Recording Development Corporation Act and is exempt from income taxes. The main objective of the Organization is to foster growth of the Manitoba film and music recording industries by providing financing and other assistance.

The Organization has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and include the following significant accounting policies:

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. The annual rates are as follows:

| | Rate |
|------------------------|-------------|
| Computer equipment | 20 % |
| Equipment | 20 % |
| Furniture and fixtures | 20 % |
| Leasehold improvements | 5 % |
| Website | 30 % |

Program funding

The Organization provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and music recording artists and industries. The grant may take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

Revenue recognition

a) Program recoupments

Any recovery of principal or return on investment of programs funded is recorded as program recoupments when received.

b) Province of Manitoba funding

Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Organization and is recorded as revenue on an accrual basis.

c) Jump Start program recoupments

Any recovery of principal or return on investment of programs funded under the Jump Start program must be re-invested in the Organization's Market Driven Television Production and Market Driven Feature Film Production financing programs within the fiscal year that the recoupment occurs, if possible. If not possible, recoupments will be deferred to the following fiscal year and recognized as revenue at that time.

Short-term investments

Short-term investments consist of guaranteed investment certificates held with the Organization's financial institution, and are measured at cost less impairment.

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is provided based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

2. Significant accounting policies *(Continued from previous page)*

Pension costs and obligations

The Organization provides pension benefits to its employees.

Employees of the Organization are provided pension benefits by the Civil Service Superannuation Fund (the "Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Organization is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The Organization's contribution for the year was \$52,502 (2014 - \$49,072) and is included in employees benefits expense.

In addition, certain employees of the Organization are entitled to enhanced pension benefits. A pension liability has been established for those employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund Plan. The Organization's payments to eligible employees under the enhanced pension benefits plan for the year were \$nil (2014 - \$nil) and are included in the calculation of employees' benefits expense. The cost is actuarially determined using the projected benefit methods and reflects management's best estimate of salary increase and the age at which the employee will retire. The Organization has internally designated its short-term investment (see Note 4) to meet its obligations for providing enhanced pension benefits to eligible employees (see Note 11).

3. Cash

| | 2015 | 2014 |
|----------------------------|------------------|------------------|
| Cash | 350,994 | 408,794 |
| Internally designated cash | 1,052,385 | 1,102,787 |
| | 1,403,379 | 1,511,581 |

Cash on deposit and internally designated cash earns monthly interest at the Chartered Bank's commercial rates. The Organization has internally designated a portion of its cash as noted above to satisfy commitments made as disclosed in Note 6 for carry-over commitments.

4. Short-term investment

Short-term investments consist of a guaranteed investment certificate with a maturity date of March 30, 2016, bearing interest at a rate of 0.80% per annum.

5. Capital assets

| | | 2015 |
|------------------------|----------------|-----------------------------|
| | Cost | Accumulated amortization |
| Computer equipment | 67,841 | 58,535 |
| Equipment | 10,042 | 8,077 |
| Furniture and fixtures | 59,211 | 57,048 |
| Leasehold improvements | 145,609 | 68,123 |
| Website | 28,663 | 28,065 |
| | 311,366 | 219,848 |
| | | 91,518 |

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

5. Capital assets (Continued from previous page)

| | | | 2014 |
|------------------------|---------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value |
| Computer equipment | 60,013 | 53,147 | 6,866 |
| Equipment | 9,243 | 7,184 | 2,059 |
| Furniture and fixtures | 58,692 | 56,348 | 2,344 |
| Leasehold improvements | 139,154 | 61,031 | 78,123 |
| Website | 28,663 | 26,631 | 2,032 |
| | 295,765 | 204,341 | 91,424 |

6. Carry-over commitments

Due to lead times required to obtain all the resources necessary to complete film, television and music recording projects, the Organization approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2015 and prior years, which were not fully advanced as at March 31, 2015 are as follows:

| | Year of Commitment | | | Total | |
|---|--------------------|----------------|----------------------|------------------|------------------|
| | 2014-2015 | 2013-2014 | 2012-2013 & older | 2015 | 2014 |
| Development Financing Programs | 43,115 | 14,860 | -402 | 57,573 | 123,823 |
| Production Financing Programs | 640,116 | 73,977 | 71,250 | 785,343 | 775,747 |
| Emerging Talent Matching Funds | 9,478 | 1,410 | - | 10,888 | 14,472 |
| Feature Film Marketing Program | 2,100 | - | - | 2,100 | 7,500 |
| Access to Markets/Festivals | 5,000 | - | - | 5,000 | 5,000 |
| Industry Support | - | - | - | - | 2,500 |
| | 699,809 | 90,247 | 70,848 | 860,904 | 929,042 |
| Sound Recording Production Fund Level 1 | 5,600 | 800 | - | 6,400 | 7,200 |
| Sound Recording Production Fund Level 2 | 47,900 | 15,400 | 2,650 | 65,950 | 73,775 |
| Sound Recording Production Fund Level 3 | 29,036 | 8,000 | - | 37,036 | 22,375 |
| Music Video Fund | 4,985 | - | - | 4,985 | 950 |
| Record Product Marketing Fund | 28,515 | 1,250 | - | 29,766 | 25,268 |
| Recording Artist Touring Fund | 28,545 | 300 | - | 28,845 | 33,177 |
| Music Business Development Fund | 7,500 | - | - | 7,500 | - |
| Market Access Fund | 11,000 | - | - | 11,000 | 11,000 |
| | 163,081 | 25,750 | 2,650 | 191,481 | 173,745 |
| | 862,890 | 115,997 | 73,498 | 1,052,385 | 1,102,787 |

7. Industry support

The Organization indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and music recording professionals by providing funding for specific programming administered by organizations such as Manitoba Music, On Screen Manitoba, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include Access to Markets, Aboriginal Music Program, Features First, Drama Prize, Totally Television, New Voices and WFG First Film, Post-Production and Marketing funds.

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

8. Lease commitments

The Organization occupies leased premises subject to minimum monthly rent payments until August 2018, plus various equipment leases with quarterly payments until November 2019. Future minimum annual payments are as follows:

| | |
|------|---------|
| 2016 | 79,393 |
| 2017 | 73,670 |
| 2018 | 76,926 |
| 2019 | 23,743 |
| 2020 | 568 |
| | 254,300 |

9. Program delivery

Program delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program ("MTC"). While the value of the MTC does not flow through the Organization, the management of it does and is therefore determined to be worth noting. A total of 104 applications were received for processing during the 2015 fiscal year (2014 - 119). This represents production activity for projects which took place in the current and prior years, in excess of \$174 million worth of production activity (2014 - \$136 million). The tax credits are subject to approval by the Province of Manitoba. The cost to administer the Program in the fiscal year was approximately \$110,486 (2014 - \$88,302).

10. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide financial and other assistance to applicants.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may decrease expenses or seek other sources of funding.

The Organization manages the following as capital:

| | 2015 | 2014 |
|----------------------------|----------------|-------------|
| Invested in capital assets | 91,518 | 91,424 |
| Unrestricted net assets | 300,587 | 344,650 |
| | 392,105 | 436,074 |

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take. There have been no significant changes in the Organization's capital management objectives, policies and processes during the year.

Manitoba Film & Sound Recording Development Corporation

Notes to the Financial Statements

For the year ended March 31, 2015

11. Pension obligations

The Organization measures its accrued enhanced pension benefit obligation as of December 31 each year. The most recent actuarial report was December 31, 2013. Information about the Organization's enhanced pension benefit plan is as follows:

| | 2015 | 2014 |
|--|---------------|---------------|
| Enhanced pension obligation | | |
| Balance, beginning of year | 61,775 | 36,324 |
| Current service costs | 5,069 | 3,252 |
| Interest cost | 3,937 | 2,315 |
| Effect of changes in assumptions | 908 | - |
| Experience (gain) loss and transitional adjustment | (6,374) | 19,884 |
| Balance, end of year | 65,315 | 61,775 |
| Enhanced pension expense consists of the following: | | |
| Current service cost | 5,069 | 3,252 |
| Interest cost | 3,937 | 2,315 |
| Effect of changes in assumptions | 908 | - |
| Experience (gain) loss and transitional adjustment | (6,374) | 19,884 |
| Balance, end of year | 3,540 | 25,451 |
| Significant actuarial assumptions: | | |
| Discount rate | 6.00% | 6.00% |
| Rate of compensation increase | 3.75% | 3.75% |

12. Program recoupments

During the year the Organization received \$5,686 (2014 - \$2,481) in program recoupments related to the Jump Start program. These funds were reinvested into new projects during the year.

13. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, liquidity, or other price risks arising from these financial instruments.

14. Economic dependence

The Organization's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

15. Budget

During the year, the Board approved its operating budget based on planned expenses and the use of unrestricted net assets to cover any excess of expenses over revenue for the year.

Manitoba Film & Sound Recording Development Corporation
Schedule 1 - Schedule of Expenses
For the year ended March 31, 2015

| | 2015 | 2014 |
|--|------------------|-----------|
| Corporate services | | |
| Salaries | 144,387 | 144,806 |
| Operating | 79,600 | 72,027 |
| | 223,987 | 216,833 |
| Federal Film Screening Initiative | 79,260 | - |
| Film Commission/Location Services | 368,172 | 348,862 |
| Film and Television Programs | | |
| Development Funding | 133,149 | 250,201 |
| Production Financing | 1,854,089 | 1,647,083 |
| Emerging Talent Matching Funds | 47,928 | 38,806 |
| Feature Film Marketing | 18,701 | 6,421 |
| Jump Start | 5,686 | 2,481 |
| | 2,059,553 | 1,944,992 |
| Industry Support | | |
| Film industry associations | 50,000 | 50,000 |
| Film sponsorships/partnerships | 45,700 | 47,365 |
| Music industry associations | 75,000 | 185,000 |
| Music sponsorships/partnerships | 29,850 | 19,850 |
| | 200,550 | 302,215 |
| Music Programs | | |
| Music Recording Production Levels 1-3 | 170,458 | 169,492 |
| Music Business Development Fund | 25,000 | - |
| Music Video | 26,264 | 9,306 |
| Record Product Marketing Support | 77,129 | 109,459 |
| Recording Artist Touring Support | 235,149 | 263,543 |
| | 534,000 | 551,800 |
| Program Delivery - Film/Television, Tax Credits and Music | | |
| Salaries | 492,507 | 501,279 |
| Operating | 218,224 | 193,870 |
| | 710,731 | 695,149 |
| Total expenses | 4,176,253 | 4,059,851 |

Financial Statements of

**MANITOBA FLOODWAY AND
EAST SIDE ROAD AUTHORITY**

Year ended March 31, 2015



KPMG LLP
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Winnipeg MB R3B 0X3
Canada

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Floodway and East Side Road Authority

We have audited the accompanying financial statements of Manitoba Floodway and East Side Road Authority, which comprise the statement of financial position as at March 31, 2015, the statements of operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Floodway and East Side Road Authority as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of Manitoba Floodway and East Side Road Authority as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 10, 2014.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants

September 16, 2015

Winnipeg, Canada

Manitoba Floodway and East Side Road Authority

STATEMENT OF FINANCIAL POSITION

Year ended March 31

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| ASSETS | | |
| Funds on deposit with Minister of Finance | 25,101,734 | 15,305,271 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 22,703,344 | 10,497,849 |
| Due to the Province of Manitoba <i>[Note 3]</i> | 2,398,390 | 4,807,422 |
| Total Liabilities | 25,101,734 | 15,305,271 |
| Contractual Obligations and Contingencies <i>[Notes 6 and 9]</i> | | |
| Net financial assets and accumulated surplus | - | - |

See accompanying notes

On behalf of the Board:

Original Document Signed

Original Document Signed

Manitoba Floodway and East Side Road Authority

STATEMENT OF OPERATIONS

Year ended March 31

| | Budget | 2015 | 2014 |
|---------------------------------------|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| REVENUE | | | |
| Floodway expansion | 1,076,854 | 666,758 | 895,359 |
| East side transportation initiative | 9,231,978 | 7,269,392 | 7,446,561 |
| Operating grants | 8,967,228 | 6,077,273 | 1,323,665 |
| | <u>19,276,060</u> | <u>14,013,423</u> | <u>9,665,585</u> |
| EXPENSES | | | |
| Salaries and benefits | 7,606,503 | 6,503,640 | 5,716,726 |
| Other operating expenses | | | |
| Transportation | 787,980 | 790,369 | 1,009,101 |
| Communications | 263,380 | 206,012 | 180,758 |
| Supplies and services | 1,448,945 | 1,156,285 | 1,632,305 |
| Minor capital | 382,500 | 51,980 | 104,621 |
| Other operating | 8,786,752 | 5,305,137 | 1,022,074 |
| | <u>19,276,060</u> | <u>14,013,423</u> | <u>9,665,585</u> |
| Annual operating surplus for the year | <u>-</u> | <u>-</u> | <u>-</u> |

See accompanying notes

Manitoba Floodway and East Side Road Authority

STATEMENT OF CASH FLOWS

Year ended March 31

| | 2015 | 2014 |
|---|--------------------|-------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Annual operating surplus for the year | - | - |
| Net change in non-cash working capital balances related to operations | | |
| Accounts payable and accrued liabilities | 82,051 | 177,222 |
| Cash provided by operating activities | <u>82,051</u> | <u>177,222</u> |
| INVESTING ACTIVITIES | | |
| Capital assets constructed on behalf of the Province of Manitoba | (78,544,696) | (71,757,900) |
| Net changes in non-cash working capital balances related to capital | | |
| Accounts payable and accrued liabilities | 12,123,444 | 4,727,603 |
| Interest Payable | - | (1,838,092) |
| Contributions related to capital assets | 78,544,696 | 71,757,900 |
| Cash provided by investing activities | <u>12,123,444</u> | <u>2,889,511</u> |
| FINANCING ACTIVITIES | | |
| Due to the Province of Manitoba | (2,409,032) | 3,344,188 |
| Cash provided by (used in) investing activities | <u>(2,409,032)</u> | <u>3,344,188</u> |
| | | |
| Net increase in funds on deposit with the Minister of Finance during the year | 9,796,463 | 6,410,921 |
| Funds on deposit with the Minister of Finance, beginning of year | <u>15,305,271</u> | <u>8,894,350</u> |
| Funds on deposit with the Minister of Finance, end of year | <u>25,101,734</u> | <u>15,305,271</u> |

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority ["MFA"] and dissolved the Manitoba Floodway Expansion Authority Inc. ["MFEA"] which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for \$1. The purpose of the Authority was to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

On December 1, 2009, Bill 31, the Manitoba Floodway Authority Amendment Act was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority ["the Authority"]. The expanded mandate includes constructing and maintaining an all-season road on the east side of Lake Winnipeg, and ensuring that the expansion of the floodway and east side road construction are carried out in a manner that provides increased benefits, and maximizes the benefits provided.

The Manitoba Floodway and East Side Road Authority is exempt from income taxes under *The Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

Tangible capital assets

Tangible capital assets in excess of \$10,000 are recorded at cost and are amortized on a straight-line basis according to their estimated useful life. Purchases under \$10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Employee future benefits

In accordance with the provisions of The Civil Service Superannuation Act ["Act"], employees of the Authority are eligible for pension benefits in accordance with the Act. Plan members are required to contribute to the Civil Service Superannuation Fund ["Fund"] at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to \$321,499 (2014 - \$276,704).

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Authority determines the classification of its financial instruments at initial recognition. The Authority's financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities and interest payable. These financial instruments are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

from these financial instruments. The book value of the Authority's financial assets and liabilities approximate their fair value due to the short-term nature of the balances.

Revenue

Revenue from government grants from the province of Manitoba are recognized in the period in which the transactions or events occurred that gave rise to the revenue. Revenue from government transfers are recognized when the transfer is authorized and any eligibility criteria are met.

Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

3. DUE TO THE PROVINCE OF MANITOBA

The Authority receives interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2015, \$2,398,390 was payable to the Province of Manitoba [2014 - \$4,807,422].

4. TRANSACTIONS RELATED TO OPERATIONS AND CAPITAL

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of nil [2014 - \$6,055,300] are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of \$6,077,273 [2014 - \$1,323,665] related to operating expenses were reflected in the operations of the Authority. The Authority also received funding from the Province of Manitoba for operating expenses related to the floodway expansion project of \$666,758 [2014 - \$895,359] and \$7,269,392 [2014 - 7,446,561] related to the east side road transportation initiative.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

5. TANGIBLE CAPITAL ASSETS CONSTRUCTED ON BEHALF OF THE PROVINCE OF MANITOBA

During the year, the Authority received \$78,544,696 [2014 - \$71,757,900] of funding from the Province of Manitoba for the construction of tangible capital assets on behalf of the Province of Manitoba. The funding was utilized for the construction of the floodway expansion and the east side road transportation initiative as outlined below.

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2015 and 2014 for the floodway expansion are as follows:

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| Administration | 666,758 | 895,420 |
| Contract Administration and Final Design | 772,813 | 1,783,888 |
| Environmental Mitigation | 246,736 | 663,206 |
| Floodway Channel | 105,613 | 685,120 |
| Inlet Structure | 127,062 | 4,978,152 |
| Insurance | - | 332,561 |
| Land | 11,846 | - |
| Outlet Structure | 667 | 30,997 |
| Railway Bridges | - | 199,360 |
| Total | 1,931,495 | 9,568,704 |

Capital expenditures incurred and transferred to the Province of Manitoba during 2015 and 2014 for the east side road transportation initiative are as follows:

| | 2015 \$ | 2014 \$ |
|--|------------|--------------|
| Administration | 7,269,392 | \$ 7,459,557 |
| Contract Administration | 4,873,120 | 4,198,389 |
| Environmental Assessment and Licensing | 3,385,421 | 2,424,691 |
| Engineering Design | 5,079,153 | 4,912,693 |
| Interest | 1,041,188 | 1,017,860 |
| Preconstruction Activities | 20,173,141 | 19,629,434 |
| Roads | 21,833,436 | 14,662,640 |
| Bridges | 12,958,350 | 7,903,932 |
| Total | 76,613,201 | 62,189,196 |

6. CONTRACTUAL OBLIGATIONS

As an agent of the Province of Manitoba, the Authority has entered into various contracts in all phases of the projects. Contractual obligations relating to the projects totalled \$139,674,833 at March 31, 2015 [2014 - \$96,320,202].

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

Contractual obligations for the lease of office space to the Province of Manitoba Department of Infrastructure and Transportation Services for the next year are as follows:

| | |
|------|----------------|
| | \$ |
| 2016 | <u>429,387</u> |

7. ECONOMIC DEPENDENCE

The Authority is economically dependent on funding received from the Province of Manitoba.

8. PUBLIC SECTOR COMPENSTION DISCLOSURE

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited financial statement available on request.

9. CONTINGENCIES

The Authority may be involved in various legal matters arising in the normal course of business. As the outcomes of these matters are not determinable and amounts cannot be reasonably estimated, at this time, liabilities have not been recorded in the financial statements.

FINANCIAL STATEMENTS

2014/15



RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and out of necessity, include some amounts based upon management's best estimate and judgments up to September 30, 2015.

The responsibility of the Auditor General and staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The independent auditor's report outlines the scope of the auditor's examination and provides the audit opinion.

Original Document Signed

Chief Executive Officer

Original Document Signed

Business Manager

September 30, 2015



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the accompanying financial statements of Manitoba Habitat Heritage Corporation, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Habitat Heritage Corporation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
September 30, 2015
Winnipeg, Manitoba

STATEMENT OF FINANCIAL POSITION

| As at March 31 | 2015 | 2014 |
|--|---------------------|---------------------|
| ASSETS | | |
| <i>Current Assets</i> | | |
| Cash | \$641,169 | \$1,019,906 |
| Funds on deposit with Province of Manitoba (Note 3) | 579,377 | - |
| Accounts receivable | | |
| Government of Canada | 752,509 | 1,049,986 |
| Province of Manitoba | 203,150 | 156,534 |
| U.S. Governments | 137,768 | 312,110 |
| Other | 55,522 | 48,827 |
| Prepaid expenses | 64,087 | 60,282 |
| | <u>2,433,582</u> | <u>2,647,645</u> |
| Capital Assets (Note 6) | 20,565,369 | 12,989,920 |
| TOTAL ASSETS | <u>\$22,998,951</u> | <u>\$15,637,565</u> |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts payable and accrued liabilities | \$488,626 | \$929,415 |
| Deferred contributions related to operations (Note 4) | 93,738 | 233,133 |
| Deferred contributions related to future capital asset acquisitions (Note 5 (a)) | 269,493 | 208,658 |
| Deferred contributions related to capital assets acquired (Note 5 (b)) | - | 13,885 |
| | <u>851,857</u> | <u>1,385,091</u> |
| FUND BALANCES | | |
| Invested in Capital Assets | 20,565,369 | 12,989,920 |
| Unrestricted | 852,627 | 673,815 |
| Internally Restricted (Note 10) | 729,098 | 588,739 |
| | <u>22,147,094</u> | <u>14,252,474</u> |
| TOTAL LIABILITIES & FUND BALANCES | <u>\$22,998,951</u> | <u>\$15,637,565</u> |

On Behalf of the Board of Directors:

Original Document Signed
Director _____

Original Document Signed
Director _____

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended March 31, 2015
(with comparative figures for 2014)

| | North American Waterfowl Management Plan | Riparian Program | Wetland Restoration Program | Wetland Inventory Program | Capital Assets | Inter Plan / Program Eliminations | 2015 | 2014 |
|---|--|---------------------|-----------------------------------|---------------------------------|---------------------|---|---------------------|---------------------|
| REVENUE | | | | | | | | |
| Government of Canada | \$538,272 | \$ - | \$191,795 | \$ - | \$ - | \$ - | \$730,067 | \$868,931 |
| Province of Manitoba | 632,241 | 22,644 | - | 177,395 | - | - | 832,280 | 920,886 |
| Highways Mitigation Fund, Province of Manitoba | - | - | - | - | - | - | - | 6,623 |
| U.S. Governments | 394,124 | - | - | - | - | - | 394,124 | 180,683 |
| Wildlife Habitat Canada | 81,673 | - | - | 16,077 | - | - | 97,750 | 139,546 |
| Royal Bank of Canada | - | - | - | - | - | - | - | 75,000 |
| Conservation districts | 18,776 | 18,200 | - | 45,000 | - | - | 81,976 | 19,820 |
| Donations | 351 | - | - | - | - | - | 351 | 185,596 |
| Interest income | 11,169 | - | - | - | - | - | 11,169 | 8,646 |
| Land use revenue | 102,832 | - | - | - | - | - | 102,832 | 40,557 |
| Mitigation for property damages | 12,588 | - | - | - | - | - | 12,588 | 26,700 |
| Amortization of deferred contributions (Note 5 (b)) | - | - | - | - | 13,885 | - | 13,885 | 14,025 |
| Other | 41,165 | - | - | - | - | - | 41,165 | - |
| Management fees | 42,959 | - | - | - | - | (5,000) | 37,959 | 36,092 |
| | 1,876,150 | 40,844 | 191,795 | 238,472 | 13,885 | (5,000) | 2,356,146 | 2,523,105 |
| EXPENSES | | | | | | | | |
| Gain on disposal of capital assets | - | - | - | - | (639) | - | (639) | - |
| Amortization of capital assets | - | - | - | - | 48,488 | - | 48,488 | 42,030 |
| Service delivery - Schedule 1 (NAWMP) | 1,614,481 | - | - | - | - | - | 1,614,481 | 1,560,876 |
| - Schedule 2 (RP) | - | 44,289 | - | - | - | (5,000) | 39,289 | 156,486 |
| - Schedule 3 (WRP) | - | - | 104,756 | - | - | - | 104,756 | 174,198 |
| - Schedule 4 (WLI) | - | - | - | 215,848 | - | - | 215,848 | 114,511 |
| | 1,614,481 | 44,289 | 104,756 | 215,848 | 47,849 | (5,000) | 2,022,223 | 2,048,101 |
| Excess (deficiency) of revenue over expenses | 261,669 | (3,445) | 87,039 | 22,624 | (33,964) | - | 333,923 | 475,004 |
| FUND BALANCES | | | | | | | | |
| Fund balances, beginning of year | 1,155,325 | 3,445 | 103,784 | - | 12,989,920 | - | 14,252,474 | 12,397,824 |
| Investment in capital assets | - | - | - | - | 1,240,244 | - | 1,240,244 | 989,996 |
| Donated land and land use rights | - | - | - | - | 6,320,453 | - | 6,320,453 | 389,650 |
| Interfund transfers (Note 7) | (26,092) | - | - | (22,624) | 48,716 | - | - | - |
| TOTAL FUND BALANCES | \$1,390,902 | \$ - | \$190,823 | \$ - | \$20,565,369 | \$ - | \$22,147,094 | \$14,252,474 |

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

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015
(with comparative figures for 2014)

| | 2015 | 2014 |
|--|--------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$333,923 | \$475,004 |
| Items not affecting cash | | |
| Amortization of deferred contributions | (13,885) | (14,025) |
| Amortization of capital assets | 48,488 | 42,030 |
| Gain on disposal of capital assets | (639) | - |
| Net change in non-cash working capital | (890,630) | 820,241 |
| Net cash <used in> generated from operating activities | (522,743) | 1,323,250 |
| CAPITAL ACTIVITIES | | |
| Purchase of capital assets net of disposals | (36,668) | (83,687) |
| Net change in accounts receivable for acquisition of land rights | 406,162 | (503,373) |
| Restricted grants received for purchases of land rights | 1,240,883 | 989,996 |
| Acquisition of land rights with restricted grants | (1,266,817) | (1,038,108) |
| Net change in accounts payable for acquisition of land rights | 318,988 | (487,403) |
| Net change in deferred contributions related to capital assets | 60,835 | (40,820) |
| Received donation of land and land rights | 6,320,453 | 389,650 |
| Acquisition of donated land and land rights | (6,320,453) | (389,650) |
| Net cash generated from <used in> capital activities | 723,383 | (1,163,395) |
| INVESTING AND FINANCE ACTIVITIES | - | - |
| Net increase (decrease) in cash | 200,640 | 159,855 |
| Cash and cash equivalents, beginning of year | 1,019,906 | 860,051 |
| Cash and cash equivalents, end of year | <u>\$1,220,546</u> | <u>\$1,019,906</u> |
| Cash and cash equivalents consist of: | | |
| Cash | \$641,169 | \$1,019,906 |
| Funds on deposit with Province of Manitoba | 579,377 | - |
| | <u>\$1,220,546</u> | <u>\$1,019,906</u> |
| Supplementary Information | | |
| Interested received | <u>\$11,168</u> | <u>\$8,694</u> |

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

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (hereinafter called “the Corporation”) was established in 1986 as a Crown Corporation under The Manitoba Habitat Heritage Act. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to The Income Tax Act, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006/07 it was changed to the Riparian Program to reflect the broadening of the program activities. This program was wound down in August, 2014.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) Wetland Restoration Program (WRP)

In 2008/09, Manitoba Water Stewardship created the Wetland Restoration Incentive Program as a means to sequester carbon to help the Province meet its carbon reduction commitments under the Kyoto Agreement. Core funding was provided by Manitoba's Budgeting for Outcomes. In 2013/14 funding changed from the Province to Environment Canada's Lake Winnipeg Basin Stewardship Fund (LWBSF) and the word “Incentive” was also dropped from the name. This program is a partnership with the Corporation and Ducks Unlimited Canada as delivery agents. The Corporation administers all funds on behalf of the agents.

d) Wetland Inventory Project (WLI)

In 2012/13, Manitoba Conservation and Water Stewardship provided funds to the Corporation to set-up the Wetland Inventory Project. The project is currently focusing on the mapping of Boreal wetlands in Southeastern Manitoba. This ongoing work is utilizing remotely sensed data and geographic information system analyses to classify wetland types and size. The program provides the Province and the Corporation information to help manage Manitoba's wetland resources.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations (GNFPO).

b) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Management fees are recognized as revenue in the year the service is provided.

c) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses, if applicable. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost. No remeasurement gains/losses were reported in the year (2014 – nil).

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and funds on deposit with the Province of Manitoba.

e) Capital Assets

The Capital Assets Fund reports the Corporation's capital assets and related amortization expenses.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair market value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

| | |
|------------------------|-------|
| Computer hardware | - 20% |
| Computer software | - 33% |
| Equipment | - 10% |
| Furniture and fixtures | - 10% |
| Leasehold improvements | - 10% |

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

2. Significant Accounting Policies (continued)

f) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature no later than June 23, 2015, yielding 0.56%.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

4. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received that is related to expenses of future periods. Changes in the deferred contributions balance reported in the respective funds are as follows:

| | NAWMP | RP | WRP | WLI | 2015 | 2014 |
|---|-----------|----------|------|-----------|-----------|-----------|
| Balance, beginning of year | \$126,843 | \$10,180 | \$ - | \$96,110 | \$233,133 | \$308,789 |
| Less: Revenue recognized in the year | (7,001) | (9,800) | - | (238,472) | (255,273) | (228,925) |
| Add: Amounts transferred from/(to) Capital Fund | (26,999) | 4,800 | - | - | (22,199) | (5,201) |
| Add: Interfund transfer | (48,000) | - | - | 48,000 | - | - |
| Add: Revenue received related to the following year | - | - | - | 138,077 | 138,077 | 158,470 |
| Balance, end of year | \$44,843 | \$5,180 | \$ - | \$43,715 | \$93,738 | \$233,133 |

NAWMP

At March 31, 2015, the Corporation had \$44,843 from Manitoba Infrastructure and Transportation as mitigation for Highway 110 construction. At March 31, 2014, Manitoba Infrastructure and Transportation's contribution of \$76,843, and Manitoba Water Stewardship contribution of \$50,000 for Carp removal at Delta Marsh remained deferred.

RP

At March 31, 2015, the Whitemud Conservation District had \$5,180 remaining for riparian conservation and enhancement activities. At March 31, 2014, the Whitemud Conservation District contributed \$10,180 for riparian conservation and enhancement activities.

WLI

The deferred contributions balance of \$43,715 originated from the Province of Manitoba. The 2014 balance was \$96,110 also from the Province of Manitoba.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

5. Deferred Contributions Related to Capital Assets

a) Deferred Contributions Related to Future Capital Asset Acquisitions

Deferred contributions reported in the Capital Assets Fund related to future capital asset acquisitions represent restricted contributions received with which land and land use rights will be purchased in future years. When the land and land use rights are purchased, the related restricted contributions will be transferred from deferred contributions related to future capital asset acquisitions to the Capital Assets Fund balance.

Changes in the deferred contributions balance in the Capital Assets Fund are as follows:

| | NAWMP | RP | WRP | WLI | 2015 | 2014 |
|--|-----------|-----------|------|------|-----------|-----------|
| Balance, beginning of year | \$140,028 | \$68,630 | \$ - | \$ - | \$208,658 | \$249,477 |
| Add: Contributions received | - | 133,200 | - | - | 133,200 | 79,065 |
| Add: Amounts invested in capital assets | (92,164) | (2,400) | - | - | (94,564) | (125,085) |
| Add: Interfund transfer | (24,600) | 24,600 | - | - | - | - |
| Add: Amounts transferred from/(to) Operations Fund | 26,999 | (4,800) | - | - | 22,199 | 5,201 |
| Balance, end of year | \$50,263 | \$219,230 | \$ - | \$ - | \$269,493 | \$208,658 |

The balance of \$269,493 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The deferred contributions at March 31, 2015 consist of \$9,673 from the R.M. of Riverside, \$34,600 from the Turtle Mountain Conservation District, \$66,900 from East Interlake Conservation District, \$10,230 from Whitemud Conservation District, \$40,590 from Wildlife Habitat Canada, \$80,000 from Upper Assiniboine Conservation District, \$10,800 from Pembina Valley Conservation District and \$16,700 from the La Salle Redboine Conservation District. The deferred contributions at March 31, 2014 consist of \$9,673 from the R.M. of Riverside, \$79,765 from the Turtle Mountain Conservation District, \$36,900 from East Interlake Conservation District, \$10,230 from Whitemud Conservation District, \$40,590 from Wildlife Habitat Canada, Upper Assiniboine Conservation District contributed \$10,000 and \$21,500 from the La Salle Redboine Conservation District.

b) Deferred Contributions Related to Capital Assets Acquired

Deferred contributions related to capital assets represent the unamortized amount of donated capital assets, or funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in fund balances at rates which match the amortization of the related capital asset purchased with the grant.

| | 2015 | 2014 |
|------------------------------------|----------|----------|
| Balance, beginning of year | \$13,885 | \$27,910 |
| Add: Contributions received | - | - |
| Less: Amounts amortized to revenue | (13,885) | (14,025) |
| Balance, end of year | \$ - | \$13,885 |

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

6. Capital Assets

| | Cost | Accumulated Amortization | Net Book Value | |
|-----------------------------|---------------------|-----------------------------|---------------------|---------------------|
| | | | 2015 | 2014 |
| Land and land use rights | \$20,396,536 | \$ - | \$20,396,536 | \$12,809,266 |
| Computer hardware | 327,292 | 262,926 | 64,366 | 49,814 |
| Computer software | 166,517 | 128,994 | 37,523 | 54,519 |
| Equipment | 175,192 | 109,243 | 65,949 | 72,262 |
| Furniture and fixtures | 71,661 | 71,255 | 406 | 2,382 |
| Leasehold improvements | 4,942 | 4,353 | 589 | 1,677 |
| Total capital assets | \$21,142,140 | \$576,771 | \$20,565,369 | \$12,989,920 |

Purchases of capital assets in the period are as follows:

| | 2015 | 2014 |
|--------------------------|--------------------|--------------------|
| Land and land use rights | \$7,587,269 | \$1,427,758 |
| Computer hardware | 29,681 | 28,686 |
| Computer software | 10,361 | 21,412 |
| Equipment | 4,674 | 30,270 |
| Furniture and fixtures | - | 3,320 |
| | <u>\$7,631,985</u> | <u>\$1,511,446</u> |

The sources of funding for land and land use rights are as follows:

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Environment Canada | \$289,197 | \$446,153 |
| U.S. Fish & Wildlife / Delta Waterfowl Foundation | 542,890 | 554,955 |
| Manitoba Conservation and Water Stewardship | 342,565 | - |
| Manitoba Infrastructure and Transportation | 32,000 | - |
| Manitoba Conservation Districts | 60,164 | 37,000 |
| Donations | 6,320,453 | 389,650 |
| | <u>\$7,587,269</u> | <u>\$1,427,758</u> |

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

7. Interfund Transfers

In 2015, \$26,092 was transferred from the NAWMP Operating Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions. \$22,624 was transferred from WLI operating funds for capital purchases. In 2014 a total of \$46,282 was transferred from NAWMP, \$1,214 from RP and \$36,191 was transferred from WLI for the same purpose.

8. Operational Commitments

The Corporation leases space under existing leases for six NAWMP offices. The minimum annual lease payments for the next two fiscal years are as follows:

| | |
|------|----------|
| 2016 | \$52,882 |
| 2017 | \$1,200 |

The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next four fiscal years are as follows:

| | |
|------|---------|
| 2016 | \$8,733 |
| 2017 | \$7,509 |
| 2018 | \$4,512 |
| 2019 | \$2,372 |

9. Capital Commitments

At March 31, 2015, the NAWMP had signed several commitments to purchase Conservation Agreements (CAs). These CAs are to be paid out upon filing of the caveats associated with each CA in the 2015 fiscal year. These commitments at March 31, 2015 totaled approximately \$79,070 (2014 - \$314,123).

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

10. Internally Restricted Fund Balances

a) Land Management and Legal Fund

In 2011, the Corporation established an internally restricted fund, funded by non-government revenues, to fund future cash outlays for legal fees required to defend its land and land use rights interests, as well as future management costs associated with these lands and interests. Funds of this nature are a common practice within environmental non-government organizations, such as the Nature Conservancy of Canada and Ducks Unlimited Canada, which have considerable habitat assets protected in perpetuity. The industry standard set by the Canadian Land Trust Alliance is to set aside 15% of total historical asset acquisition costs for this purpose, which would be estimated at \$3,059,480 at March 31, 2015 (2014 - \$1,921,400) for the Corporation.

The changes in the internally restricted fund balances during the year are as follows:

| | 2015 | 2014 |
|---------------------------------------|------------------|------------------|
| Balance, beginning of year | \$484,955 | \$277,621 |
| Less: Approved costs during the year | (72,939) | (90,973) |
| Add: Non-government operating revenue | 125,908 | 112,711 |
| Add: Donations | 351 | 185,596 |
| Balance, end of year | <u>\$538,275</u> | <u>\$484,955</u> |

b) Wetland Restoration Program

In 2014 this program carried a small balance as it was winding down. However, the Corporation signed a new four-year contribution agreement with Environment Canada (EC) under the Lake Winnipeg Basin Stewardship Fund (LWBSF). Under this contribution agreement, EC forwarded a significant proportion of total project funding, however, there is a significant contingent liability in the form of future construction expenses for wetland restoration projects that are now being negotiated. Therefore, the Corporation is internally restricting a portion of received funds for these future liabilities.

The changes in these internally restricted fund balances during the year are as follows:

| | 2015 | 2014 |
|--------------------------------------|------------------|------------------|
| Balance, beginning of year | \$103,784 | \$ - |
| Less: Approved costs during the year | (112,961) | (174,198) |
| Add: Transfer from unrestricted | - | 7,982 |
| Add: Contributions received | 200,000 | 270,000 |
| Balance, end of year | <u>\$190,823</u> | <u>\$103,784</u> |

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

11. Employment Termination Notice Requirement

Under the terms of the Corporation's employment agreements with its full-time employees, the Corporation has an obligation to provide paid notice of contract termination based on years of service. If the Corporation had ceased operations at March 31, 2015, it would have been required to pay \$333,409 (2014 - \$322,645) in obligations to its employees, funded by unrestricted fund balances.

12. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees, the plan is accounted for as a defined contribution plan. The amounts paid by the Corporation in 2015 were \$36,599 (2014 - \$36,630). All funds contributed to the RPP are paid to and administered by Manulife Financial.

13. Trust Assets and Liabilities

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the Critical Wildlife Habitat Program (CWHP).

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by the Corporation on behalf of this program as at March 31 are as follows:

| | 2015 | 2014 |
|---|------------------|------------------|
| Cash and funds on deposit with Province of Manitoba | \$301,815 | \$344,598 |
| Land portfolio | 241,214 | 593,280 |
| | <u>\$543,029</u> | <u>\$937,878</u> |

These amounts are not presented in the statement of financial position on the Corporation.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

14. Management Fees

The Corporation charged the following amounts for services provided by NAWMP to other programs during the year:

| | 2015 | 2014 |
|------|-----------------|-----------------|
| RP | \$5,000 | \$1,898 |
| WRP | - | - |
| CWHP | 37,959 | 36,092 |
| | <u>\$42,959</u> | <u>\$37,990</u> |

15. Economic Dependence

The Corporation is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

16. Related Party Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

17. Contingency

A statement of claim has been filed by the Corporation, and a statement of defense has been received. It is management's opinion that costs for which the Corporation may become responsible, if any, will be covered by the Corporation's internally restricted fund balances (Note 10) and will therefore, not have a material effect on the Corporation's financial position or results of operations. As at the date of approval of the financial statements, the amount and likelihood of total costs which will be incurred in the future to settle this claim cannot be reliably determined.

18. Financial Instrument Risk Management

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Corporation's financial instrument risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's Chief Executive Officer and Business Manager. The Board of Directors receives regular reports from the Corporation's Chief Executive Officer and Business Manager and through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

18. Financial Instrument Risk Management (continued)

Credit Risk

The Corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable and funds on deposit with Province of Manitoba. The majority of the Corporation's receivables are from government entities which minimizes the risk of non-collection. The Corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding. With respect to credit risk, the Board of Directors receives details of accounts receivable and monitors them regularly. The Corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the statement of financial position for accounts receivable and funds on deposit with the Province of Manitoba.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Interest Rate Risk

The Corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its funds on deposit with Province of Manitoba. The Corporation's interest rate risk is mitigated by following the Corporation's investment policy established by The Manitoba Habitat Heritage Act, S.M. 1985-86, c.15-Cap. H3.

19. Capital Disclosures

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations and to draw on the maximum funds available for environmental projects which fall under its mandate. Capital consists of the unrestricted fund balances in the amount of \$852,627 (2014 - \$673,815), \$729,098 (2014 - \$588,739) internally restricted for land management/legal costs (see note 10), and externally restricted funds recorded as Deferred Contributions (see notes 4 and 5). All externally restricted capital must be disbursed on predetermined expenses outlined by the funder or returned to the funder within a specified time period. There were no changes in the Corporation's approach to capital management during the period.

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2015
(with comparative figures for 2014)

SCHEDULE 1

| | 2015 | 2014 |
|-------------------------|---------------------------|---------------------------|
| EXPENSES | | |
| Habitat Activities | | |
| Salaries and benefits | \$457,199 | \$465,993 |
| Field office operations | 68,393 | 65,584 |
| Staff support costs | 91,355 | 92,827 |
| Habitat development | 137,318 | 81,868 |
| Nest basket program | 49,088 | 113,966 |
| Land securement | - | 2,341 |
| Mitigation banks | 37,133 | 22,794 |
| Property taxes | 40,934 | 39,332 |
| | <u>881,420</u> | <u>884,705</u> |
| Evaluation | <u>75,524</u> | <u>76,956</u> |
| Communications | | |
| Salaries and benefits | 19,031 | 18,604 |
| Program delivery | 44,273 | 27,262 |
| | <u>63,304</u> | <u>45,866</u> |
| Program Coordination | | |
| Salaries and benefits | 342,047 | 335,834 |
| Rent | 31,128 | 32,370 |
| Office expenses | 64,832 | 55,272 |
| Staff support | 15,464 | 16,870 |
| Board remunerations | 13,508 | 12,599 |
| Professional fees | 96,738 | 65,139 |
| Other | 30,516 | 35,265 |
| | <u>594,233</u> | <u>553,349</u> |
| TOTAL EXPENSES | <u>\$1,614,481</u> | <u>\$1,560,876</u> |

RIPARIAN PROGRAM

Schedule of Expenses for the year ended March 31, 2015
(with comparative figures for 2014)

SCHEDULE 2

| | 2015 | 2014 |
|-------------------------|------------------------|-------------------------|
| EXPENSES | | |
| Habitat Activities | | |
| Salaries and benefits | \$7,560 | \$67,522 |
| Field office operations | 1,190 | 4,136 |
| Staff support costs | 1,774 | 11,500 |
| Habitat management fees | 5,000 | - |
| | <u>15,524</u> | <u>83,158</u> |
| Evaluation | <u>7,200</u> | <u>4,100</u> |
| Program Coordination | | |
| Salaries and benefits | 16,884 | 53,960 |
| Rent | 2,114 | 6,158 |
| Office expenses | 1,694 | 3,934 |
| Staff support | 873 | 2,563 |
| Board remunerations | - | 4,220 |
| Professional fees | - | 291 |
| | <u>21,565</u> | <u>71,126</u> |
| TOTAL EXPENSES | <u>\$44,289</u> | <u>\$158,384</u> |

WETLAND RESTORATION PROGRAM

Schedule of Expenses for the year ended March 31, 2015
(with comparative figures for 2014)

SCHEDULE 3

| | 2015 | 2014 |
|-----------------------|------------------|------------------|
| EXPENSES | | |
| Habitat Activities | | |
| Salaries and benefits | \$ - | \$9,855 |
| Staff support costs | 608 | 7,305 |
| Project delivery | | |
| MHHC | 3,148 | 22,038 |
| DUC | 51,748 | 135,000 |
| | 55,504 | 174,198 |
| Evaluation | 49,252 | - |
| TOTAL EXPENSES | \$104,756 | \$174,198 |

WETLAND INVENTORY PROGRAM

Schedule of Expenses for the year ended March 31, 2015
(with comparative figures for 2014)

SCHEDULE 4

| | 2015 | 2014 |
|-------------------------|-------------------------|-------------------------|
| EXPENSES | | |
| Habitat Activities | | |
| Salaries and benefits | \$159,987 | \$77,628 |
| Field office operations | 29,512 | 13,065 |
| Staff support costs | 7,166 | 1,951 |
| Aerial surveys | 1,065 | 7,022 |
| | <u>197,730</u> | <u>99,666</u> |
| Program Coordination | | |
| Salaries and benefits | 18,118 | 14,845 |
| | <u>\$215,848</u> | <u>\$114,511</u> |



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**MANITOBA HAZARDOUS WASTE
MANAGEMENT CORPORATION**

Financial Statements
For the year ended March 31, 2015

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Members of Manitoba Hazardous Waste Management Corporation

We have audited the accompanying financial statements of **Manitoba Hazardous Waste Management Corporation**, which comprise the balance sheet as at March 31, 2015 and the statement of operations and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Manitoba Hazardous Waste Management Corporation** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 31, 2015

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MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Balance Sheet

March 31 **2015** 2014

Assets

Current Assets

Cash and bank \$ 621,068 \$ 562,744

Long-term Investment

Miller Environmental Corporation (Note 3) 1,509,486 1,509,486

Capital Assets

Land, at cost 170,305 170,305

\$ 2,300,859 \$ 2,242,535

Liabilities and Equity

Current Liabilities

Accounts payable and accrued liabilities \$ 10,027 \$ 10,160

Contingencies (Note 6)

Equity

Share capital (Note 4) 7,500,000 7,500,000

Deficit (5,209,168) (5,267,625)

2,290,832 2,232,375

\$ 2,300,859 \$ 2,242,535

On behalf of the Board:

Original Document Signed _____ Director

Original Document Signed _____ Director

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Statement of Operations and Deficit

| For the year ended March 31 | 2015 | 2014 |
|--|------------------------------|------------------------------|
| Revenue | | |
| Rent - Miller Environmental Corporation (Note 5) | \$ 90,000 | \$ 90,000 |
| Pattern Energy Wind Rent | 800 | 800 |
| | <u>90,800</u> | <u>90,800</u> |
| Expenses | | |
| General and administrative expenses | <u>32,343</u> | <u>30,852</u> |
| Net income for the year | 58,457 | 59,948 |
| Deficit, beginning of year | <u>(5,267,625)</u> | <u>(5,327,573)</u> |
| Deficit, end of year | <u>\$ (5,209,168)</u> | <u>\$ (5,267,625)</u> |

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Net income for the year | \$ 58,457 | \$ 59,948 |
| Changes in non-cash working capital balances | | |
| Accounts payable and accrued liabilities | (133) | 133 |
| Increase in cash and cash equivalents for the year | 58,324 | 60,081 |
| Cash and cash equivalents, beginning of year | 562,744 | 502,663 |
| Cash and cash equivalents, end of year | \$ 621,068 | \$ 562,744 |

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

(b) Management's Responsibility for the Financial Statements and Basis of Accounting

The financial statements of the corporation are the responsibility of management. The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(c) Revenue Recognition

Rental revenue is recognized over the term which it applies and when collectibility is reasonably assured.

(d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Financial Instruments and Financial Risk Management

The corporation is exposed to different types of risk in the normal course of operations. There have been no changes in risk exposure since the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the corporation to credit risk consist principally of cash and bank and long-term investments.

The maximum exposure of the corporation to credit risk at March 31, 2015 is:

| | |
|----------------------|---------------------|
| Cash and bank | \$ 621,068 |
| Long-term investment | <u>1,509,486</u> |
| | <u>\$ 2,130,554</u> |

Cash and bank: The corporation is not exposed to significant credit risk as the cash and bank deposits are primarily held by a Canadian chartered bank.

Long-term investment: The corporation is not exposed to significant credit risk as the long-term investment is in another reliable organization that had positive cash flows and net earnings for the past year. The long-term investment represents an investment in Miller and was written down to \$1,000,000 in 2003 due to it being impaired. Since 2003, the shareholders' equity of Miller has increased, which has resulted in the investment not being a significant credit risk to the corporation. During the 2011 year end, an additional \$509,486 was invested in Miller in settlement of rent arrears owing to the corporation.

Liquidity Risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the corporation's management of working capital. The corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2015

2. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the corporation's income or the fair values of its financial instruments. The significant market risks the corporation is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and bank.

The interest rate risk on cash and bank is considered to be low because of the short-term nature of these financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

3. Long-term Investment - Miller Environmental Corporation

The investment in Miller is recorded at cost of \$3,000,000 less \$2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value at that time. In addition, on August 12, 2010 the outstanding rent receivable of \$509,486 (net of a \$45,000 payment received) from Miller was converted into an additional 1,242,648 Class A special preferred shares in Miller Environmental Corporation for a total of 4,242,648 shares.

4. Share Capital

The authorized capital of the corporation is 350,000 shares for a maximum consideration of \$35,000,000.

The issued capital is as follows:

| | 2015 | 2014 |
|----------------------|--------------|--------------|
| 75,000 common shares | \$ 7,500,000 | \$ 7,500,000 |

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2015

5. Rent - Miller Environmental Corporation

On March 1, 2008, a rental agreement was entered into with Miller requiring fixed monthly rent payments of \$7,500. The agreement was renewed for the period March 1, 2013 to February 28, 2018 with no change to the rent payments.

6. Contingencies

Under the terms of the agreements with Miller, the corporation would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

7. Economic Dependence

The corporation is economically dependent on Miller. The corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

8. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled \$7,739 (\$6,917 in 2014). No employee's compensation exceeded \$50,000 per year.

MANAGEMENT REPORT

Management of Manitoba Health, Healthy Living and Seniors is responsible to the Minister of Health, Healthy Living and Seniors for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2015 have been prepared in accordance with Canadian public sector accounting standards.

Manitoba Health, Healthy Living and Seniors maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities.

The Office of the Auditor General is responsible to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management has reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee meets to review audit, financial reporting and related matters.

On behalf of the management,

"Original signed by"

Karen Herd, CA
Deputy Minister of Health, Healthy Living and Seniors

"Original signed by"

Nardia Maharaj, CMA, MBA
Assistant Deputy Minister and
Chief Financial Officer

Winnipeg, Manitoba
June 29, 2015



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the accompanying financial statements of the Manitoba Health Services Insurance Plan, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus and net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Health Services Insurance Plan as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
June 29, 2015
Winnipeg, Manitoba

MANITOBA HEALTH SERVICES INSURANCE PLAN

Statement of Financial Position

As At March 31, 2015

(in thousands of dollars)

| | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|
| Financial Assets | | |
| Cash | \$ 16,237 | \$ 5,786 |
| Funds on deposit with the Province of Manitoba | 391,863 | 273,932 |
| Due from: | | |
| Province of Manitoba | - | 11,890 |
| Province of Manitoba - vacation pay (Note 4) | 121,663 | 121,663 |
| Province of Manitoba - post employment benefits (Note 4) | 128,177 | 128,177 |
| Other Provinces and Territories | 37,581 | 35,535 |
| Other | 15,653 | 11,362 |
| | <u>711,174</u> | <u>588,345</u> |
| Liabilities | | |
| Accounts Payable and Accrued Liabilities (Note 5) | 451,951 | 338,505 |
| Due to: | | |
| Province of Manitoba | 9,383 | - |
| Province of Manitoba - vacation pay (Note 4) | 121,663 | 121,663 |
| Province of Manitoba - post employment benefits (Note 4) | 128,177 | 128,177 |
| | <u>711,174</u> | <u>588,345</u> |
| Accumulated Surplus and Net Debt | <u>\$ -</u> | <u>\$ -</u> |

(The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.)

MANITOBA HEALTH SERVICES INSURANCE PLAN

Statement of Operations and Accumulated Surplus and Net Debt

For the Year Ended March 31, 2015

(in thousands of dollars)

| | Budget 2015 | Actual 2015 | Actual 2014 |
|--|------------------------|------------------------|------------------------|
| Revenue | | | |
| Province of Manitoba - Grants (Note 7) | \$ 5,258,335 | \$ 5,249,282 | \$5,065,349 |
| Inter-provincial reciprocal recoveries - Hospital | 65,977 | 58,495 | 64,937 |
| Inter-provincial reciprocal recoveries - Medical | 16,121 | 16,924 | 15,632 |
| Third party recoveries | 27,388 | 27,076 | 25,785 |
| Miscellaneous | 2,000 | 7,327 | 2,790 |
| | <u>5,369,821</u> | <u>5,359,104</u> | <u>5,174,493</u> |
| Expenses | | | |
| Health Authorities and Facilities (Note 7) | 3,697,336 | 3,697,089 | 3,640,248 |
| Medical | 1,216,644 | 1,234,370 | 1,160,562 |
| Provincial programs | 186,781 | 179,720 | 132,911 |
| Pharmacare | 269,060 | 247,925 | 240,772 |
| | <u>5,369,821</u> | <u>5,359,104</u> | <u>5,174,493</u> |
| Annual Surplus and Net Debt | - | - | - |
| Accumulated Surplus and Net Debt, Beginning of Year | - | - | - |
| Accumulated Surplus and Net Debt, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

MANITOBA HEALTH SERVICES INSURANCE PLAN

Statement of Cash Flow

For the Year Ended March 31, 2015

(in thousands of dollars)

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|
| Operating Activities | | |
| Annual Surplus (Deficit) | \$ - | \$ - |
| Changes in Working Capital: | | |
| Due from: | | |
| Province of Manitoba | 11,890 | (11,890) |
| Other Provinces and Territories | (2,046) | (22,165) |
| Other | (4,291) | 13,937 |
| Accounts Payable and Accrued Liabilities | 113,446 | 30,371 |
| Due to: | | |
| Province of Manitoba | 9,383 | (75,429) |
| | <u>128,382</u> | <u>(65,176)</u> |
| Increase (Decrease) in Cash and Funds on deposit | 128,382 | (65,176) |
| Cash and Funds on deposit with the Province, Beginning of year | 279,718 | 344,894 |
| Cash and Funds on deposit with the Province, End of year | <u>\$ 408,100</u> | <u>\$ 279,718</u> |
| Consists of: | | |
| Cash | \$ 16,237 | \$ 5,786 |
| Funds on deposit with Province of Manitoba | 391,863 | 273,932 |
| | <u>\$ 408,100</u> | <u>\$ 279,718</u> |

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year ended March 31, 2015

(in thousands of dollars)

1. Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of the Health Services Insurance Act. The Plan is not a separate entity with the power to contract in its own name and cannot sue or be sued. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Effective for the year ended March 31, 2015, the Plan includes the operations of the Selkirk Mental Health Centre.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

b. Revenue Recognition

Grants from the Province of Manitoba are recognized in the period in which the funds are drawn from Provincial Appropriations.

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Revenue related to reciprocal recoveries is recognized in the period that the services are provided.

Manitoba Health recovers amounts for hospital and medical services provided to individuals who are covered under other insurance plans, primarily Manitoba Public Insurance. Revenue related to third party recoveries is recognized in the period that the services are provided.

All other revenues are recognized at a gross amount on an accrual basis.

c. Financial Instruments

The financial instruments of the Plan consist of cash, funds on deposit, accounts receivable, accounts payable and accrued liabilities, and amounts due to the Province of Manitoba. All of the Plan's financial instruments are carried at cost.

Impaired financial assets are written down to their net recoverable value with the write-down being recognized in the statement of operations.

d. Net Debt

Net Debt is equivalent to accumulated surplus as there are no non-financial assets.

e. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include any allowance for doubtful accounts related to accounts receivable, and the estimation of accrued liabilities related to Health Authorities, Medical Service Claims, Pharmacare Claims, and General.

Actual results could differ from these estimates.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year ended March 31, 2015

(in thousands of dollars)

f. Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

3. Financial Instrument Risk Management

The Plan has exposure to the following risks from its use of financial instruments: credit; interest rate, and liquidity risk. Based on the Plan's small amount of foreign currency denominated assets, a change in exchange rates would not have a material effect on its Statement of Operations. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Plan to credit risk include cash, funds on deposit, and accounts receivable.

Cash and funds on deposit are not exposed to significant credit risk. Cash is held with a large reputable financial institution and funds on deposit are held by the Province of Manitoba.

Accounts receivable are not exposed to significant credit risk. The majority of the amounts is due from the Province of Manitoba and other provinces and territories; both typically pay in full. No allowance for doubtful accounts is required.

Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations as they come due.

The Plan manages liquidity risk by maintaining adequate cash balances and by review from the Department of Health to ensure adequate funding will be received to meet its obligations.

4. Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post employment liability

MANITOBA HEALTH SERVICES INSURANCE PLAN**Notes to the Financial Statements****For the Year ended March 31, 2015****(in thousands of dollars)**

including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post employment liabilities.

5. Accounts Payable and Accrued Liabilities

| | 2015 | 2014 |
|-----------------------------------|------------------|------------------|
| Health Authorities and Facilities | \$326,095 | \$218,617 |
| Provincial Health Services | 3,944 | 3,129 |
| Medical Service Claims | 72,904 | 66,993 |
| Pharmacare Claims | 2,856 | 13,460 |
| General | 46,152 | 36,306 |
| | \$451,951 | \$338,505 |

6. Expenditures for Hospital, Medical, and Other Health Services

The following table summarizes expenditures including accrual impact during the fiscal year.

Hospital service payments include services that an insured person is entitled under the Plan to receive at any hospital, surgical facility or personal care home without payment except for any authorized charges that he or she may be liable to pay are:

- in-patient services and out-patient services in a hospital and out-patient services in a surgical facility;
- such services in a hospital as may be specified in the regulations as being additional hospital services that an insured person is entitled to receive under the Plan; and
- subject to any special waiting period in respect of personal care prescribed in the regulations, and subject to meeting the admission requirements for the personal care home personal care provided in premises designated as personal care homes.

Medical service payments include all services rendered by a medical practitioner that are medically required but does not include services excepted by the regulations.

Other health service payments include chiropractic, optometric, or midwifery services, or to services provided in hospitals by certified oral surgeons, or to the provision of prosthetic or orthotic devices, or to any or all of those services.

| | 2015 | 2014 |
|-----------------------|--------------------|-------------|
| Hospital Services | \$3,025,264 | \$3,008,358 |
| Medical Services | 1,203,002 | 1,135,011 |
| Other Health Services | 46,613 | 42,807 |

7. Special Warrant

The special warrant for supplementary funding of \$57,908 is included in the Budget for 2015.

8. Economic Dependence

The Plan is economically dependent on the Province of Manitoba for its funding.

MANITOBA HEALTH SERVICES INSURANCE PLAN
Notes to the Financial Statements
For the Year ended March 31, 2015
(in thousands of dollars)

9. Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

10. The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act is included as part of the Annual Report of Manitoba Health.

11. Comparative Figures

Certain of the 2014 comparative figures have been reclassified to conform with the presentation adopted for 2015.

**MANITOBA HORSE RACING
COMMISSION**

Financial Statements
For the year ended March 31, 2015

MANITOBA HORSE RACING COMMISSION

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Board of Commissioners of
MANITOBA HORSE RACING COMMISSION

We have audited the accompanying financial statements of MANITOBA HORSE RACING COMMISSION, which comprise the statement of financial position as at March 31, 2015, and the statement of operating revenue and expenses and fund balances and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 24, 2015

MANITOBA HORSE RACING COMMISSION

Statement of Financial Position

March 31

2015 2014

| | Restricted Funds | | | | | | | Total | Total |
|---|------------------|---------------------|-----------------------|--------------------------|------------------|-------------------|-------------------|-------------------|------------|
| | General Fund | Capital Assets Fund | Pari-Mutuel Levy Fund | Minister of Finance Fund | Rural Fund | H.B.P.A. Fund | C.T.H.S. Fund | | |
| Assets | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash | \$ 130,690 | \$ - | \$ - | \$ 23,417 | \$ 6,088 | \$ 88,941 | \$ 116,155 | \$ 365,291 | \$ 266,719 |
| Receivable from the Province of Manitoba - pension | 58,571 | - | - | - | - | - | - | 58,571 | 55,139 |
| | 189,261 | - | - | 23,417 | 6,088 | 88,941 | 116,155 | 423,862 | 321,858 |
| Long-term investment (Note 2) | 269,532 | - | - | - | - | - | - | 269,532 | 267,153 |
| Capital assets (Note 3) | - | 11,289 | - | - | - | - | - | 11,289 | 12,900 |
| | 269,532 | 11,289 | - | - | - | - | - | 280,821 | 280,053 |
| \$ 458,793 | \$ 11,289 | \$ - | \$ 23,417 | \$ 6,088 | \$ 88,941 | \$ 116,155 | \$ 704,683 | \$ 601,911 | |
| Liabilities and Fund Balances | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 53,106 | \$ - | \$ - | \$ 23,417 | \$ 6,088 | \$ 88,941 | \$ 116,155 | \$ 287,707 | \$ 216,034 |
| Provision for employee pension benefits (Note 4) | 328,103 | - | - | - | - | - | - | 328,103 | 322,292 |
| | 381,209 | - | - | 23,417 | 6,088 | 88,941 | 116,155 | 615,810 | 538,326 |
| Fund Balances | | | | | | | | | |
| Unrestricted | 77,584 | - | - | - | - | - | - | 77,584 | 50,685 |
| Invested in capital assets | - | 11,289 | - | - | - | - | - | 11,289 | 12,900 |
| | 77,584 | 11,289 | - | - | - | - | - | 88,873 | 63,585 |
| \$ 458,793 | \$ 11,289 | \$ - | \$ 23,417 | \$ 6,088 | \$ 88,941 | \$ 116,155 | \$ 704,683 | \$ 601,911 | |

Approved on behalf of the Commission:

Original Document Signed _____ Chairman

Original Document Signed _____ Controller

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

MANITOBA HORSE RACING COMMISSION

Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31

2015 2014

| | General Fund | Restricted Funds | | | | | | Total | Total |
|--|------------------|---------------------|-----------------------|--------------------------|----------------|--------------------|------------------|------------------|------------------|
| | | Capital Assets Fund | Pari-Mutuel Levy Fund | Minister of Finance Fund | Rural Fund | H.B.P.A. Fund | C.T.H.S. Fund | | |
| Revenue | | | | | | | | | |
| Fees, licenses and fines (Note 5) | \$ 190,230 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 190,230 | \$ 146,680 |
| Grant from Manitoba Agriculture, Food and Rural Development | 196,500 | - | - | - | 400,000 | - | - | 596,500 | 400,000 |
| Interest | 580 | - | - | - | - | - | - | 580 | 682 |
| Pari-mutuel levy | - | - | 2,361,059 | - | - | - | - | 2,361,059 | 2,389,157 |
| Sundry | - | - | - | - | - | - | - | - | 59 |
| | 387,310 | - | 2,361,059 | - | 400,000 | - | - | 3,148,369 | 2,936,578 |
| Expenditures | | | | | | | | | |
| General Fund operating expenses (Schedule 1) | 604,882 | - | - | - | - | - | - | 604,882 | 475,226 |
| Overnight purse support thoroughbred | - | - | - | 354,142 | - | 1,389,066 | 373,380 | 2,116,588 | 2,141,056 |
| Owners/breeders incentive thoroughbred | - | - | - | - | - | - | - | - | - |
| Quarter Horse support | - | - | - | - | - | - | - | - | - |
| Amortization of capital assets | - | 1,611 | - | - | - | - | - | 1,611 | 2,075 |
| Standard rural | - | - | - | - | 400,000 | - | - | 400,000 | 340,000 |
| Other | - | - | - | - | - | - | - | - | - |
| | 604,882 | 1,611 | - | 354,142 | 400,000 | 1,389,066 | 373,380 | 3,123,081 | 2,958,357 |
| Excess (deficiency) of revenue over expenditures for the year | (217,572) | (1,611) | 2,361,059 | (354,142) | - | (1,389,066) | (373,380) | 25,288 | (21,779) |
| Pari-Mutuel Levy Fund transfer | 244,471 | - | (2,361,059) | 354,142 | - | 1,389,066 | 373,380 | - | - |
| Fund balances, beginning of year | 50,685 | 12,900 | - | - | - | - | - | 63,585 | 85,364 |
| Fund balances, end of year | \$ 77,584 | \$ 11,289 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 88,873 | \$ 63,585 |

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

MANITOBA HORSE RACING COMMISSION

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Cash Flows from Operating Activities | | |
| Excess (deficiency) of revenue over expenditures | \$ 25,288 | \$ (21,779) |
| Amortization of capital assets | 1,611 | 2,075 |
| | <u>26,899</u> | <u>(19,704)</u> |
| Changes in non-cash working capital balances | | |
| Receivable from Province of Manitoba - pension | (3,432) | (44,321) |
| Accounts payable and accrued liabilities | 71,673 | (3,582) |
| Provision for employee pension benefits (Note 4) | 5,811 | 47,244 |
| | <u>100,951</u> | <u>(20,363)</u> |
| Cash Flows from Investing Activities | | |
| Net change in investments | <u>(2,379)</u> | <u>(2,925)</u> |
| Increase (decrease) in cash and bank during the year | 98,572 | (23,288) |
| Cash, beginning of year | <u>266,719</u> | <u>290,007</u> |
| Cash, end of year | \$ 365,291 | \$ 266,719 |

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

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of the Organization and Significant Accounting Policies

Nature of the Organization

Manitoba Horse Racing Commission (the "Organization") was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba. The Commission's sustainability is dependent upon on-going financial resources realized through The Horse Racing Commission Act.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from the Department of Agriculture, Food and Rural Development, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution.

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The levy is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Minister of Finance Fund is used for levies debucted and paid to the Minister of Finance as per the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Department of Agriculture, Food and Rural Development.

Horsemen's Benevolent Protection Association (H.B.PA) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.PA Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards and include the following significant accounting policies:

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Accounting

The Commission follows the restricted fund method of accounting for contributions, and maintains seven funds: General Fund, Capital Asset Fund, Pari-Mutuel Levy Fund, Minister of Financial Fund, Rural Fund, H.B.PA Fund, and C.T.H.S. Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

Pension Costs

Employees of the Commission are pensionable under the Civil Service Superannuation Act. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2013. Actuarial gains and losses are amortized over the average remaining service life of employees, commencing in the year following when the actuarial gain or loss arises.

Measurement Uncertainty (Use of Estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Transfers

i) Capital asset fund transfer

Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer

A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

| | |
|------------------------|---------------|
| Security equipment | 10 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 10 - 20 years |

Financial Instruments

The financial instruments of the Commission consist of cash, receivable from the Province of Manitoba - pension, long term investment, and accounts payable and accrued liabilities.

All of the Commission's financial instruments are carried at cost or amortized cost.

If an impairment loss is determined by The Commission and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operating revenue and expenses and fund balances.

2. Long-term Investment

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the pension liability. This payment was placed in an interest bearing trust account on March 31, 2009 and is held on behalf of the Manitoba Horse Racing Commission until the cash is required to discharge the related liabilities. Accordingly, this receivable is classified as current.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

3. Capital Assets

| | 2015 | | | 2014 | | |
|----------------------|------------------|---------------------------------|-----------------------|------------------|---------------------------------|-----------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Security equipment | \$ 13,118 | \$ 7,699 | \$ 5,419 | \$ 13,118 | \$ 6,519 | \$ 6,599 |
| Furniture & fixtures | 7,571 | 7,182 | 389 | 7,571 | 6,550 | 1,021 |
| Computer equipment | 12,299 | 6,818 | 5,481 | 12,299 | 7,019 | 5,280 |
| | \$ 32,988 | \$ 21,699 | \$ 11,289 | \$ 32,988 | \$ 20,088 | \$ 12,900 |

4. Provision for Employee Pension Benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

An actuarial valuation of the employee pension benefit liability as at December 31, 2013 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 6.00% (2012 - 6.00%), 2.00% inflation (2012 - 2.00%), salary rate increases of 3.75% (2012 - 3.75%), discount rate of 6.00% (2012 - 6.00%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2015 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

The average remaining service life of employees is 2.78 years. During 2015 amortization of the net actuarial loss was \$(9,551).

Provision for employer's share of employees' pension plan:

| | 2015 | 2014 |
|---|-------------------|-------------|
| Accrued benefit obligation, beginning of year | \$ 322,292 | \$ 275,046 |
| Benefits accrued | 10,673 | 8,443 |
| Interest accrued on benefits | 15,002 | 14,204 |
| Benefits paid | (25,756) | (28,642) |
| Actuarial gain | - | 49,582 |
| Accrued benefit obligation, end of year | 322,211 | 318,633 |
| Unamortized actuarial gain (loss) | 5,892 | 3,659 |
| Provision, end of year | \$ 328,103 | \$ 322,292 |

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

4. Provision for Employee Pension Benefits (continued)

The Commission's pension plan costs consist of the following:

| | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| Benefits accrued | \$ 10,673 | \$ 8,443 |
| Interest accrued on benefits | 15,002 | 14,204 |
| Amortization of actuarial loss | (9,551) | (3,748) |
| Pension cost | \$ 16,124 | \$ 18,899 |

5. Fees, Licenses and Fines

| | 2015 | 2014 |
|-------------------|-------------------|-------------------|
| Assiniboia Downs | | |
| Daily licenses | \$ 142,695 | \$ 108,840 |
| Fees and licenses | 28,340 | 30,445 |
| Fines | 17,005 | 5,905 |
| | 188,040 | 145,190 |
| Rural Circuit | | |
| Fees and licenses | 1,355 | 1,040 |
| Fines | 835 | 450 |
| | 2,190 | 1,490 |
| | \$ 190,230 | \$ 146,680 |

6. Financial Instruments

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity Risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature and the long term investment is reinvested annually.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2015

6. Financial Instruments (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash, long term investment, accounts receivable and receivable from Province of Manitoba - pension.

Cash is not exposed to significant credit risk as cash is held with a large reputable financial institution.

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Accounts receivable is not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Foreign Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

7. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Commission is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Commission enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

MANITOBA HORSE RACING COMMISSION

Schedule of General and Administrative Expenses

| For the year ended March 31 | 2015 | 2014 |
|---------------------------------------|-------------------|-------------------|
| Commissioners' per diem and honoraria | \$ 18,141 | \$ 21,056 |
| Drug, alcohol and security | 18,691 | 18,089 |
| Employee benefits | 31,238 | 29,345 |
| Equipment and office furniture | 4,080 | 3,391 |
| Insurance | 2,110 | 1,144 |
| Membership and dues | 5,132 | 5,194 |
| Office | 28,606 | 12,615 |
| Pension cost | 16,124 | 18,899 |
| Professional fees | 54,859 | 25,478 |
| Repairs and Maintenance | 41,789 | - |
| Salaries: | | |
| Administration | 167,009 | 147,925 |
| Security | 7,352 | 5,621 |
| Stewards and judges | 100,050 | 86,202 |
| Veterinarian services | 55,054 | 51,809 |
| Support grant | 32,786 | 28,529 |
| Telephone | 10,833 | 10,305 |
| Travel | 11,028 | 9,624 |
| | \$ 604,882 | \$ 475,226 |

**MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015 WERE NOT AVAILABLE AT
THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS
VOLUME IV**

APPENDIX 5

**Manitoba Housing and Renewal Corporation (MHRC)
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2015**



Independent Auditor's Report

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the accompanying financial statements of The Manitoba Housing and Renewal Corporation, which comprise of the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Manitoba Housing and Renewal Corporation as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
August 28, 2015
Winnipeg, Manitoba

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Financial Position

Year ended March 31, 2015, with comparative figures for 2014

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 73,808,952 | \$ 95,749,875 |
| Accounts receivable (note 4) | 27,212,281 | 24,492,016 |
| Prepaid expenses | 4,599,294 | 4,205,065 |
| Current portion of loans and mortgages receivable (note 5) | 7,985,777 | 7,475,178 |
| | <u>113,606,304</u> | <u>131,922,134</u> |
| Other long-term receivables (note 4) | 28,417,023 | 22,982,634 |
| Loans and mortgages receivable (note 5) | 104,847,443 | 112,697,019 |
| Land inventory (note 6) | 70,735,423 | 68,198,413 |
| Capital assets (note 8) | 620,980,590 | 528,487,789 |
| | <u>\$ 938,586,783</u> | <u>\$ 864,287,989</u> |
| Liabilities, Deferred Contributions and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 52,705,949 | \$ 63,012,486 |
| Current portion of long-term debt (note 9) | 43,914,736 | 37,736,389 |
| | <u>96,620,685</u> | <u>100,748,875</u> |
| Long-term debt (note 9) | 914,035,278 | 828,722,041 |
| Other long-term liabilities (note 10) | 15,214,885 | 14,886,423 |
| Deferred revenue (note 11) | 11,220,235 | 13,386,633 |
| Deferred contributions: (note 12) | | |
| Expenses of future periods | 8,193,444 | 9,486,116 |
| Capital assets | 19,813,934 | 14,887,541 |
| Funds held for third party expenses | 13,080,444 | 22,644,297 |
| Housing Development and Rehabilitation Fund | 11,394,471 | 18,744,854 |
| | <u>52,482,293</u> | <u>65,762,808</u> |
| Net assets: | | |
| Unrestricted | (150,986,593) | (159,218,791) |
| Commitments (note 25) | | |
| Contingencies (note 24) | | |
| Guarantees (note 26) | | |
| | <u>\$ 938,586,783</u> | <u>\$ 864,287,989</u> |

See accompanying notes to financial statements

On behalf of the Board:

Original Document Signed

Director

Original Document Signed

Director

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Operations

Year ended March 31, 2015, with comparative figures for 2014

| | 2015 | 2014 |
|--|---------------|---------------|
| Revenue: | | |
| Grants from the Province of Manitoba (note 13) | \$ 70,859,367 | \$ 71,240,597 |
| Contributed services (note 14) | 2,487,000 | 2,536,400 |
| Rental revenue (note 15) | 77,721,640 | 72,648,883 |
| Other government contributions (note 16) | 65,327,617 | 62,137,293 |
| Housing Development and Rehabilitation Fund (note 12) | 38,162,048 | 6,498,139 |
| Recoveries related to advance agreement (note 17) | 1,293,872 | (4,002,229) |
| Amortization of deferred contributions (note 12) | 622,928 | 738,231 |
| | 256,474,472 | 211,797,314 |
| Interest: | | |
| Loans and mortgages | 10,072,236 | 10,681,580 |
| Bank and other | 195,466 | 244,735 |
| | 10,267,702 | 10,926,315 |
| Sales of land: | | |
| Joint venture (note 7) | 1,016 | (6,164) |
| Waverley West (note 12) | 28,884,716 | 32,330,153 |
| Other land holdings | 2,255,654 | 25,305,000 |
| | 31,141,386 | 57,628,989 |
| Gain on disposal of capital assets | 1,400,318 | 1,121,028 |
| Other | 1,345,114 | 902,290 |
| Total revenue | 300,628,992 | 282,375,936 |
| Expenses: | | |
| Housing operations - excluding amortization and interest (note 15) | 129,845,306 | 129,014,931 |
| Housing operations amortization (note 15) | 27,007,136 | 20,832,090 |
| Housing operations interest (note 15) | 27,776,303 | 25,193,285 |
| Rental subsidies (note 18) | 37,751,093 | 36,133,260 |
| Grants and subsidies (note 19) | 5,238,779 | 5,092,866 |
| Interest expense | 11,476,109 | 12,127,010 |
| Administrative services | 4,886,700 | 5,137,900 |
| Provision (recovery) for loss and write downs | 55,080 | (510,007) |
| Cost of land sales - joint venture (note 7) | 1,016 | (6,164) |
| Cost of land sales - Waverley West (note 12) | 28,884,716 | 32,330,153 |
| Cost of land sales - other land holdings | 30,366 | 1,400,000 |
| Housing program supports (note 20) | 17,312,810 | 13,227,071 |
| Pension (note 21) | 36,506 | 396,349 |
| Expenses related to advance agreement (note 17) | 1,293,872 | (4,002,229) |
| Other amortization | 177,378 | 104,196 |
| Other | 623,624 | 954,343 |
| | 292,396,794 | 277,425,054 |
| Excess of revenue over expenses | \$ 8,232,198 | \$ 4,950,882 |

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative figures for 2014

| | 2015 | 2014 |
|---------------------------------|------------------|------------------|
| Net assets, beginning of year | \$ (159,218,791) | \$ (164,169,673) |
| Excess of revenue over expenses | 8,232,198 | 4,950,882 |
| Net assets, end of year | \$ (150,986,593) | \$ (159,218,791) |

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014

| | 2015 | 2014 |
|--|---------------|---------------|
| Operating activities: | | |
| Excess of revenue over expenses | \$ 8,232,198 | \$ 4,950,882 |
| Non-cash changes in operations: | | |
| Amortization of capital assets | 27,007,136 | 20,832,090 |
| Amortization of other capital assets | 177,378 | 104,196 |
| Amortization of deferred contributions related to capital assets | (622,928) | (738,231) |
| Provision for loss and write downs | 55,080 | (510,007) |
| Gain on disposal of capital assets | (1,400,318) | (1,121,028) |
| Change in non-cash working capital: | | |
| Accounts receivable | (2,720,265) | 1,647,989 |
| Prepaid expenses | (394,229) | 240,827 |
| Other long-term receivables | (5,434,389) | (4,200,640) |
| Land inventory | (2,537,010) | (775,648) |
| Accounts payable and accrued liabilities | (10,306,537) | (7,202,244) |
| Other long-term liabilities | 328,462 | (4,898,772) |
| Net increase/(decrease) in deferred revenue | (2,166,398) | (4,495,385) |
| Net increase/(decrease) in deferred contributions related to expenses of future periods | (1,292,672) | 53,972 |
| Net increase/(decrease) in deferred contributions related to Housing Development and Rehabilitation Fund | (7,350,383) | 12,980,860 |
| Net increase/(decrease) in deferred contributions related to funds held for third party expenses | (9,563,853) | 3,788,602 |
| | (7,988,728) | 20,657,463 |
| Capital activities: | | |
| Net increase in deferred contributions related to capital assets | 5,549,321 | - |
| Proceeds from disposal of land | 74,400 | 54,009 |
| Proceeds from disposal of capital assets | 2,008,390 | 1,198,055 |
| Purchase of capital assets | (120,392,831) | (137,016,351) |
| | (112,760,720) | (135,764,287) |
| Investing activities: | | |
| Additions to loans and mortgages receivable | (2,463,472) | (575,374) |
| Proceeds from repayment of loans and mortgages receivable | 9,780,412 | 8,431,346 |
| | 7,316,940 | 7,855,972 |
| Financing activities: | | |
| Repayment of long-term debt | (195,170,700) | (210,518,529) |
| Proceeds from long-term debt | 286,662,285 | 317,385,716 |
| | 91,491,585 | 106,867,187 |
| Net decrease in cash | (21,940,923) | (383,665) |
| Cash and cash equivalents, beginning of year | 95,749,875 | 96,133,540 |
| Cash and cash equivalents, end of year | \$ 73,808,952 | \$ 95,749,875 |

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

1. General

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objectives of the Act are:

- a) to ensure that there is an adequate supply of housing stock in Manitoba;
- b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
- c) to maintain and improve the condition of existing housing stock; and
- d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

MHRC is economically dependent on the Government of the Province of Manitoba.

2. Significant accounting policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian public sector accounting standards including PS 4200 series for government not-for-profit organizations.

b) Revenue recognition

MHRC follows the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized in the fiscal period during which the service is provided.

Land sales are recognized in the period in which the ownership is transferred, except for the profit component associated with land development revenue. Land development profits are restricted in use by Legislation and therefore revenue recognition is deferred until the profits are used to support eligible expenditures (note 12).

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid trust deposits with the Province of Manitoba that are convertible to cash within three months or less.

d) Financial instruments

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost using the effective interest method, unless management has elected to carry a group of financial instruments at fair value in accordance with its risk management or investment strategy. MHRC has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest method.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued)

e) Loans and mortgages receivable

MHRC maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to MHRC's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. MHRC does not provide an additional non-specific, general provision for loan impairment. MHRC's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. MHRC records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, MHRC records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance. Any Federal contributions towards forgivable loans are recorded as revenue as loans are disbursed.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Construction in progress is transferred to the appropriate capital asset category when the project is completed and the asset is placed in service at which time, amortization commences. Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction. Repairs and maintenance costs are charged to expense. Betterments which extend or improve the life of an asset are capitalized. When a capital asset no longer contributes to the MHRC's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

| Asset | Rate |
|------------------------------|---------------------|
| Buildings | 25 and 40 years |
| Building improvements | 15 years |
| Leasehold improvements | Over the lease term |
| Computer - major application | 15 years |
| Computer software - other | 4 years |
| Computer system - hardware | 4 years |
| Furniture and equipment | 8 years |

g) Land inventory

Land under development includes the value of land and all costs directly related to the land improvement. Development costs include but are not limited to site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposition costs. Cost includes the original purchase price and related acquisition costs.

h) Interest in joint ventures

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's pro-rata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued)

i) Employee future benefits

MHRC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, severance, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

Actuarial gains/(losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets, if applicable, for that period. Actuarial gains/(losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains/(losses) are amortized over the expected average remaining service life (EARSLS) of active employees. The average remaining service period of the active employees covered by the pension plan is 11 years (2014 - 11 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Current service contributions for Direct Managed employees are recognized as operating expenses.

j) Contributed services

Under an agreement entered into between MHRC and the Province of Manitoba in 1984, the Department of Housing and Community Development provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accounts receivable, loans and mortgages receivable, accrued liabilities, and other long-term liabilities. Actual results could differ from those estimates.

l) Adoption of new accounting policy

MHRC adopted Public Sector Accounting Board Standard PS 3260, *Liability for Contaminated Sites*, effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. MHRC adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

3. Cash and cash equivalents

| | 2015 | 2014 |
|--|---------------|---------------|
| On deposit with the Minister of Finance: | | |
| Trust deposits | \$ 12,899,271 | \$ 15,320,492 |
| Risk Reserve related to Social Housing Agreement | 8,193,444 | 9,176,737 |
| | 21,092,715 | 24,497,229 |
| Bank | 52,708,312 | 71,244,796 |
| Petty cash | 7,925 | 7,850 |
| | \$ 73,808,952 | \$ 95,749,875 |

4. Accounts receivable

| | 2015 | 2014 |
|---|---------------|---------------|
| Current accounts receivable: | | |
| Canada Mortgage and Housing Corporation | \$ 11,214,745 | \$ 10,461,144 |
| Government of the Province of Manitoba and its agencies | 683,041 | 759,103 |
| Rent receivables - net of allowance of \$6,478,104 (2014 - \$6,663,921) | 2,829,217 | 2,861,354 |
| Accrued interest on loans and mortgages receivable | 228,844 | 248,233 |
| City of Winnipeg | 833,753 | 141,096 |
| Other - net of allowance of \$10,885 (2014 - \$5,609) | 11,422,681 | 10,021,086 |
| | \$ 27,212,281 | \$ 24,492,016 |

| | 2015 | 2014 |
|--|---------------|---------------|
| Other long-term receivables: | | |
| Government of the Province of Manitoba: | | |
| Pension recoverable (note 21) | \$ 9,657,492 | \$ 9,620,986 |
| Severance benefits (note 22) | 1,446,105 | 1,446,105 |
| | 11,103,597 | 11,067,091 |
| Securities for Waverley West installation of services - City of Winnipeg | 14,307,693 | 11,915,543 |
| Other long-term receivables | 3,005,733 | - |
| | \$ 28,417,023 | \$ 22,982,634 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

5. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

| | 2015 | 2014 |
|---|----------------|----------------|
| Federal/Provincial Housing Programs: | | |
| Private Non-Profit Housing | \$ 73,329,047 | \$ 77,697,232 |
| Rural and Native Housing | 318,655 | 514,412 |
| Urban Native Housing | 11,584,646 | 12,950,704 |
| | 85,232,348 | 91,162,348 |
| Market Rental Programs: | | |
| Co-operative HomeStart | 5,186,288 | 5,446,169 |
| Co-operative Index Linked | 2,536,533 | 3,282,221 |
| | 7,722,821 | 8,728,390 |
| Other Programs: | | |
| Community Residences | 1,469,171 | 1,632,541 |
| Homeowner Rehabilitation | 36,393 | 55,777 |
| Affordable Rental Housing | 15,300,782 | 14,146,140 |
| Other | 6,023,076 | 7,417,001 |
| | 22,829,422 | 23,251,459 |
| | 115,784,591 | 123,142,197 |
| Less - allowance for loan impairment | (2,951,371) | (2,970,000) |
| Subtotal repayable loans and mortgages receivable | 112,833,220 | 120,172,197 |
| Forgivable loans | 241,561,364 | 227,677,254 |
| | 354,394,584 | 347,849,451 |
| Less - forgivable loans asset valuation allowance | (241,561,364) | (227,677,254) |
| Loans and mortgages receivable | \$ 112,833,220 | \$ 120,172,197 |
| Current portion of loans and mortgages receivable | \$ 7,985,777 | \$ 7,475,178 |
| Long-term portion of loans and mortgages receivable | 104,847,443 | 112,697,019 |
| Loans and mortgages receivable | \$ 112,833,220 | \$ 120,172,197 |

Loans and mortgages receivable bear interest at various rates between 0% and 14.25% (2014 - 0% and 14.25%) with maturities at various dates to 2053.

The loans and mortgages receivable for Federal/Provincial Housing Programs, Market Rental Programs, Community Residences and Affordable Rental Housing are secured by a mortgage on the underlying property.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

| | |
|------------|-----------------------|
| 2016 | \$ 7,985,777 |
| 2017 | 7,897,030 |
| 2018 | 8,152,184 |
| 2019 | 8,351,241 |
| 2020 | 8,608,544 |
| Thereafter | 74,789,815 |
| | <u>\$ 115,784,591</u> |

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

| | 2015 | 2014 |
|----------------|--------------|--------------|
| Other programs | \$ 2,951,371 | \$ 2,970,000 |
| | \$ 2,951,371 | \$ 2,970,000 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

6. Land inventory

| | 2015 | 2014 |
|----------------------------|----------------------|----------------------|
| Land under development | \$ 69,512,010 | \$ 66,957,695 |
| Future development or sale | 1,223,413 | 1,240,718 |
| | \$ 70,735,423 | \$ 68,198,413 |

7. Joint venture

MHRC contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba.

Joint venture profits are recorded under deferred revenue - Housing Development and Rehabilitation Fund until such time as the profits are required for expenditures. The amount of increase in 2015 from the sales of land for deferred revenue was \$1,016 (2014 - \$6,164 decreased).

The following is a summary of MHRC's pro rata share at 37.6% of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

| | 2015 | 2014 |
|--|-------------------|---------------------|
| Current assets: | | |
| Cash | \$ 609,301 | \$ 1,849,037 |
| Prepaid expenses | 6,133 | 12,014 |
| Accounts receivable from land sales | 44,709 | 99,629 |
| | 660,143 | 1,960,680 |
| Long-term assets: | | |
| Development costs to complete | (69,537) | (69,537) |
| | \$ 590,606 | \$ 1,891,143 |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 2,873 | \$ 2,393 |
| Net assets | 587,733 | 1,888,750 |
| | \$ 590,606 | \$ 1,891,143 |

| | 2015 | 2014 |
|--|-----------------|-------------------|
| Sales of land | \$ - | \$ - |
| Cost of land sales - recovery | (8,607) | (658) |
| Gross margin | 8,607 | 658 |
| Expenses | 7,591 | 6,822 |
| Excess (deficiency) of revenue over expenses | \$ 1,016 | \$ (6,164) |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

8. Capital assets

| | 2015 | 2014 |
|---------------------------------|----------------|----------------|
| Land | \$ 31,010,702 | \$ 30,587,718 |
| Buildings and improvements | 942,887,139 | 762,976,998 |
| Less - accumulated amortization | (444,281,272) | (418,760,304) |
| Buildings - net book value | 498,605,867 | 344,216,694 |
| Under construction | 86,512,786 | 149,507,421 |
| Total land and buildings | 616,129,355 | 524,311,833 |
| Other assets | 6,868,032 | 5,834,233 |
| Less - accumulated amortization | (2,016,797) | (1,658,277) |
| Other assets - net book value | 4,851,235 | 4,175,956 |
| Net book value | \$ 620,980,590 | \$ 528,487,789 |

MHRC has capitalized \$2,328,074 (2014 - \$2,499,870) of interest during fiscal 2015 to construction in progress.

9. Long-term debt

| | 2015 | 2014 |
|---|----------------|----------------|
| Government of the Province of Manitoba: | | |
| Advances, interest only payments until construction is complete, at which point it is converted into long-term advances. The interest rate as at March 31, 2015 was 2.10% (2014 - 2.25%). | \$ 293,684,580 | \$ 282,466,391 |
| Long-term advances, at interest rates from 2.625% to 13.375% (2014 - 2.75% to 13.375%) maturing at various dates to 2055 and requiring annual principal and interest payments of \$65,501,689 (2014 - \$57,668,845). | 551,601,578 | 463,959,755 |
| Canada Mortgage and Housing Corporation: | | |
| Long-term advances, at interest rates from 5.675% to 8.0% (2014 - 5.675% to 8.0%) maturing at various dates to 2030 and requiring annual principal and interest payments of \$14,449,688 (2014 - \$14,449,688). | 112,262,605 | 119,613,050 |
| Mortgages payable (assumed on property acquisitions), at an interest rate of 10.5% (2014 - 10.5%) maturing at various dates to 2028 and requiring annual principal and interest payments of \$50,337 (2014 - \$50,337). | 401,251 | 419,234 |
| | \$ 957,950,014 | \$ 866,458,430 |
| Current portion of long-term debt | \$ 43,914,736 | \$ 37,736,389 |
| Long-term debt | 914,035,278 | 828,722,041 |
| | \$ 957,950,014 | \$ 866,458,430 |

Principal repayments on the long-term debt, excluding unfixed term advances of \$293,684,580 are estimated as follows:

| | |
|------------|-----------------------|
| 2016 | \$ 43,914,736 |
| 2017 | 45,385,096 |
| 2018 | 44,907,643 |
| 2019 | 44,625,953 |
| 2020 | 47,134,655 |
| Thereafter | 438,297,351 |
| | <u>\$ 664,265,434</u> |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

10. Other long-term liabilities

| | 2015 | 2014 |
|-------------------------------|----------------------|----------------------|
| Pension liability (note 21) | \$ 9,657,492 | \$ 9,620,986 |
| Severance liability (note 22) | 4,857,460 | 4,594,417 |
| Sick leave liability | 699,933 | 671,020 |
| | \$ 15,214,885 | \$ 14,886,423 |

11. Deferred revenue

| | 2015 | 2014 |
|--------------------------------------|----------------------|----------------------|
| Tenant prepaid rent | \$ 2,563,379 | \$ 2,460,250 |
| Prepaid land lease | 37,821 | 39,360 |
| Lot options - land under development | 8,389,635 | 10,885,523 |
| Deposit for future sales | 229,400 | 1,500 |
| | \$ 11,220,235 | \$ 13,386,633 |

12. Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent restricted funding received under various agreements primarily to mitigate future operating risks.

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 9,486,116 | \$ 9,432,144 |
| Adjustment to third party equity accounts | (309,379) | 16,252 |
| Amount reclassified from accounts payable and accrued liabilities | 2,802 | 4,959 |
| Amount (disbursed)/recovered from loans and mortgages receivable | (986,095) | 32,761 |
| Balance, end of year | \$ 8,193,444 | \$ 9,486,116 |

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the construction and rehabilitation of capital assets.

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Balance, beginning of year | \$ 14,887,541 | \$ 15,625,772 |
| Contributions received | 5,549,321 | - |
| Amount amortized to revenue in the year | (622,928) | (738,231) |
| Balance, end of year | \$ 19,813,934 | \$ 14,887,541 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

12. Deferred contributions (continued)

c) Funds held for third party expenses

Deferred contributions related to funds held for third party expenses represents restricted funding received under three agreements with the Federal government. They consist of the Investment in Affordable Housing (IAH), Affordable Housing Initiative (AHI) agreements and the advance agreement for Dauphin River First Nation (DRFN). The balances as of March 31, 2015 for IAH was \$10,665,552 (2014 - \$18,015,745), AHI was \$1,707,650 (2014 - \$2,627,437) and DRFN was \$707,242 (2014 - \$2,001,115).

| | 2015 | 2014 |
|----------------------------|---------------|---------------|
| Balance, beginning of year | \$ 22,644,297 | \$ 18,855,695 |
| Contributions received | 9,764,151 | 12,419,465 |
| Interest earned | (191,525) | 158,359 |
| Commitment paid | (19,136,479) | (8,789,222) |
| Balance, end of year | \$ 13,080,444 | \$ 22,644,297 |

d) Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by MHRC in respect of land owned or developed by it or by a partnership or joint venture in which MHRC is or was a participant. The gross proceeds from land development was \$59,521,602 (2014 - \$51,725,088) and the cost of land sales was \$28,885,732 (2014 - \$32,323,989) during the year ended March 31, 2015. Interest earned on the amounts is to be credited to the fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which MHRC realized profits, including the development of new housing or the rehabilitation of existing housing.

All costs allocated to the portions of land sold in a land development project are deducted from the gross proceeds realized from sale of those portions of land in order to determine land development profits. MHRC uses the net yield method to allocate costs to the individual portions which are sold as part of a land development project. Common costs for the development project are allocated to portions which are sold based on acreage, and the cost allocation includes both an allocation of actual land development costs incurred as well as an allocation of costs which are required to complete those portions of the land which are reported as sold.

| | 2015 | 2014 |
|----------------------------|---------------|---------------|
| Balance, beginning of year | \$ 18,744,854 | \$ 5,763,994 |
| Land development profits | 30,635,870 | 19,401,099 |
| Interest earned | 175,795 | 77,900 |
| Current year disbursements | (38,162,048) | (6,498,139) |
| Balance, end of year | \$ 11,394,471 | \$ 18,744,854 |

13. Grants from the Province of Manitoba

| | 2015 | 2014 |
|---|---------------|---------------|
| Department of Housing and Community Development: | | |
| MHRC operating programs | \$ 52,239,220 | \$ 50,631,300 |
| MHRC administration | 15,059,780 | 16,690,700 |
| Grants and subsidies | 3,432,473 | 3,377,411 |
| | 70,731,473 | 70,699,411 |
| Grants recovered from the Department of Finance: | | |
| School Tax Assistance for Tenants 55 Plus Program | 91,388 | 144,837 |
| Change to pension obligation (note 21) | 36,506 | 396,349 |
| | 127,894 | 541,186 |
| | \$ 70,859,367 | \$ 71,240,597 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

14. Contributed services

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Administrative services provided by Departments of the Province of Manitoba were allocated as follows: | | |
| Included in Statement of Operations, administrative services | \$ 1,058,700 | \$ 1,064,500 |
| Included in administrative expenses in note 15, direct managed housing operations | 1,141,800 | 1,194,900 |
| Included in administrative expenses in note 15, sponsor managed housing operations | 30,900 | 33,600 |
| Included in rental subsidies, note 18 | 142,200 | 135,600 |
| Included in Statement of Operations, housing program supports, note 20 | 113,400 | 107,800 |
| | \$ 2,487,000 | \$ 2,536,400 |

15. Housing operations

The management and operation of all MHRC owned social housing projects are direct managed and sponsor managed. The operating results are as follows:

| | 2015 | | | 2014 | | |
|--------------------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | Direct Managed | Sponsor Managed | Total | Direct Managed | Sponsor Managed | Total |
| Revenue: | | | | | | |
| Rental revenue | \$ 59,561,172 | \$ 18,160,468 | \$ 77,721,640 | \$ 56,741,602 | \$ 15,907,281 | \$ 72,648,883 |
| Expenses: | | | | | | |
| Administrative (note 14) | 38,641,961 | 3,332,207 | 41,974,168 | 38,351,212 | 3,507,309 | 41,858,521 |
| Property operating | 56,006,831 | 14,983,843 | 70,990,674 | 57,645,171 | 13,510,487 | 71,155,658 |
| Grants in lieu of taxes | 14,131,364 | 2,749,100 | 16,880,464 | 13,558,115 | 2,442,636 | 16,000,751 |
| Amortization | 20,312,100 | 6,695,036 | 27,007,136 | 17,121,108 | 3,710,982 | 20,832,090 |
| Interest | 22,328,802 | 5,447,501 | 27,776,303 | 21,329,686 | 3,863,599 | 25,193,285 |
| | 151,421,058 | 33,207,687 | 184,628,745 | 148,005,292 | 27,035,014 | 175,040,306 |
| Operating loss | \$ 91,859,886 | \$ 15,047,219 | \$ 106,907,105 | \$ 91,263,690 | \$ 11,127,733 | \$ 102,391,423 |

16. Other government contributions

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay pre-established annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031.

| | 2015 | 2014 |
|-------------------------|----------------------|----------------------|
| Federal contributions | \$ 64,634,961 | \$ 61,549,579 |
| Municipal contributions | 692,656 | 587,714 |
| | \$ 65,327,617 | \$ 62,137,293 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

17. Advance agreement

During 2014, the agreement with Little Saskatchewan First Nation was terminated and unexpended funds were returned to MHRC in March 2014. MHRC reflected the \$4,002,229 returned funds as cash, reduced the outstanding accounts receivable from the Federal government which was no longer due as a result of the termination of the agreement and return of funds, and was reflected as a deferred contribution, funds held for third party expense equal to the Province's share (50%) of the returned funds (note 12).

MHRC, on behalf of the Province, entered into an Advance Agreement with Dauphin River First Nation and the Government of Canada for the acquisition and installation of 47 homes at Dauphin River First Nation. The funds reflected as deferred contribution, funds held for third party expense will be applied to the new agreement with Dauphin River First Nation.

During 2015, MHRC started preparing for the move of the homes to Dauphin River First Nation with \$1,293,872 of costs incurred under the Advance Agreement and an equal recovery from deferred contribution, funds held for third party expense.

18. Rental subsidies

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. The net rental subsidies required by these organizations are as follows:

| | 2015 | 2014 |
|------------------------|---------------|---------------|
| Not-for-Profit Housing | \$ 26,097,305 | \$ 25,548,960 |
| Co-operative Housing | 3,898,102 | 3,839,942 |
| Private Landlords | 7,755,686 | 6,744,358 |
| | \$ 37,751,093 | \$ 36,133,260 |

19. Grants and subsidies

| | 2015 | 2014 |
|---|--------------|--------------|
| Portable Housing Benefit | \$ 1,775,521 | \$ 1,720,459 |
| Emergency Shelter Assistance | 1,656,952 | 1,656,952 |
| School Tax Assistance for Tenants 55 Plus | 91,388 | 144,837 |
| Elderly & Infirm Persons Housing | 143,973 | 143,973 |
| Co-op HomeStart | 88,785 | 93,908 |
| Homeless Strategy | 1,482,160 | 1,332,737 |
| | \$ 5,238,779 | \$ 5,092,866 |

20. Housing program supports

| | 2015 | 2014 |
|--|---------------|---------------|
| Forgivable loans (note 5) | \$ 14,747,666 | \$ 10,835,802 |
| Administration and delivery agent fees | 2,565,144 | 2,391,269 |
| | \$ 17,312,810 | \$ 13,227,071 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

21. Pension obligations

Employees of MHRC and Direct Managed employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (Superannuation Fund). This pension plan is a defined benefit plan. For Direct Managed employees, MHRC is required to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by Direct Managed employees at this time. Pension expense recorded for Direct Managed employees for the year ended March 31, 2015 was \$1,583,179 (2014 - \$1,425,763).

MHRC has a liability associated with the annual cost of pension benefits earned by employees' of MHRC. This liability is determined by an actuarial valuation each year based on data provided by MHRC with the balance for the intervening year being estimated by a formula provided by the actuary. The most recent valuation was completed at March 31, 2015.

| | 2015 | 2014 |
|--|--------------|--------------|
| Pension liability per actuarial valuation: | | |
| Balance at beginning of year | \$ 9,497,120 | \$ 9,224,637 |
| Interest cost on benefit obligations | 617,313 | 599,601 |
| Current service costs | 655,873 | 674,803 |
| Benefits paid | (1,225,419) | (878,055) |
| Experience (gain)/loss (amortized over EARSLS) | 413,719 | (123,866) |
| Balance at end of year | 9,958,606 | 9,497,120 |
| Unamortized actuarial gain/(loss) | (301,114) | 123,866 |
| Pension liability balance at end of year | \$ 9,657,492 | \$ 9,620,986 |

At March 31, 2015, the unamortized actuarial (gain)/loss to be recognized in future periods are as follows:

| | 2015 | 2014 |
|--|--------------|------------|
| Unamortized actuarial gain/(loss): | | |
| Balance at beginning of year | \$ 123,866 | \$ - |
| In year gain amortized over EARSLS - 2015 - 11 years (2014 - 11 years) | (413,719) | 123,866 |
| Amortization of actuarial gain | (11,261) | - |
| Balance at end of year | \$ (301,114) | \$ 123,866 |

| | 2015 | 2014 |
|--------------------------------------|-------------|------------|
| Change to pension obligation: | | |
| Interest cost on benefit obligations | \$ 617,313 | \$ 599,601 |
| Current service costs | 655,873 | 674,803 |
| Benefits paid | (1,225,419) | (878,055) |
| Amortization of actuarial gain | (11,261) | - |
| Change to pension obligation | \$ 36,506 | \$ 396,349 |

The above liability is in respect of active employees only and does not reflect any liability with respect to retired or former employees. The key actuarial assumptions were a rate of return of 6.0% (2014 - 6.0%), 2.0% inflation (2014 - 2.0%), general salary rate increases of 2.75%, excluding the 1.0% service and merit increases (2014 - 2.75%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been calculated as at March 31, 2015 by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore, MHRC has recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of \$9,657,492 as of March 31, 2015 (2014 - \$9,620,986) and has recorded an increase in revenue for fiscal 2015 equal to the related pension liability increase of \$36,506 (2014 - \$396,349 increase). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

22. Severance

a) Severance pay liability

Effective April 1, 1998, MHRC commenced recording the estimated liability for accumulated severance pay benefits for its Direct Managed employees. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the Direct Managed employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 22 weeks). Eligibility will require that the employee has achieved a minimum of ten years of service and that the employee is retiring from MHRC.

Severance pay, at the Former Department of Family Services and Housing employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 23 weeks). Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from MHRC.

An actuarial report was completed for the severance pay liability as at March 31, 2015. MHRC's actuarially determined liability relating to the Direct Managed employees as at March 31, 2015 was \$3,364,228 (2014 - \$3,288,228). The report provides a formula to update the liability on an annual basis.

MHRC recorded a severance liability as at April 1, 2003 in the amount of \$569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba.

An actuarial report was completed for the severance pay liability as at March 31, 2015. MHRC's actuarially determined liability relating to the former Department of Family Services and Housing employees as at March 31, 2015 was \$1,255,040 (2014 - \$1,252,711). The report provides a formula to update the liability on an annual basis.

| | 2015 | 2014 |
|---|--------------|--------------|
| Severance liability per actuarial valuation: | | |
| Direct Managed employees: | | |
| Balance at beginning of year | \$ 3,288,228 | \$ 2,895,595 |
| Interest cost on benefit obligations | 213,735 | 188,214 |
| Current service costs | 292,972 | 266,517 |
| Benefits paid | (286,027) | (123,794) |
| Experience (gain)/loss (amortized over EARSL) | (144,680) | 61,696 |
| Balance at end of year | 3,364,228 | 3,288,228 |
| Former Department of Family Services and Housing employees: | | |
| Balance at beginning of year | 1,252,711 | 1,217,330 |
| Interest cost on benefit obligations | 81,426 | 79,126 |
| Current service costs | 85,987 | 88,961 |
| Benefits paid | (120,750) | (17,532) |
| Experience gain (amortized over EARSL) | (44,334) | (115,174) |
| Balance at end of year | 1,255,040 | 1,252,711 |
| Unamortized actuarial gain | 238,192 | 53,478 |
| Severance liability balance at end of year | \$ 4,857,460 | \$ 4,594,417 |

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

22. Severance (continued)

At March 31, 2015, the unamortized actuarial (gain)/loss to be recognized in future periods are as follows:

| | 2015 | 2014 |
|---|-------------|-----------|
| Unamortized actuarial gain/(loss): | | |
| Direct Managed employees: | | |
| Balance at beginning of year | \$ (61,696) | \$ - |
| In year gain/(loss) amortized over EARS - 2015 - 10 years (2014 - 10 years) | 144,680 | (61,696) |
| Amortization of actuarial loss | 6,170 | - |
| Direct Managed employees balance at end of year | 89,154 | (61,696) |
| Former Department of Family Services and Housing employees: | | |
| Balance at beginning of year | 115,174 | - |
| In year gain amortized over EARS - 2015 - 11 years (2014 - 11 years) | 44,334 | 115,174 |
| Amortization of actuarial gain | (10,470) | - |
| Former Department of Family Services and Housing employees balance at end of year | 149,038 | 115,174 |
| Balance at end of year | \$ 238,192 | \$ 53,478 |

| | 2015 | 2014 |
|---|------------|------------|
| Change to severance obligation: | | |
| Direct Managed employees: | | |
| Interest cost on benefit obligations | \$ 213,735 | \$ 188,214 |
| Current service costs | 292,972 | 266,517 |
| Benefits paid | (286,027) | (123,794) |
| Amortization of actuarial loss | 6,170 | - |
| Direct Managed employees balance at end of year | 226,850 | 330,937 |
| Former Department of Family Services and Housing employees: | | |
| Interest cost on benefit obligations | 81,426 | 79,126 |
| Current service costs | 85,987 | 88,961 |
| Benefits paid | (120,750) | (17,532) |
| Amortization of actuarial gain | (10,470) | - |
| Former Department of Family Services and Housing employees balance at end of year | 36,193 | 150,555 |
| Change to severance obligation | \$ 263,043 | \$ 481,492 |

The key actuarial assumptions were a rate of return of 6.0% (2014 - 6.0%), 2.0% inflation (2014 - 2.0%), and general salary rate increases of 2.75%, excluding the 1.0% service and merit increases (2014 - 2.75%). The projected benefit method was used and the liability has been calculated as at March 31, 2015 by the actuary.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by MHRC's employees. Accordingly, MHRC recorded effective April 1, 1998, a receivable of \$877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of \$569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

23. Financial instruments and financial risk management

Financial instruments comprise the majority of MHRC assets and liabilities. MHRC risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by MHRC.

MHRC is exposed to credit, interest, and liquidity risks in respect of its use of financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The financial instruments that potentially subject MHRC to credit risk consist principally of accounts receivable, loans and mortgages receivable and guarantees on loans. MHRC's deposits are held by the Province of Manitoba who guarantees the associated payments of principal and interest.

MHRC's maximum possible exposure to credit risk is as follows:

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| On deposit with the Minister of Finance (note 3) | \$ 21,092,715 | \$ 24,497,229 |
| Accounts receivable (note 4) | 55,629,304 | 47,474,650 |
| Loans and mortgage receivable (note 5) | 112,833,220 | 120,172,197 |
| Loan guarantees (note 26) | 9,591,768 | 10,394,570 |
| | \$ 199,147,007 | \$ 202,538,646 |

MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on MHRC's estimates and assumptions regarding customer analysis, historical payment trends and statutes of limitations. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

| | 2015 | 2014 |
|-------------------------------------|---------------------|---------------------|
| Balance, beginning of the year | \$ 6,669,530 | \$ 6,886,217 |
| Provision for receivable impairment | 236,023 | 581,185 |
| Amounts written off | (416,564) | (797,872) |
| Balance, end of the year | \$ 6,488,989 | \$ 6,669,530 |

As at March 31, 2015, \$4,450,954 (2014 - \$3,278,360) of accounts receivable and nil (2014 - nil) of loans and mortgages receivable were past due, but not impaired.

On deposit with the Minister of Finance

MHRC is not exposed to significant credit risk as its investments are held by the Province of Manitoba and the Province of Manitoba guarantees the associated payments of principal and interest.

Accounts receivable

The accounts receivable partially consists of \$11,214,745 (2014 - \$10,461,144) due from Canada Mortgage and Housing Corporation, \$11,786,638 (2014 - \$11,826,194) from the Province of Manitoba and \$15,141,446 (2014 - \$12,056,639) from the City of Winnipeg.

Loans and mortgage receivable

Impairment provisions are provided for losses that have been estimated as of the Statement of Financial Position date. Management of credit risk is an integral part of MHRC's activities with careful monitoring and appropriate remedial actions being taken.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

23. Financial instruments and financial risk management (continued)

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to on deposit with the Minister of Finance, loans and mortgages receivable, and long-term debt.

On deposit with the Minister of Finance

MHRC's cash equivalents on deposit with the Minister of Finance consists mainly of short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments.

Loans and mortgage receivable/loans from the Province of Manitoba

MHRC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at reasonable percentage above the associated borrowing rate. For long-term advances that have fixed interest rates for the full term of the advance and MHRC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MHRC does not incur significant interest rate risk. However, some interest rate risk may result due to MHRC's lending policy of allowing prepayment of loans without penalty, given that MHRC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MHRC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

In addition, MHRC's advance from the Province of Manitoba have variable interest rates which expose MHRC to cash flow interest rate risk. At March 31, 2015, had prevailing interest rates increased or decreased by 1%, the estimated impact on interest expense would be approximately \$2,936,846 (2014 - \$2,824,664).

c) Liquidity risk

Liquidity risk relates to MHRC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MHRC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MHRC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

24. Contingencies

MHRC is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of MHRC. Any settlement will be recognized in the year the settlement occurs.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

25. Commitments

MHRC has the following commitments as at March 31, 2015:

Capital assets:

| | |
|--|----------------|
| a) Housing project enhancements and new construction | \$ 171,350,879 |
| b) Third party repair, renovation and new construction | \$ 22,223,289 |

Public housing operations:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

| | |
|------|---------------|
| 2016 | \$ 97,656,000 |
| 2017 | 108,932,800 |
| 2018 | 120,494,000 |
| 2019 | 131,960,000 |
| 2020 | 136,276,900 |

26. Guarantees

MHRC has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The total authorized for MHRC is \$20,000,000. The outstanding guarantees are as follows:

| | 2015 | 2014 |
|--------------------------------------|--------------|---------------|
| Waverley West Letters of Credit | \$ 9,583,696 | \$ 9,517,096 |
| Mobile Home Loan Guarantee Program | 8,072 | 10,874 |
| Housing Opportunity Partnership Inc. | - | 800,000 |
| River Point Centre | - | 35,400 |
| Oddy at Westland Letter of Credit | - | 31,200 |
| | \$ 9,591,768 | \$ 10,394,570 |

27. Related party transactions

MHRC is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. MHRC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

28. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

Financial Statements of

**MANITOBA OPPORTUNITIES FUND
LTD.**

Year ended March 31, 2015

MANITOBA OPPORTUNITIES FUND LTD.

Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Opportunities Fund Ltd. are the responsibility of the management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 24, 2015.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Opportunities Fund Ltd. are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Opportunities Fund Ltd.

Original Document Signed

Jim Kilgour, General Manager

June 24, 2015



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Opportunities Fund Ltd.

We have audited the accompanying financial statements of Manitoba Opportunities Fund Ltd., which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These financial statements have been prepared in accordance with Canadian public sector accounting standards.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Opportunities Fund Ltd. as at March 31, 2015, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

The financial statements of Manitoba Opportunities Fund Ltd. as at and for the period ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 24, 2014.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants

June 24, 2015

Winnipeg, Canada

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Financial Assets | | |
| Cash equivalents (note 4) | \$ 17,964,306 | \$ 3,784,185 |
| Portfolio investments (note 5) | 230,641,372 | 283,939,564 |
| Accrued interest receivable | 15,100 | 107,685 |
| | \$ 248,620,778 | \$ 287,831,434 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 345,140 | \$ 1,587,500 |
| Borrowings (note 6) | 239,825,844 | 281,811,538 |
| | 240,170,984 | 283,399,038 |
| Net financial assets | \$ 8,449,794 | \$ 4,432,396 |
| Non-Financial Assets | | |
| Deferred charges | \$ 6,132,661 | \$ 8,380,073 |
| Accumulated surplus | \$ 14,582,455 | \$ 12,812,469 |

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

On behalf of the Board:

Original Document Signed

Director

Original Document Signed

Director

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

| | Budget | 2015 | 2014 |
|---|---------------|---------------|---------------|
| Investment income | \$ 5,478,900 | \$ 5,929,100 | \$ 6,860,958 |
| Expenses: | | | |
| Amortization of deferred charges | 3,584,600 | 3,416,785 | 3,677,672 |
| Amortization of bond premium | — | 66,578 | 94,102 |
| Program administration | 20,000 | 4,751 | 6,792 |
| | 3,604,600 | 3,488,114 | 3,778,566 |
| Operating income for the year | 1,874,300 | 2,440,986 | 3,082,392 |
| Growing Through Immigration Strategy Support and Economic Development (note 7) | 3,781,000 | 671,000 | 1,582,000 |
| Annual surplus | (1,906,700) | 1,769,986 | 1,500,392 |
| Accumulated surplus, beginning of year | 12,812,469 | 12,812,469 | 11,312,077 |
| Accumulated surplus, end of year | \$ 10,905,769 | \$ 14,582,455 | \$ 12,812,469 |

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

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|--------------|--------------|
| Annual surplus | \$ 1,769,986 | \$ 1,500,392 |
| Deferred charges: | | |
| Additions of deferred charges | (1,169,373) | (3,714,773) |
| Amortization of deferred charges | 3,416,785 | 3,677,672 |
| Change in prepaid expenses | — | 84,981 |
| | 2,247,412 | 47,880 |
| Increase in net financial assets | 4,017,398 | 1,548,272 |
| Net financial assets, beginning of year | 4,432,396 | 2,884,124 |
| Net financial assets, end of year | \$ 8,449,794 | \$ 4,432,396 |

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

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 1,769,986 | \$ 1,500,392 |
| Amortization of deferred charges | 3,416,785 | 3,677,672 |
| Amortization of bond premium | 66,578 | 94,102 |
| Increase in present value of portfolio investments | (5,524,179) | (6,264,949) |
| Changes in: | | |
| Accrued interest receivable | 92,585 | (1,476) |
| Accounts payable and accrued liabilities | (1,242,360) | 822,000 |
| Prepaid expenses | — | 84,981 |
| Net cash used in operating activities | (1,420,605) | (87,278) |
| Investing activities: | | |
| Purchase of portfolio investments | (17,850,182) | (58,694,598) |
| Redemption of portfolio investments | 76,605,975 | 58,241,702 |
| Net cash provided by (used in) investing activities | 58,755,793 | (452,896) |
| Financing activities: | | |
| Repayment of borrowings | (61,994,745) | (58,335,804) |
| Advances of borrowings | 18,839,678 | 61,218,236 |
| Net cash provided by (used in) financing activities | (43,155,067) | 2,882,432 |
| Increase in cash equivalents | 14,180,121 | 2,342,258 |
| Cash equivalents, beginning of year | 3,784,185 | 1,441,927 |
| Cash equivalents, end of year | \$ 17,964,306 | \$ 3,784,185 |

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

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of operations and economic dependence:

Manitoba Opportunities Fund Ltd. (the organization) was incorporated under the laws of Manitoba on April 3, 2003. The organization was formed due to the requirements of the Fund Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Immigrant Investor Program. The Minister of Finance holds the one class A common share issued as a designated representative of Her Majesty the Queen in Right of the Province of Manitoba with a value of nil. The organization considers itself to be an Other Government Organization as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

The objective of the organization is to hold and invest the Provincial allocation of immigrants' investments made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program (FIIP) seeks to attract experienced persons and capital to Canada. Prior to December 1, 2010 investors had to demonstrate business experience, a minimum net worth of CDN \$800,000 and make an investment of CDN \$400,000. CIC made changes to the FIIP in 2010. Effective December 1, 2010, applicants were required to meet a minimum Personal Net Worth requirement of \$1.6 million, and make an investment deposit of \$800,000. The funds invested are distributed among participating Provinces. After five years, the organization returns the Provincial allocation, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to the approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the organization repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the organization invests the Provincial allocation funds for a period of five years and uses the interest income generated on the funds to create jobs and help the Manitoba economy grow.

In February 2014, CIC announced it plans to phase out the Federal Immigrant Investor Program. The Manitoba Opportunities Fund will continue to invest allocations until the program is phased out by CIC. Once CIC stops allocating to provinces, there will be a 5 year repayment period during which the organization will continue to operate.

The organization is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the borrowings payable to the Federal Government.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Basis of accounting:

The organization's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

3. Significant accounting policies:

(a) Revenue recognition

Interest revenue on temporary investments is recorded on an accrual basis. Investment income on portfolio investments is determined by the difference in the present value of the term note and the cost of the term note.

(b) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(c) Contributed services:

During the year, the Province of Manitoba provided office space and other administrative services to the organization at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

(d) Deferred charges:

Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.

(e) Cash equivalents:

Cash equivalents include term deposits with the Province of Manitoba with maturities of up to three months.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Significant accounting policies (continued):**(f) Portfolio investments:**

Portfolio investments consist of provincial bonds and term notes with the Province of Manitoba and are recorded at cost. The organization's investment in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The term notes are recorded at cost which represents the discounted value of the term notes. Over time, the value of the term notes increase equal to the effective interest rates on the term notes. The increase in the present value of term notes during the year is recorded as an increase in the portfolio investments and as investment income.

(g) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

4. Cash equivalents:

Cash equivalents consist of 30 to 90 days term deposits held by the Province of Manitoba.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Portfolio investments:

Portfolio investments are comprised of provincial bonds and term notes.

| | 2015 | 2014 |
|------------------|----------------------|----------------------|
| Provincial bonds | \$ — | \$ 15,066,579 |
| Term notes | 230,641,372 | 268,872,985 |
| | <u>\$230,641,372</u> | <u>\$283,939,564</u> |

The term notes are made up of five-year zero coupon term notes which the organization purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from April 2015 to March 2020 (2014 - April 2014 to March 2019). The effective interest rates range from 0.55 percent to 3.07 percent (2014 - 1.45 percent to 3.07 percent) payable at the end of the 5-year term.

At March 31, 2014, the provincial bonds bore interest at rates ranging from 3.25 percent to 5.50 percent and matured between September 2014 and December 2014. Interest earned on provincial bonds for the year ended March 31, 2015 totaled \$310,279 (2014 - \$570,000). Amortization of bond premiums for the year ended March 31, 2015 totaled \$66,578 (2014 - \$94,102).

6. Borrowings:

The borrowings represents the Provincial allocation of immigrants' investments repayable to the Federal Government five years after the Federal Government has distributed these funds to Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being advanced to Manitoba Opportunities Fund Ltd.

| | |
|------|-----------------------|
| 2015 | \$ 66,448,481 |
| 2016 | 54,728,852 |
| 2017 | 34,194,999 |
| 2018 | 64,895,989 |
| 2019 | 19,557,523 |
| | <u>\$ 239,825,844</u> |

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Growing Through Immigration Strategy and Economic Development Support:

Funds transferred to support the Growing Through Immigration Strategy Support and Economic Development are made up of the following, as approved by the Treasury Board:

| | 2015 | 2014 |
|---------------------------------|-------------------|---------------------|
| Labour and Immigration | \$ – | \$ 1,392,000 |
| Education and Advanced Learning | 151,000 | – |
| Jobs and the Economy | 520,000 | 190,000 |
| | <u>\$ 671,000</u> | <u>\$ 1,582,000</u> |

8. Financial risks and concentration of risk:

(i) Credit risk:

Credit risk is the risk that one party to a financial instruments fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash equivalents and portfolio investments.

The maximum exposure of the Corporation to credit risk at March 31 is:

| | 2015 | 2014 |
|-----------------------|-----------------------|-----------------------|
| Cash equivalents | \$ 17,964,306 | \$ 3,784,185 |
| Portfolio investments | 230,641,372 | 283,939,564 |
| | <u>\$ 248,605,678</u> | <u>\$ 287,723,749</u> |

The organization is not exposed to significant credit risk as the term deposits and term notes are primarily held by the Minister of Finance.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance. The term deposits are interest bearing with short-term to maturity. As the term deposits are normally held to maturity changes in interest rates do not affect their value.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Financial risks and concentration of risk (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due.

The organization manages liquidity risk by maintaining adequate cash and cash equivalent balances and matching its purchasing of five-year zero coupon bonds with the allocation of immigrants' investments and the related borrowings.

9. Comparative information:

Certain comparative figures have been reclassified to the financial statement presentation adopted in the current year.

**MANITOBA POTASH CORPORATION AUDITED FINANCIAL STATEMENTS FOR THE
YEAR ENDED MARCH 31, 2015 WERE NOT AVAILABLE AT THE TIME OF PRINTING
THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV**



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the accompanying financial statements of the Manitoba Water Services Board, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Water Services Board as at March 31, 2015, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 23, 2015
Winnipeg, Manitoba

THE MANITOBA WATER SERVICES BOARD

Statement of Financial Position

As at March 31, 2015

| | March 31, 2015 | March 31, 2014 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Accounts Receivable | \$ 5,527,516 | \$ 6,196,954 |
| Accrued Interest | 9,079 | 6,357 |
| | 5,536,595 | 6,203,311 |
| Liabilities | | |
| Bank indebtedness (note 15) | 145,902 | 1,626,824 |
| Accounts payable and accrued charges | 7,533,443 | 3,147,089 |
| Advances from The Province of Manitoba payable on demand (note 13) | 21,100,000 | 7,500,000 |
| | 28,779,345 | 12,273,913 |
| Net Debt | (23,242,750) | (6,070,602) |
| Non-financial assets | | |
| Construction in progress (note 4) | 19,968,703 | 4,314,997 |
| Tangible capital assets (note 5) | 10,494 | 10,494 |
| Prepaid supplies | 64,577 | 63,277 |
| | 20,043,774 | 4,388,768 |
| Accumulated surplus (deficit) (note 6) | \$ (3,198,976) | \$ (1,681,834) |

Commitments (note 9)
Contingencies (note 10)

See accompanying notes to financial statements

On behalf of Board:

Original Document Signed Chair

THE MANITOBA WATER SERVICES BOARD

Statement of Operations

For the year ended March 31, 2015

| | Budget (note 14) | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|
| Revenues: | | | |
| Sale of Water | \$ 4,195,578 | \$ 4,063,291 | \$ 3,913,366 |
| Administrative expenses paid by the Province of Manitoba (note 8) | 2,643,000 | 2,291,490 | 2,226,951 |
| Interest | 3,000 | 5,660 | 4,026 |
| | <u>6,841,578</u> | <u>6,360,441</u> | <u>6,144,343</u> |
| Expenses: | | | |
| Direct expenses for water supply plants: | | | |
| Interest expense | 160,000 | 363,082 | 196,465 |
| Interest allocated to new construction | (225,000) | (397,560) | (182,815) |
| | <u>(65,000)</u> | <u>(34,478)</u> | <u>13,650</u> |
| Chemicals | 420,499 | 341,016 | 407,981 |
| Heat, telephone, light and power | 881,232 | 922,918 | 866,594 |
| Professional services | 559,138 | 655,672 | 680,574 |
| Salaries and benefits | 1,015,832 | 1,210,180 | 1,085,308 |
| Repairs and maintenance | 626,661 | 698,926 | 610,845 |
| Administrative (note 8) | 2,643,000 | 2,291,490 | 2,226,951 |
| | <u>6,081,362</u> | <u>6,083,724</u> | <u>5,891,903</u> |
| Annual surplus | 760,216 | 276,717 | 252,440 |
| Accumulated surplus (deficit), beginning of year | (1,681,834) | (1,681,834) | (481,798) |
| Disposition of funds (note 6) | (845,000) | (1,793,859) | (1,452,476) |
| Accumulated deficit, end of year | <u>\$ (1,766,618)</u> | <u>\$ (3,198,976)</u> | <u>\$ (1,681,834)</u> |

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statement of Change in Net Debt

For the year ended March 31, 2015

| | Budget (note 14) | 2015 | 2014 |
|---|---------------------|-----------------|----------------|
| Annual Surplus | \$ 760,216 | \$ 276,717 | \$ 252,440 |
| New construction costs | (57,024,788) | (69,399,309) | (30,631,482) |
| Funds recovered from: | | | |
| Province of Manitoba | 16,688,700 | 16,277,788 | 12,851,007 |
| Municipalities | 40,336,088 | 37,467,815 | 18,172,754 |
| | 0 | (15,653,706) | 392,279 |
| Decrease (increase) in prepaid supplies | 1,000 | (1,300) | 14,275 |
| Disposition of funds | (845,000) | (1,793,859) | (1,452,476) |
| Increase in net debt | (83,784) | (17,172,148) | (793,482) |
| Net debt, beginning of year | (6,070,602) | (6,070,602) | (5,277,120) |
| Net debt, end of year | \$ (6,154,386) | \$ (23,242,750) | \$ (6,070,602) |

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statement of Cash Flows

For the year ended March 31, 2015

| | 2015 | 2014 |
|---|--------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 276,717 | \$ 252,440 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 669,438 | (2,818,515) |
| Prepaid supplies | (1,300) | 14,275 |
| Accounts payable and accrued charges | 4,386,354 | (450,868) |
| Accrued interest | (2,722) | (2,185) |
| Cash provided by (used in) operating activities | 5,328,487 | (3,002,853) |
| Financing activities: | | |
| Advances received | 19,800,000 | 9,600,000 |
| Advances repaid | (6,200,000) | (6,600,000) |
| Cash provided by (used in) financing activities | 13,600,000 | 3,000,000 |
| Capital activities: | | |
| New construction costs | (69,399,309) | (30,631,482) |
| Funding recovered from: | | |
| Province of Manitoba | 16,277,788 | 12,851,007 |
| Municipalities | 37,467,815 | 18,172,754 |
| Increase in construction in progress | (15,653,706) | 392,279 |
| Disposition of funds | (1,793,859) | (1,452,476) |
| Cash used in capital activities | (17,447,565) | (1,060,197) |
| Increase in cash | 1,480,922 | (1,063,050) |
| Cash, beginning of year | (1,626,824) | (563,774) |
| Cash, end of year | \$ (145,902) | \$ (1,626,824) |

Supplementary Financial Information

Interest paid \$363,082 (2014 - \$196,465)

Interest received \$397,580 (2014 - \$182,815)

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

1. Nature of operations:

The Manitoba Water Services Board (the Board) was established in July 1972 under The *Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board assists municipalities with the development of sustainable water and wastewater works, including; water supply, treatment, storage and distribution; collection and treatment of sewage; the disposal of treated effluent and waste sludge in an environmentally sustainable manner and the provision of drought resistant, safe water supplies to rural residents for domestic and livestock needs.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared using Canadian public sector accounting standards established by the Public Sector Accounting Board.

(b) Tangible capital assets and construction in progress:

Tangible capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

| Asset | Term |
|--|----------|
| Plants constructed prior to January 1, 1972: | |
| Equipment | 18 years |
| Buildings | 35 years |
| Plants constructed after January 1, 1972: | |
| Equipment | 20 years |
| Buildings | 20 years |

Tangible capital assets which are constructed by the Board are recorded as construction in progress until the capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the construction in progress amounts.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

2. Significant accounting policies (continued):

(c) Revenue recognition:

Revenue from the sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba:

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(e) Pension costs and obligations:

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and tangible capital assets. Actual results could differ from those estimates.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

3. Financial instruments and financial risk management:

(a) Classification and measurement of financial instruments:

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Board records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and accrued interest. The Board also records its financial liabilities at cost or amortized cost, which include accounts payable and accrued charges and advances from the Province of Manitoba.

Amortized cost is determined using the effective interest method.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Board did not incur any remeasurement gains and losses during the year (2014 - nil).

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

3. Financial Instruments and financial risk management (continued):

(b) Financial risk management - overview:

The Board has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk, and
- Foreign currency risk

The Board manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Board's Directors have the overall responsibility for the establishment and oversight of the Board's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Board has exposure to the following risks associated with its financial instruments:

Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Board to credit risk consist principally of accounts receivable and accrued interest.

The maximum exposure of the Board's credit risk is as follows:

| | March 31, 2015 | March 31, 2014 |
|---------------------|---------------------|---------------------|
| Accounts receivable | \$ 5,592,093 | \$ 6,196,954 |
| Accrued interest | 9,079 | 6,357 |
| | <u>\$ 5,601,172</u> | <u>\$ 6,203,311</u> |

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

3. Financial instruments and financial risk management (continued):

Accounts receivable: The Board is not exposed to significant credit risk as the receivables are with Municipal and other government entities and payment in full is typically collected when it is due. Credit evaluations are done for each Rural Municipality.

The aging of accounts receivable are as follows:

| | March 31, 2015 | March 31, 2014 |
|------------------------------|-------------------|-------------------|
| Current | \$ 3,224,488 | \$ 4,631,295 |
| 30-60 days past billing date | 2,280,668 | 1,170,908 |
| 60-90 days past billing date | 22,380 | 394,751 |
| | \$ 5,527,516 | \$ 6,196,954 |

Accrued Interest: The Board is not exposed to significant credit risk as the accrued interest relates to one receivable with a municipality for ongoing construction and payment is anticipated at the completion of the work.

Liquidity risk:

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due. The Board manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances as required. The Board prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified capital supply requirements are reviewed and approved by the Minister of Finance to ensure adequate funding will be available to meet the Board's obligations utilizing bridge financing through *The Loan Act*. The Board continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba.

The interest rate risk on the above exposures is considered to be low because of their short-term nature.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

4. Construction in progress:

| | March 31, 2015 | March 31, 2014 |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 4,314,997 | \$ 4,707,276 |
| New construction costs | 69,399,309 | 30,631,481 |
| | 73,714,306 | 35,338,757 |
| Funding recovered from: | | |
| Municipalities | 37,467,815 | 18,172,754 |
| Province of Manitoba | 16,277,788 | 12,851,006 |
| | 53,745,603 | 31,023,760 |
| Construction in progress | \$ 19,968,703 | \$ 4,314,997 |

5. Tangible capital assets:

| March 31, 2015 | Cost | Accumulated amortization | Net book value |
|--------------------|------------|-----------------------------|-------------------|
| Land and easements | \$ 10,494 | \$ — | \$ 10,494 |
| Buildings | 522,722 | 522,722 | — |
| Equipment | 132,628 | 132,628 | — |
| | \$ 665,844 | \$ 655,350 | \$ 10,494 |

| March 31, 2014 | Cost | Accumulated amortization | Net book value |
|--------------------|------------|-----------------------------|-------------------|
| Land and easements | \$ 10,494 | \$ — | \$ 10,494 |
| Buildings | 522,722 | 522,722 | — |
| Equipment | 132,628 | 132,628 | — |
| | \$ 665,844 | \$ 655,350 | \$ 10,494 |

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

6. Accumulated Surplus/(Deficit):

Accumulated surplus/(deficit) consist of accumulated excess revenues over expenses pertaining to the water supply plants operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

| | No. | March 31, 2015 | No. | March 31, 2014 |
|--|-----------|-----------------------|-----------|-----------------------|
| Plants operated by the Board: | | | | |
| Plants with a deficit | 7 | \$ (4,586,255) | 6 | \$ (3,581,588) |
| Plants with a surplus | 3 | 1,287,279 | 4 | 1,799,752 |
| Total funds retained (deficit), water supply plants | 10 | (3,298,976) | 10 | (1,781,834) |
| Interest and adjustment fund account (note 7) | | 100,000 | | 100,000 |
| | | \$ (3,198,976) | | \$ (1,681,834) |

The Board is responsible for all ongoing capital repairs and improvements necessary for the water plants it operates. Disposition of funds relating to this during 2014/2015 include capital works approved by the Board for the Baldur water treatment plant and regional systems operated by the Board including, Cartier Regional, Southwest Regional, and the Yellowhead Regional Water Co-operatives and amount to \$1,793,859 (2014-\$1,452,476)

7. Interest and adjustment fund account:

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest costs incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of \$100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

8. Administrative expenses paid by the Province of Manitoba:

Administrative expenses paid by the Province of Manitoba and included in expenses are as follows:

| | 2015 | 2014 |
|----------------------------|---------------------|---------------------|
| Professional services | \$ 8,225 | \$ 14,392 |
| Salaries and benefits | 2,029,901 | 1,945,002 |
| Telephone and utilities | 17,474 | 17,539 |
| Travel | 1,721 | 834 |
| Rental for office premises | 144,942 | 150,102 |
| Other administrative | 89,227 | 99,082 |
| | \$ 2,291,490 | \$ 2,226,951 |

9. Commitments:

| | March 31, 2015 | March 31, 2014 |
|--|-------------------|-------------------|
| Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives | \$ 80,452,043 | \$ 57,024,788 |

These commitments are expected to be funded as follows:

| | | |
|--|----------------------|----------------------|
| Subsidization of construction costs – Province of Manitoba | \$14,996,000 | \$16,688,700 |
| Recovery of construction costs – Municipalities and cooperatives | 45,456,043 | 40,336,088 |
| | \$ 60,452,043 | \$ 57,024,788 |

10. Contingencies:

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

For the year ended March 31, 2015

11. Related party transactions:

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Economic dependency:

The Board is economically dependent on the Province of Manitoba.

13. Advances from The Province of Manitoba payable on demand:

The Board finances construction in progress by borrowing advances from the Province through The *Loan Act*. The Board pays interest on these unfixed advances. Interest payable is set at Prime less 0.75 percent. During 2014/2015 the rate of interest charged was between 2.10 and 2.25 percent on a quarterly basis. These advances are repaid once funding is received from the municipalities and cooperatives and the Province for their share of the eligible project costs.

As at March 31, 2015, the Province had unused authority of \$62,846,000 under The *Loan Act* - 2014 to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

14. Budgeted figures:

The budgeted figures presented in these financial statements have been derived from the estimates approved by the Board.

15. Bank indebtedness:

The Board does not have an overdraft in place on its bank account. However, funds could be borrowed from the Province of Manitoba as needed to fund cash deficits. The bank overdraft is the result of outstanding cheques that have not been cashed at March 31, 2015. The Board anticipates it will have sufficient funds in place to cover these outstanding disbursements.

**METIS CHILD AND FAMILY
SERVICES AUTHORITY**

Financial Statements
For the year ended March 31, 2015

METIS CHILD AND FAMILY SERVICES AUTHORITY

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Directors of the METIS CHILD AND FAMILY SERVICES AUTHORITY

We have audited the accompanying financial statements of the **METIS CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statements of financial position as at March 31, 2015, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **METIS CHILD AND FAMILY SERVICES AUTHORITY** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 14, 2015

METIS CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31 2015 2014

Assets

Current Assets

| | | |
|------------------------------------|------------------|------------------|
| Cash and cash equivalents (Note 2) | \$ 881,668 | \$ 1,508,132 |
| Accounts receivable (Note 3) | 113,334 | 294,331 |
| Prepaid expenses | 251,520 | 19,023 |
| Deposit for leasehold improvement | 46,125 | 46,125 |
| | <u>1,292,647</u> | <u>1,867,611</u> |

Advances Due from Agencies (Note 5) 4,567,500 4,567,500

Capital Assets (Note 4) 110,507 90,215

\$ 5,970,654 \$ 6,525,326

Liabilities and Net Assets

Current Liabilities

| | | |
|---|------------------|------------------|
| Accounts payable and accrued liabilities (Note 6) | \$ 454,206 | \$ 426,814 |
| Deferred revenue (Note 7) | 656,598 | 1,258,788 |
| | <u>1,110,804</u> | <u>1,685,602</u> |

Advance Due to Province of Manitoba (Note 5) 4,567,500 4,567,500

Deferred Contributions Related to Capital Assets (Note 8) 156,466 136,340

5,834,770 6,389,442

Commitments (Note 11)

Net Assets

Unrestricted net assets (Page 4) 135,884 135,884

\$ 5,970,654 \$ 6,525,326

Approved on behalf of the Board of Directors:

Original Document Signed _____ Director

Original Document Signed _____ Director

METIS CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations and Changes in Net Assets

| For the year ended March 31 | 2015 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Province of Manitoba (Note 9) | \$ 18,511,734 | \$ 18,525,092 | \$ 19,203,367 |
| Amortization of deferred contributions (Note 8) | 30,000 | 27,534 | 32,128 |
| Interest | 12,000 | 15,733 | 18,046 |
| | <u>18,553,734</u> | <u>18,568,359</u> | <u>19,253,541</u> |
| Expenses | | | |
| Agency operations (Schedules 3 and 4) | 15,258,296 | 15,258,296 | 16,588,419 |
| Salaries and benefits | 2,519,214 | 2,606,488 | 1,773,201 |
| Professional fees | 126,324 | 55,621 | 133,136 |
| Office | 270,900 | 269,679 | 263,047 |
| Agency education and training | 127,000 | 97,682 | 149,577 |
| Information technology | 70,000 | 58,401 | 62,274 |
| Board expenses | 47,000 | 55,345 | 39,782 |
| Amortization of capital assets | 30,000 | 27,534 | 32,128 |
| Annual general meeting | 17,000 | 14,191 | 18,338 |
| Staff expenses | 32,000 | 14,824 | 16,517 |
| Other | - | 9,803 | 15,187 |
| Insurance | 12,000 | 11,796 | 11,427 |
| Professional development | 23,000 | 4,993 | 10,385 |
| Communications | 20,000 | 9,742 | 7,225 |
| Bank charges | 1,000 | 864 | 773 |
| Standing committee programming | - | 73,100 | 132,125 |
| | <u>18,553,734</u> | <u>18,568,359</u> | <u>19,253,541</u> |
| Deficiency of revenue over expenses | <u>-</u> | <u>-</u> | <u>-</u> |
| Net assets, beginning of year | | <u>135,884</u> | <u>135,884</u> |
| Net assets, end of year | | <u>\$ 135,884</u> | <u>\$ 135,884</u> |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flows

| For the year ended March 31 | 2015 | 2014 |
|--|------------|--------------|
| Cash Flows from Operating Activities | | |
| Excess of revenue over expenses | \$ - | \$ - |
| Adjustments for non-cash items | | |
| Amortization of capital assets | 27,534 | 32,128 |
| Amortization of deferred contributions related to capital assets | (27,534) | (32,128) |
| | - | - |
| Changes in non-cash working capital items | | |
| Accounts receivable | 180,998 | 207,645 |
| Due to agencies | (163,662) | (82,845) |
| Prepaid expenses | (232,664) | 1,316 |
| Accounts payable and accrued liabilities | 191,054 | (50,958) |
| Deferred revenue | (602,190) | (309,634) |
| | (626,464) | (234,476) |
| Cash Flows from Investing Activities | | |
| Purchase of capital assets | (47,660) | (56,804) |
| Contributions received for purchase of capital assets | 47,660 | 102,929 |
| Deposit for leasehold improvement | - | (46,125) |
| | - | - |
| Decrease in cash and cash equivalents for the year | (626,464) | (234,476) |
| Cash and cash equivalents, beginning of year | 1,508,132 | 1,742,608 |
| Cash and cash equivalents, end of year | \$ 881,668 | \$ 1,508,132 |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Metis Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Metis and Inuit people. In partnership with the Manitoba Metis Federation and the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of Metis and Inuit people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Assets

Capital assets funded by the Province of Manitoba are recorded at cost less accumulated amortization and the related funding is recorded as deferred contributions.

Deferred contributions are amortized in accordance with the estimated useful lives of the assets to which they relate.

Other capital assets are recorded at cost less accumulated amortization.

Capital assets are amortized on a straight-line basis as follows:

| | |
|--------------------------------|---------|
| Computer equipment | 5 years |
| Office furniture and equipment | 5 years |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Cash and Cash Equivalents

Cash and cash equivalent consist of cash on hand, bank balances and investments in cashable instruments.

Pension Plan

The Authority maintains defined contribution pension plans for its personnel. Expenses for this plan are equal to the Authority's required contribution for the year.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Cash and Cash Equivalents

Cash and cash equivalents contains guaranteed investment certificates in the amount of \$10,000. The GICs bear interest rate of 0.80% and mature in August and November 2015.

3. Accounts Receivable

| | 2015 | 2014 |
|-------------------------------|-------------------|-------------------|
| Due from Province of Manitoba | \$ 87,419 | \$ 272,961 |
| GST receivable | 7,738 | 4,925 |
| Other | 18,177 | 16,445 |
| | <u>\$ 113,334</u> | <u>\$ 294,331</u> |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

4. Capital Assets

| | 2015 | | | 2014 | | |
|------------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Computer equipment | \$ 253,881 | \$ 163,753 | \$ 90,128 | \$ 221,100 | \$ 143,211 | \$ 77,889 |
| Furniture and fixtures | 87,232 | 66,853 | 20,379 | 72,353 | 60,027 | 12,326 |
| | <u>\$ 341,113</u> | <u>\$ 230,606</u> | <u>\$ 110,507</u> | <u>\$ 293,453</u> | <u>\$ 203,238</u> | <u>\$ 90,215</u> |

5. Advances due from Agencies and Advance due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of \$4,567,500 (\$4,567,500 in 2014), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Metis Child, Family and Community Services | \$ 3,813,048 | \$ 3,813,048 |
| Michif Child & Family Services | <u>754,452</u> | <u>754,452</u> |
| | <u>\$ 4,567,500</u> | <u>\$ 4,567,500</u> |

6. Accounts Payable and Accrued Liabilities

| | 2015 | 2014 |
|------------------|-------------------|-------------------|
| Due to agencies | \$ 11,191 | \$ 174,853 |
| Trade payables | 53,575 | 34,448 |
| Accrued expenses | <u>389,440</u> | <u>217,513</u> |
| | <u>\$ 454,206</u> | <u>\$ 426,814</u> |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

7. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Balance, beginning of year | <u>\$ 1,258,788</u> | <u>\$ 1,568,422</u> |
| Unspent contributions received: | | |
| Province of Manitoba - Core operations | 381,948 | 417,312 |
| Province of Manitoba - Standing Committee | <u>191,608</u> | <u>141,638</u> |
| | <u>573,556</u> | <u>558,950</u> |
| Less amounts recognized as revenue in the year | | |
| Core operations | (417,313) | (408,817) |
| Standing Committee | <u>(758,433)</u> | <u>(459,767)</u> |
| | <u>(1,175,746)</u> | <u>(868,584)</u> |
| Balance, end of year | <u>\$ 656,598</u> | <u>\$ 1,258,788</u> |

Deferred contributions are restricted for the following programs as at March 31:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|---------------------|
| Core operations | \$ 381,948 | \$ 417,312 |
| Standing committee operations | 274,650 | 341,476 |
| Standing committee - differential response | <u>-</u> | <u>500,000</u> |
| | <u>\$ 656,598</u> | <u>\$ 1,258,788</u> |

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represents funds received during the year for the purpose of purchasing furniture, computers and other equipment. These contributions are deferred and subsequently amortized on the same basis as the related assets.

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 136,340 | \$ 65,539 |
| Funds received by Province of Manitoba | 47,660 | 102,929 |
| Amortization | (27,534) | (32,128) |
| Balance, end of year | <u>\$ 156,466</u> | <u>\$ 136,340</u> |

9. Revenue from Province of Manitoba

| | 2015 | 2014 |
|--|-----------------------------|-----------------------------|
| Revenue as per Province of Manitoba confirmation | <u>\$ 18,146,588</u> | <u>\$ 19,062,390</u> |
| Add | | |
| Deferred revenue amounts recognized as revenue in the year | 1,175,746 | 868,584 |
| Funding claims subsequent to confirmation | 37,985 | 22,566 |
| | <u>1,213,731</u> | <u>891,150</u> |
| Deduct | | |
| Unspent contributions received | 573,556 | 558,950 |
| Grants related to capital assets | 47,660 | 102,929 |
| Funding of prior year accounts receivable | 89,427 | 88,294 |
| Amount refunded | 27,540 | - |
| Other | 97,044 | - |
| | <u>835,227</u> | <u>750,173</u> |
| Revenue from Province of Manitoba | <u><u>\$ 18,525,092</u></u> | <u><u>\$ 19,203,367</u></u> |

10. Related Party Disclosures

The Authority rents office space from the Manitoba Metis Federation Inc. as disclosed in Note 11. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

This transaction is in the normal course of operations and is measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for the leased premises.

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

11. Commitments

The Authority leases office space from the Manitoba Metis Federation Inc. The Authority expects the minimum annual lease payments of \$120,146 until May 31, 2022.

The Authority has also entered into various agreements to purchase and maintain computers and office equipment until March 31, 2016.

Minimum annual lease payments over the next five years are as follows:

| | | |
|------|----|---------|
| 2016 | \$ | 164,003 |
| 2017 | | 162,591 |
| 2018 | | 150,379 |
| 2019 | | 122,336 |
| 2020 | | 120,146 |

12. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk, market risk and liquidity risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is \$113,334 (\$294,331 at March 31, 2014).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the Province of Manitoba and agencies funded by the Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

METIS CHILD AND FAMILY SERVICES AUTHORITY

Notes to Financial Statements

For the years ended March 31, 2015

12. Financial Risk Management (continued)

Market Risk (continued)

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting financial obligations as they become due, and arises from the Authority's management of working capital. The Authority's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

13. Pension

During the year the Authority contributed \$39,857 (\$38,273 in 2014) to a defined contribution pension plan. Contributions are made at 3% of employee salaries and invested in RRSPs held with Great-West Life.

14. Economic Dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

15. Comparative Amounts

Comparative amounts have been restated as a result of the current year presentation.



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Auditor's Comments on Supplementary Financial Information

To the Directors of METIS CHILD AND FAMILY SERVICES AUTHORITY

We have audited the financial statements of the **METIS CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated July 14, 2015 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedules 1, 2, 3, and 4 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information is prepared to assist the **METIS CHILD AND FAMILY SERVICES AUTHORITY** to meet the requirements of the Province of Manitoba Department of Family Services and Housing, Child Protection Branch (the "Province"). As a result, the supplementary information is not presented in accordance with Canadian public sector accounting standards and may not be suitable for another purpose. Our report is intended solely for the **METIS CHILD AND FAMILY SERVICES AUTHORITY** and the Minister and should not be distributed to or used by parties other than the **METIS CHILD AND FAMILY SERVICES AUTHORITY** or the Province.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 14, 2015

METIS CHILD AND FAMILY SERVICES AUTHORITY

Schedule 1 - Statement of Program Operations: Core Operations

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|------------------|------------------|------------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Grant - Province of Manitoba | | | |
| Core | \$ 1,879,723 | \$ 1,868,142 | \$ 1,718,294 |
| Other | 325,648 | 330,072 | 325,648 |
| Education and training | 127,000 | 97,682 | 149,577 |
| Centralization | 729,430 | 710,355 | - |
| Standing committee IT revenue | 36,000 | 36,000 | 18,000 |
| Amortization of deferred contributions related to capital assets | 30,000 | 27,534 | 24,972 |
| Interest | 12,000 | 15,733 | 5,881 |
| | <u>3,139,801</u> | <u>3,085,518</u> | <u>2,242,372</u> |
| Expenses | | | |
| Salaries and benefits | 2,368,577 | 2,456,743 | 1,621,647 |
| Office | 267,900 | 269,679 | 179,714 |
| Agency education and training | 127,000 | 97,682 | 149,577 |
| Professional fees | 129,324 | 55,621 | 93,136 |
| Information technology | 70,000 | 58,401 | 61,014 |
| Board expenses | 47,000 | 55,345 | 39,782 |
| Amortization of capital assets | 30,000 | 27,534 | 24,972 |
| Annual general meeting | 17,000 | 14,191 | 18,338 |
| Other | - | 9,803 | 15,187 |
| Staff expenses | 30,000 | 13,124 | 14,542 |
| Professional development | 20,000 | 4,993 | 8,847 |
| Insurance | 12,000 | 11,796 | 7,618 |
| Communications | 20,000 | 9,742 | 7,225 |
| Bank charges | 1,000 | 864 | 773 |
| | <u>3,139,801</u> | <u>3,085,518</u> | <u>2,242,372</u> |
| Excess of revenue over expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 2 - Statement of Program Operations: Office of the
Child and Family Services Standing Committee

| For the year ended March 31 | 2015 | 2015 | 2014 |
|---|----------------|----------------|----------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Grant - Province of Manitoba | | | |
| Current year funding | \$ 191,637 | \$ 187,445 | \$ 141,638 |
| Prior year funding | - | 73,100 | 279,791 |
| Interest | - | - | 12,165 |
| Amortization of deferred contributions related to capital assets | - | - | 7,156 |
| | 191,637 | 260,545 | 440,750 |
| Expenses | | | |
| Professional fees | 15,000 | 15,000 | 40,000 |
| Salaries and benefits | 150,637 | 149,745 | 151,554 |
| Office | 18,000 | 18,000 | 83,333 |
| Information technology | 3,000 | 3,000 | 19,260 |
| Amortization of capital assets | - | - | 7,156 |
| Insurance | - | - | 3,809 |
| Staff expenses | 2,000 | 1,700 | 1,975 |
| Professional development | 3,000 | - | 1,538 |
| Standing committee programming | - | 73,100 | 132,125 |
| | 191,637 | 260,545 | 440,750 |
| Excess of revenue over expenses | \$ - | \$ - | \$ - |

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 3 - Statement of Program Operations: Metis Child,
Family and Community Services Agency Inc

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Grant - Province of Manitoba | | | |
| Core and Operational | \$ 10,088,532 | \$ 10,088,532 | \$ 10,814,758 |
| Other | 119,060 | 119,060 | 687,218 |
| | <u>10,207,592</u> | <u>10,207,592</u> | <u>11,501,976</u> |
| Expenses | | | |
| Grant to Agency | | | |
| Core and Operational | 10,088,532 | 10,088,532 | 10,814,758 |
| Other | 119,060 | 119,060 | 687,218 |
| | <u>10,207,592</u> | <u>10,207,592</u> | <u>11,501,976</u> |
| Excess of revenue over expenses | \$ - | \$ - | \$ - |

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 4 - Statement of Program Operations: Michif Child and Family Services Inc.

| For the year ended March 31 | 2015 | 2015 | 2014 |
|--|------------------|------------------|------------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Grant - Province of Manitoba | | | |
| Core and Operational | \$ 5,018,061 | \$ 5,018,061 | \$ 4,875,375 |
| Other | 32,643 | 32,643 | 211,068 |
| | <u>5,050,704</u> | <u>5,050,704</u> | <u>5,086,443</u> |
| Expenses | | | |
| Grant to Agency | | | |
| Core and Operational | 5,018,061 | 5,018,061 | 4,875,375 |
| Other | 32,643 | 32,643 | 211,068 |
| | <u>5,050,704</u> | <u>5,050,704</u> | <u>5,086,443</u> |
| Excess of revenue over expenses | \$ - | \$ - | \$ - |