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Special Operating Agencies
Financing Authority

Consolidated Financial Statements

March 31, 2015

Special Operating Agencies Financing Authority
Province of Manitoba

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Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the consolidated 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 July 21, 2015.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the consolidated financial statements are derived accurately reflect all transactions in all material respects.

The responsibility of the Auditor General is to express an independent opinion on whether the consolidated financial statements of the Special Operating Agencies Financing Authority are fairly represented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
Special Operating Agencies Financing Authority



Cindy Dryden, Chairperson
July 21, 2015

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Special Operating Agencies Financing Authority

We have audited the accompanying consolidated financial statements of the Special Operating Agencies Financing Authority, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and accumulated surplus, change in 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Special Operating Agencies Financing Authority as at March 31, 2015, and the results of its operations, its change in net debt 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
July 21, 2015
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Financial Position
As at March 31, 2015
(In Thousands)

	March 31, 2015	March 31, 2014
Financial Assets		
Cash and cash equivalents (Note 6)	$ 56,698	$ 64,847
Accounts receivable (Note 7)	14,738	18,219
Portfolio investments	6,920	7,430
Inventories for resale	7,991	7,668
	86,347	98,164
Liabilities		
Working capital advances (Note 8)	12,686	11,920
Accounts payable and accruals	17,000	21,261
Unearned revenue	4,653	4,580
Employee future benefits (Note 9)	6,750	7,846
Borrowings from the Province of Manitoba (Note 10)	105,802	103,816
	146,891	149,423
Net Debt	(60,544)	(51,259)
Non-financial Assets		
Inventories held for use	547	177
Prepaid expenses	3,869	3,892
Tangible capital assets (Note 11)	153,425	150,711
	157,841	154,780
Accumulated Surplus (Note 12)	$ 97,297	$ 103,521

Designated assets (Note 13)
Commitments (Note 14)
Contingencies (Note 15)

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

Province of Manitoba
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2015
(In Thousands)

	2015		2014
	Budget	**Actual**	**Actual**
Revenue			
Grants:			
Province of Manitoba	$ 8,660	$ 6,360	$ 7,221
Federal Government	50	78	244
Other	638	645	711
Total grants	9,348	7,083	8,176
Revenue from Province of Manitoba entities	123,531	125,440	129,686
Fees and other revenue	63,753	67,111	92,280
Investment income	223	470	477
Total revenue	196,855	200,104	230,619
Expense			
Personnel services	53,557	48,878	63,875
Grants/Transfer payments	3,708	1,357	856
Transportation	3,510	3,454	3,684
Communication	5,868	6,118	5,973
Supplies and services	70,891	73,386	72,646
Debt servicing	4,854	4,430	4,502
Minor capital	190	183	49
Amortization	26,919	28,015	27,249
Other operating	13,957	12,457	19,094
Total expense	183,454	178,278	197,928
Net income before the transfer of funds to the Province of Manitoba	13,401	21,826	32,691
Transfer of funds to the Province of Manitoba (Note 16)	28,050	28,050	27,880
Net income (loss)	(14,649)	(6,224)	4,811
Accumulated surplus, beginning of year	102,163	103,521	98,710
Accumulated surplus, end of year	$ 87,514	$ 97,297	$ 103,521

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

Special Operating Agencies Financing Authority
Province of Manitoba
Consolidated Statement of Change in Net Debt
For the Year Ended March 31, 2015
(In Thousands)

	2015 Budget	2015 Actual	2014 Actual
Net income (loss)	$ (14,649)	$ (6,224)	$ 4,811
Tangible capital assets			
Acquisition of tangible capital assets	(37,202)	(34,344)	(26,281)
Amortization of tangible capital assets	26,945	28,015	27,249
Gain on disposal of tangible capital assets	(504)	(485)	(678)
Disposal of tangible capital assets	3,000	4,100	3,561
Write-downs of tangible capital assets	-	-	2,915
Net change	(7,761)	(2,714)	6,766
Other non-financial assets			
Decrease in inventory held for use	(141)	(370)	23
(Increase) decrease in prepaid expense	(274)	23	157
Net change	(415)	(347)	180
(Increase) decrease in net debt	(22,825)	(9,285)	11,757
Net debt, beginning of year	(56,294)	(51,259)	(63,016)
Net debt, end of year	$ (79,119)	$ (60,544)	$ (51,259)

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

Province of Manitoba
Consolidated Statement of Cash Flow
For the Year Ended March 31, 2015
(In Thousands)

	2015 Actual	2014 Actual
Cash provided by (applied to):		
Operating		
Net income	$ (6,224)	$ 4,811
Amortization of tangible capital assets	28,015	27,249
Gain on disposal of tangible capital assets	(485)	(678)
Write-downs of tangible capital assets	-	2,915
	21,306	34,297
Change in:		
Accounts receivable	3,481	1,565
Inventories	(693)	166
Accounts payable and accruals	(4,261)	2,198
Unearned revenue	73	(2,673)
Employee future benefits	(1,096)	(1,601)
Prepaid expenses	23	157
Cash provided by operating activities	18,833	34,109
Capital		
Proceeds from disposal of tangible capital assets	4,100	3,561
Acquisition of tangible capital assets	(34,344)	(26,281)
Cash applied to capital activities	(30,244)	(22,720)
Investing		
Portfolio investments	510	2,001
Cash provided by (applied to) investing activities	510	2,001
Financing		
Working capital advances	766	(1,501)
Capital lease obligations	-	(74)
Borrowings from the Province of Manitoba	17,792	13,000
Debt repayments to the Province of Manitoba	(15,806)	(13,852)
Cash provided by (applied to) financing activities	2,752	(2,427)
Increase in cash	(8,149)	10,963
Cash and cash equivalents at beginning of year	64,847	53,884
Cash and cash equivalents at end of year	$ 56,698	$ 64,847
Supplemental cash flow information:		
Interest received	$ 484	$ 473
Interest paid	$ 4,427	$ 4,336

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

1. Nature of Organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

SOAs in operation during the fiscal year ended March 31, 2015 were as follows:

1) Crown Lands and Property Agency, Department of Infrastructure and Transportation
2) Entrepreneurship Manitoba, Department of Jobs and the Economy
3) Food Development Centre, Department of Agriculture, Food and Rural Development
4) Green Manitoba Eco Solutions, Department of Conservation and Water Stewardship
5) Industrial Technology Centre, Department of Jobs and the Economy
6) Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Jobs and the Economy
7) Manitoba Financial Services Agency, Department of Finance
8) Manitoba Text Book Bureau, Department of Education and Advanced Learning
9) Materials Distribution Agency, Department of Infrastructure and Transportation
10) Office of the Fire Commissioner, Department of Labour and Immigration
11) Pineland Forest Nursery, Department of Conservation and Water Stewardship
12) The Public Guardian and Trustee, Department of Justice
13) Vehicle and Equipment Management Agency, Department of Infrastructure and Transportation
14) Vital Statistics Agency, Department of Tourism, Culture, Heritage, Sport and Consumer Protection

1. Nature of Organization (continued)

Recent SOA changes

The designation of Civil Legal Services as a special operating agency under The Special Operating Agencies Financing Authority Act was revoked by a Manitoba Order in Council dated March 19, 2014 and its operating charter was cancelled effective March 31, 2014. Effective April 1, 2014, the former operations of Civil Legal Services will continue to operate as a branch of the Department of Justice.

Effective March 29, 2014, the Province of Manitoba granted Teranet a 30-year exclusive concession to operate its property registry services for a price of $75 million and annual royalties at rates based upon transaction volumes. Subsequent to the transfer agreement, the designation of The Property Registry as a special operating agency was revoked by a Manitoba Order in Council, and its operating charter was cancelled effective March 31, 2014.

On March 31, 2014, the net assets of Civil Legal Services and The Property Registry, totaling $1.3 million and $9.1 million respectively, were transferred to SOAFA. These net assets consisted primarily of cash and cash equivalents. The outstanding assets and liabilities were settled and $10 million was transferred to the Consolidated Fund of the Province of Manitoba during the year (Note 16).

2. Basis of Accounting

The consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

3. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all SOAs as listed in Note 1 to the consolidated financial statements. These SOAs are controlled by the Financing Authority. Control, as defined by the Public Sector Accounting Board, is the power to govern the financial and operating policies of the SOAs with expected benefits or the risk of loss to the Financing Authority from their activities.

All inter-entity accounts and transactions between these SOAs are eliminated upon consolidation.

4. Significant Accounting Policies

a. Revenue

(i) Government transfers
Government transfers are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All government transfers are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the stipulations give rise to a liability.

(ii) Exchange transactions
Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other revenue
All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual accounting
All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government transfers
Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met by the recipient.

c. Financial Assets

(i) Portfolio investments
Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost or amortized cost.

(ii) Inventories for resale
Inventories for resale are recorded at the lower of cost or net realizable value.

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

4. Significant Accounting Policies (continued)

e. Non-financial Assets

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

(i) Inventories
Inventories held for use are classified as non-financial assets. Inventories held for resale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year.

(ii) 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.

(iii) Tangible capital assets

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

Vehicles	-	straight line over term of lease
Vehicles, fire engines	-	30%, declining balance
Equipment and furniture	-	6 2/3% - 20%, straight line 20% - 30%, declining balance
Rental equipment	-	2 - 5 years, straight line
Computer equipment and software	-	4 - 15 years, straight line 20% - 30%, declining balance
Buildings	-	15 years, straight line 5% - 10%, declining balance
Practical training site	-	10%, declining balance
Leasehold improvements	-	5 - 10 years, straight line

f. 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.

Significant estimates used in the financial statements include allowance for doubtful accounts, net realizable value of inventory, amortization of tangible capital assets and accrued severance benefits costs.

4. Significant Accounting Policies (continued)

g. Administrative Expenses Paid by the Province of Manitoba

The Treasury Board Secretariat pays for salaries and certain operating expenses on behalf of the Financing Authority. These contributions totaling $121 (2014 - $113) were recorded as expenses and revenue of the Financing Authority.

5. 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 Financing Authority records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Financing Authority also records its financial liabilities at cost or amortized cost, which include working capital advances, accounts payable and borrowings.

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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Financing Authority did not incur any remeasurement gains and losses during the year (2014 - $nil).

Financial risk management - overview

The Financing Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk and 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 Financing Authority to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of the Financing Authority to credit risk at March 31 was:

	2015	2014
Cash and cash equivalents	$56,698	$64,847
Accounts receivable	14,738	18,219
Portfolio investments	6,920	7,430
	$78,356	$90,496

5. Financial Instruments and Financial Risk Management (continued)

Cash and cash equivalents, and portfolio investments: The Financing Authority is not exposed to significant credit risk as these amounts are held by the Minister of Finance or a Chartered Bank.

Accounts receivable: The Financing Authority is not exposed to significant credit risk as the majority of its accounts receivable are with related entities. The balance is due from a large client base, and payment in full is typically collected when it is due. The Financing Authority manages this credit risk through close monitoring of credit applications and overdue accounts.

The Financing 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 market conditions, customer 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	$ 746	$ 691
Provision for receivable impairment	72	215
Amounts written off	(103)	(160)
Balance, end of the year	$ 715	$ 746

The aging of accounts receivable and allowance for doubtful accounts as at March 31, 2015 was:

	Gross	Allowance	Net
Current	$ 13,397	$ 103	$ 13,294
30-60 days past billing date	827	-	827
61-90 days past the billing date	166	57	109
Greater than 90 days past the billing date	1,063	555	508
	$ 15,453	$ 715	$ 14,738

Liquidity risk

Liquidity risk is the risk that the Financing Authority will not be able to meet its financial obligations as they come due.

The Financing 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Financing Authority's income or the fair values of its financial instruments.

5. Financial Instruments and Financial Risk Management (continued)

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 funds on deposit, portfolio investments and borrowings.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Financing Authority manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A one percent (100 basis points) movement in interest rates on the working capital advances for an entire year would increase/decrease debt servicing costs by $123 (2014 - $127).

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

6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

7. Accounts Receivable

	2015	2014
Trade	$12,928	$16,935
Insurance agency rebate	750	179
Other	1,060	1,105
	$14,738	$18,219

8. Working Capital Advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $33,120 (2014 - $33,120) at any one time. As at March 31, 2015, $12,686 (2014 - $11,920) was advanced, leaving an unused balance of $20,434 (2014 - $21,200). These advances bear interest at prime less 1% and are not secured by specific assets.

9. Employee Future Benefits

	2015	2014
Pension benefits	$ -	$ -
Severance benefits	5,962	6,924
Sick leave benefits	788	922
	$ 6,750	$ 7,846

Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the SOAs, through the Civil Service Superannuation Fund.

Pursuant to an agreement with the Province of Manitoba, the SOAs are required to pay to the Province an annual amount equal to the current pension contributions of their employees. The amount paid for 2015 was $3,065 (2014 - $3,899). Under this agreement, the pension liability is the responsibility of the Province, and these SOAs have no further pension liability.

Severance benefits

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2015 was $5,962 (2014 - $6,924).

9. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 included the following components:

	2015	2014
Accrued benefit liability	6,248	7,119
Less: unamortized actuarial losses	(286)	(195)
Severance benefit liability	$5,962	$6,924

The total expenses related to severance benefits at March 31 included the following components:

	2015	2014
Interest on obligation	$365	$552
Current period benefit cost	290	278
Amortization of actuarial losses over EARSL of 15 years	33	28
Total expense related to severance benefit	$688	$858

Severance payments for 2015 amounted to $1,718 (2014 - $2,278).

Sick leave benefits

The Financing Authority provides sick leave benefits for employees that accumulate but do not vest. 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. These assumptions include a 3.75% annual salary increase and discount rates ranging from 5.00% - 6.00%.

10. Borrowings from the Province of Manitoba

Instalment Amount	Interest Rate	Maturity Date	2015	2014
Repayable in monthly instalments of principal plus interest:				
6	5.125%	Jul 31, 2023	$ 632	$ 707
3	4.875%	Jul 31, 2023	273	306
2	4.875%	Jul 31, 2023	178	200
1	3.875%	Jan 31, 2021	89	104
Repayable in quarterly instalments of principal plus interest:				
33	4.000%	Mar 1, 2021	798	931
49	3.000%	Mar 30, 2022	1,379	1,576
Repayable in semi-annual instalments of principal and interest:				
376	2.625%	Sep 30, 2014	-	371
148	4.875%	Mar 31, 2015	-	284
215	2.625%	Mar 31, 2015	-	421
117	4.125%	Sep 30, 2015	115	337
482	2.500%	Sep 30, 2015	476	1,409
271	2.563%	Sep 30, 2016	793	1,306
581	2.050%	Sep 30, 2016	1,709	2,820
186	3.450%	Mar 31, 2017	713	1,051
213	2.375%	Mar 31, 2017	828	1,228
269	2.250%	Sep 30, 2017	1,299	1,799
530	2.125%	Sep 30, 2017	2,566	3,555
212	2.125%	Mar 31, 2018	1,225	1,617
232	2.200%	Sep 30, 2018	1,558	1,982
754	2.750%	Sep 30, 2018	4,999	6,342
535	2.500%	Sep 30, 2019	4,527	-
482	2.500%	Sep 30, 2019	4,075	-
272	2.625%	Mar 31, 2020	2,532	3,000
265	1.813%	Mar 31, 2021	3,000	-
526	2.800%	Sep 30, 2022	7,079	-
237	4.875%	Sep 30, 2023	3,265	3,569
102	3.400%	Sep 30, 2023	1,498	1,647
334	5.000%	Mar 31, 2024	4,800	5,214
192	4.875%	Mar 31, 2024	2,770	3,010
2,018	4.875%	Mar 31, 2024	29,118	31,641
162	4.500%	Sep 30, 2024	2,478	2,683
201	4.000%	Sep 30, 2025	3,418	3,675
158	3.900%	Sep 30, 2025	2,697	2,901
162	4.550%	Mar 31, 2026	2,784	2,975
213	3.300%	Sep 30, 2027	4,327	4,603
127	3.250%	Sep 30, 2027	2,595	2,761
86	3.375%	Mar 31, 2028	1,788	1,896
80	5.000%	Mar 31, 2030	1,668	1,741

10. Borrowings from the Province of Manitoba (continued)

Instalment Amount	Interest Rate	Maturity Date	2015	2014
Repayable in annual instalments of principal plus interest:				
18	5.800%	Apr 30, 2017	53	71
175	5.625%	May 30, 2019	875	1,050
60	4.200%	Mar 31, 2026	-	725
113	3.400%	Mar 31, 2027	-	1,483
Repayment terms to be determined:				
-	Prime less 0.75%	-	825	825
			$105,802	$103,816

Interest cost is measured using the effective interest method. Principal repayments in each of the next five years are as follows:

2016	$16,406
2017	15,450
2018	13,453
2019	11,677
2020	9,894

The Loan Act approved the new loan authority of $35,260 for the year (2014 - $24,285). Of this available amount, $20,000 (2014 - $13,000) was drawn down during the year. The breakdown by SOA was as follows:

	2015		2014	
	Authorized	Drawdowns	Authorized	Drawdowns
Vehicle and Equipment Management Agency	$29,000	$20,000	$18,000	$13,000
Crown Lands and Property Agency	5,000	-	5,000	-
Industrial Technology Centre	910	-	910	-
Pineland Forest Nursery	100	-	105	-
Vital Statistics Agency	250	-	270	-
Total	$35,260	$20,000	$24,285	$13,000

11. Tangible Capital Assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Vehicles (signed lease agreement)	$ 233,602	$ 30,643	$ 20,317	$ 243,928
Vehicles, fire engines	3,136	21	-	3,157
Equipment and furniture	21,048	1,283	382	21,949
Rental equipment	11,487	998	74	12,411
Computer equipment and software	13,783	833	282	14,334
Buildings	28,097	34	-	28,131
Practical training site	2,630	96	-	2,726
Leasehold improvements	2,281	436	-	2,717
Total cost	316,064	34,344	21,055	329,353

	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Vehicles (signed lease agreement)	114,507	23,707	17,140	121,074
Vehicles, fire engines	2,645	126	-	2,771
Equipment and furniture	14,248	1,193	31	15,410
Rental equipment	10,131	902	-	11,033
Computer equipment and software	8,012	460	269	8,203
Buildings	12,163	1,416	-	13,579
Practical training site	1,722	94	-	1,816
Leasehold improvements	1,925	117	-	2,042
Total Accumulated amortization	165,353	28,015	17,440	175,928
Net	$ 150,711	$ 6,329	$ 3,615	$ 153,425

11. Tangible Capital Assets (continued)

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Vehicles (signed lease agreement)	$ 232,609	$ 21,493	$ 20,500	$ 233,602
Vehicles, fire engines	3,136	-	-	3,136
Equipment and furniture	22,133	887	1,972	21,048
Rental equipment	10,581	906	-	11,487
Computer equipment and software	16,883	2,787	5,887	13,783
Buildings	28,054	43	-	28,097
Practical training site	2,630	-	-	2,630
Leasehold improvements	2,791	165	675	2,281
Total cost	318,817	26,281	29,034	316,064

	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Vehicles (signed lease agreement)	110,381	21,939	17,813	114,507
Vehicles, fire engines	2,436	209	-	2,645
Equipment and furniture	14,919	1,232	1,903	14,248
Rental equipment	9,224	907	-	10,131
Computer equipment and software	9,631	1,268	2,887	8,012
Buildings	10,680	1,483	-	12,163
Practical training site	1,621	101	-	1,722
Leasehold improvements	2,448	110	633	1,925
Total Accumulated amortization	161,340	27,249	23,236	165,353
Net	$ 157,477	$ (968)	$ 5,798	$ 150,711

12. Accumulated Surplus

Reserve funds

The Manitoba Financial Services Agency has designated $750 of its portfolio investments (2014 - $750) as a reserve fund to provide for extraordinary regulatory expenses and changes in market activity affecting revenue.

13. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Financing Authority can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Financing Authority has allocated $5,593 (2014 - $5,593) of its portfolio investments as designated assets for the following purposes:

a) The Manitoba Financial Services Agency maintains separate deposits of $750 (2014 - $750) to fund expenses which may arise with respect to its reserve fund (Note 12).

b) The Financing Authority has received $4,843 ($2014 - $4,843) of cash from the Province of Manitoba as settlement for the vacation entitlements earned by the employees of the SOAs prior to their designation as SOAs and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding vacation and severance pay amounts.

14. Commitments

Commitments for SOAs at March 31, 2015 amounted to $6,986 (2014 - $6,095).

All SOAs	Lease commitments	$ 5,378
Crown Lands and Property Agency	Vehicle and equipment leases	10
Green Manitoba Eco Solutions	Contractual obligations	1,171
Office of the Fire Commissioner	Vehicle leases	427
		$ 6,986

Estimated minimum lease payments for each of the next five years are as follows:

2016	$2,112
2017	912
2018	861
2019	762
2020	723

15. Contingencies

The Manitoba Financial Services Agency has been named as defendant in one complaint. At the time of preparation of these financial statements, the outcome of this complaint was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

16. Transfer of Funds to the Province of Manitoba

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Order in Council, allocated $28,050 (2014 - $27,880) of the Financing Authority's surplus funds for transfer to the Consolidated Fund of the Province of Manitoba. Payments for this transfer were made by the following agencies:

	2015	2014
Civil Legal Services	$ -	$ 250
Entrepreneurship Manitoba	2,500	2,500
Industrial Technology Centre	100	-
Manitoba Financial Services Agency	11,800	10,300
Materials Distribution Agency	200	200
Office of the Fire Commissioner	750	750
Special Operating Agencies Financing Authority	10,000	-
The Property Registry	-	11,000
Vehicle and Equipment Management Agency	2,500	2,500
Vital Statistics Agency	200	380
	$28,050	$27,880

17. Estates and Trusts under Administration

The Public Guardian and Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2015 amounted to approximately $249,000 (2014 - $239,000). The trust activities of The Public Guardian and Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the various Special Operating Agencies consolidated in these financial statements.

19. Comparative figures

Certain 2014 financial statement figures have been reclassified to be consistent with the 2015 presentation.

Special Operating Agencies Financing Authority

Province of Manitoba

Schedule of Summarized Results by Special Operating Agency

For the Year Ended March 31, 2015

(In Thousands)

	2015				
	Revenue	**Expense**	**Net income (loss) before the transfer**	**Transfer of funds to the Province of Manitoba**	**Net income (loss)**
Civil Legal Services	$ -	$ -	$ -	$ -	$ -
Crown Lands and Property Agency	3,974	4,042	(68)	-	(68)
Entrepreneurship Manitoba	11,236	7,419	3,817	2,500	1,317
Food Development Centre	4,007	5,508	(1,501)	-	(1,501)
Green Manitoba Eco Solutions	1,748	1,980	(232)	-	(232)
Industrial Technology Centre	2,806	2,667	139	100	39
Manitoba Education, Research and Learning Information Networks	4,976	4,881	95	-	95
Manitoba Financial Services Agency	18,727	5,036	13,691	11,800	1,891
Manitoba Text Book Bureau	7,097	7,161	(64)	-	(64)
Materials Distribution Agency	26,341	26,100	241	200	41
Office of the Fire Commissioner	17,618	13,966	3,652	750	2,902
Pineland Forest Nursery	2,059	2,653	(594)	-	(594)
The Property Registry	-	-	-	-	-
The Public Guardian and Trustee (formerly The Public Trustee)	7,093	6,865	228	-	228
Vehicle and Equipment Management Agency	90,351	87,833	2,518	2,500	18
Vital Statistics Agency	3,881	3,886	(5)	200	(205)
Special Operating Agencies Financing Authorit	184	275	(91)	10,000	(10,091)
Total before consolidation adjustments	202,098	180,272	21,826	28,050	(6,224)
Consolidation adjustments:					
- Elimination of transactions between SOAs	(1,994)	(1,994)	-	-	-
Net income	$ 200,104	$ 178,278	$ 21,826	$ 28,050	$ (6,224)

Special Operating Agencies Financing Authority

Province of Manitoba

Schedule of Summarized Results by Special Operating Agency

For the Year Ended March 31, 2015

(In Thousands)

	2014				
	Revenue	**Expense**	**Net income (loss) before the transfer**	**Transfer of funds to the Province of Manitoba**	**Net income (loss)**
Civil Legal Services	$ 8,769	$ 8,150	$ 619	$ 250	$ 369
Crown Lands and Property Agency	4,315	4,119	196	-	196
Entrepreneurship Manitoba	10,839	7,016	3,823	2,500	1,323
Food Development Centre	3,986	5,160	(1,174)	-	(1,174)
Green Manitoba Eco Solutions	2,396	1,589	807	-	807
Industrial Technology Centre	2,884	2,779	105	-	105
Manitoba Education, Research and Learning Information Networks	4,729	4,677	52	-	52
Manitoba Financial Services Agency	18,119	5,012	13,107	10,300	2,807
Manitoba Text Book Bureau	6,872	6,984	(112)	-	(112)
Materials Distribution Agency	24,403	24,200	203	200	3
Office of the Fire Commissioner	16,297	13,356	2,941	750	2,191
Pineland Forest Nursery	2,377	2,923	(546)	-	(546)
The Property Registry	28,479	18,312	10,167	11,000	(833)
The Public Guardian and Trustee (formerly The Public Trustee)	7,093	6,611	482	-	482
Vehicle and Equipment Management Agency	88,214	86,542	1,672	2,500	(828)
Vital Statistics Agency	3,965	3,591	374	380	(6)
Special Operating Agencies Financing Authorit	130	155	(25)	-	(25)
Total before consolidation adjustments	233,867	201,176	32,691	27,880	4,811
Consolidation adjustments:					
- Elimination of transactions between SOAs	(3,248)	(3,248)	-	-	-
Net income	$ 230,619	$ 197,928	$ 32,691	$ 27,880	$ 4,811

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

(In thousands)

Financial Statements

Year Ended March 31, 2015

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

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Year Ended March 31, 2015

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Management's Responsibility for Financial Reporting

The Crown Lands and Property Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows 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 judgement regarding all necessary estimates and all other data available through June, 2015.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Original document signed

Mr. Normand Le Neal, Financial Officer

Original document signed

Ms Grace DeLong, Chief Operating Officer

Portage la Prairie, MB

THE EXCHANGE
chartered accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Crown Lands and Property Agency

We have audited the accompanying financial statements of Crown Lands and Property Agency, An Agency of the Government of Manitoba, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, change in 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.

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 Crown Lands and Property Agency, An Agency of the Government of 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.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
June 10, 2015

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CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Financial Position

March 31, 2015

(In thousands)

	2015	2014
FINANCIAL ASSETS		
Accounts receivable *(Notes 3, 5)*	$ 643	$ 660
Restricted cash *(Note 13)*	1,419	897
Severance pay benefits, vacation pay and banked time cash in trust *(Note 8)*	670	670
Assets held in trust *(Notes 4, 9)*	3	3
Surplus land sales *(Note 6)*	93	-
	$ 2,828	$ 2,230
LIABILITIES		
Working capital advance *(Note 10)*	$ 4,494	$ 3,799
Accounts payable and accrued liabilities *(Note 11)*	505	793
Deferred income	7	6
Trust fund liability *(Note 9)*	3	3
Severance pay liability *(Note 12)*	352	365
Client held funds *(Note 13)*	1,419	897
Deferred leases *(Note 14)*	83	85
Surplus land sales *(Note 6)*	-	280
	6,863	6,228
NET DEBT	$ (4,035)	$ (3,998)
NON-FINANCIAL ASSETS		
Prepaid expenses *(Note 3)*	$ 97	$ 74
Tangible capital assets *(Notes 3, 7)*	142	196
	239	270
ACCUMULATED DEFICIT	$ (3,796)	$ (3,728)

LEASE COMMITMENTS *(Note 15)*

ON BEHALF OF CROWN LANDS AND PROPERTY AGENCY

Original document signed _____ *Chief Operating Officer*

Original document signed _____ *Finance Officer*

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Operations

Year Ended March 31, 2015

	Budget 2015	2015	2014
REVENUE	**$ 5,788**	**$ 3,974**	$ 4,315
EXPENSES			
Advertising	**18**	**17**	6
Amortization	**312**	**74**	79
Bad debts (recovery)	**20**	**(70)**	(156)
Computer maintenance costs	**335**	**135**	121
Contributed services	**66**	**13**	30
Desktop operating lease	**218**	**188**	191
Employee training	**55**	**25**	22
Insurance	**3**	**4**	3
Interest on working capital advance	**271**	**67**	85
Meals and accommodations	**7**	**3**	4
Office	**44**	**32**	35
Postage	**48**	**57**	51
Printing	**38**	**30**	34
Professional fees	**279**	**257**	129
Publications	**14**	**11**	12
Relocation expense	**2**	**1**	-
Rental	**263**	**258**	258
Repairs and maintenance	**9**	**13**	4
Salaries and benefits	**3,803**	**2,832**	3,093
Telephone	**40**	**43**	41
Travel	**74**	**52**	76
	5,919	**4,042**	4,118
ANNUAL SURPLUS (DEFICIT)	**(131)**	**(68)**	197
ACCUMULATED DEFICIT - BEGINNING OF YEAR	**(4,090)**	**(3,728)**	(3,925)
ACCUMULATED DEFICIT - END OF YEAR	**$ (4,221)**	**$ (3,796)**	$ (3,728)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Change in Net Debt

Year Ended March 31, 2015

	Budget 2015	**2015**	2014
ANNUAL SURPLUS (DEFICIT)	$ (131)	**$ (68)**	$ 197
Purchase of tangible capital assets	(4,575)	**(19)**	(57)
Amortization of tangible capital assets	312	**73**	79
Increase in prepaid expenses	(235)	**(23)**	(33)
DECREASE (INCREASE) IN NET DEBT	(4,629)	**(37)**	186
NET DEBT - BEGINNING OF YEAR	(4,842)	**(3,998)**	(4,184)
NET DEBT - END OF YEAR	$ (9,471)	**$ (4,035)**	$ (3,998)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Cash Flow

Year Ended March 31, 2015

(In thousands)

	2015	2014
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 4,062**	$ 4,362
Cash paid to suppliers and employees	**(4,281)**	(4,120)
Interest paid	**(67)**	(85)
Increase (decrease) in deferred leases	**(2)**	19
Decrease in severance pay liability	**(13)**	(4)
Change in surplus land sales	**(373)**	(119)
Cash flow from (used by) operating activities	**(674)**	53
INVESTING ACTIVITY		
Purchase of tangible capital assets	**(19)**	(57)
DECREASE IN CASH	**(693)**	(4)
WORKING CAPITAL ADVANCE - BEGINNING OF YEAR	**(3,799)**	(3,795)
WORKING CAPITAL ADVANCE - END OF YEAR	**$ (4,492)**	$ (3,799)

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency has transactional authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency represents the Manitoba government in its land dealings with the public, striving to ensure that the government's real estate business is conducted in a manner that is fair, open and transparent, timely and professional, and fiscally and environmentally responsible.

The Agency consolidates the services previously provided by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba for continued financing and it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. BASIS OF ACCOUNTING

The financial statements of the Agency have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the public Sector Accounting Board (PSAB).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in Manitoba Agriculture, Food and Rural Development (MAFRD) and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRD and Manitoba Conservation).

Financial Assets

1. Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts and bank borrowings are considered to be financing activities.

2. Accounts receivable

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

Liabilities

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

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-financial assets

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

1. Prepaid expenses

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

2. Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs such as freight charges, transportation, insurance costs and duties. Modifications or additions to the original asset are capitalized and recognized at cost.

The values of tangible capital assets are written down when conditions indicate that the values of the future economic benefits associated with the tangible capital assets are less than their book values.

The costs of tangible capital assets, less their estimated residual values, are amortized over their useful lives in the following manner:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

4. FINANCIAL INSTRUMENTS

Measurement

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

The Agency records its financial assets at cost or amortized cost. Financial assets include cash and accounts receivable. The Agency also records its financial liabilities at cost. Financial liabilities include working capital advances, accounts payable and accrued liabilities, and borrowings.

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 Agency did not incur any re-measurement gains and losses during the year ended March 31, 2015 (2014 - $nil).

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest 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 Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2014 is:

	2014	2013
Accounts receivable	**$ 643**	$ 660

Cash: The Agency is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

Receivables: The Agency is not exposed to significant concentration of credit risk, since the receivables are from a large client base. An allowance for doubtful accounts of $NIL was recorded as of March 31, 2015 (2014 - $83).

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements with draw downs from its available working capital advances and its other borrowings from the Province of Manitoba. Regular determinations of the Agency's working capital advances limit and its other debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income from 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, cash equivalents, portfolio investments, working capital advances, and to other borrowings.

The interest rate risk on cash and working capital advances is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long term borrowings through the exclusive use of fixed rate terms on each amount borrowed.

5. ACCOUNTS RECEIVABLE

	2015	2014
Accounts receivable	**$ 643**	$ 743
Allowance for doubtful accounts	-	(83)
	$ 643	$ 660

6. SURPLUS LAND SALES

Surplus land sales consist of properties which are not under the Crown Lands Act but are under the departmental jurisdiction. These properties are being sold on behalf of clients with the net proceeds issued to the consolidated fund or charged back to the client if the sale is not finalized.

7. TANGIBLE CAPITAL ASSETS

	2015			
	Opening balance	Additions	Disposals	**Closing balance**
Cost				
Equipment	$ 138	$ -	$ (29)	**$ 109**
Computer equipment	274	16	(149)	**141**
Computer software	176	3	(81)	**98**
Furniture and fixtures	170	-	-	**170**
	$ 758	$ 19	$ (259)	**$ 518**
Accumulated amortization				
Equipment	$ 85	$ 17	$ (29)	**$ 73**
Computer equipment	233	16	(149)	**100**
Computer software	133	12	(81)	**64**
Furniture and fixtures	111	28	-	**139**
	562	73	(259)	**376**
	$ 196	$ (54)	$ -	**$ 142**

	2014			
Cost				
Equipment	$ 138	$ -	$ -	**$ 138**
Computer equipment	259	15	-	**274**
Computer software	134	42	-	**176**
Furniture and fixtures	170	-	-	**170**
	$ 701	$ 57	$ -	**$ 758**
Accumulated amortization				
Equipment	$ 68	$ 17	$ -	**$ 85**
Computer equipment	214	19	-	**233**
Computer software	122	11	-	**133**
Furniture and fixtures	79	32	-	**111**
	483	79	-	**562**
	$ 218	$ (22)	$ -	**$ 196**

8. SEVERANCE PAY BENEFITS, VACATION PAY AND BANKED TIME CASH IN TRUST

The Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Land Acquisition Branch to March 31, 1998.

Effective March 31, 2010 the Province of Manitoba has paid the receivable balances related to the funding for these liabilities and has placed the amount of $670 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

9. ASSETS HELD IN TRUST

The assets held in trust were pledged to the Agency to complete outstanding projects transferred from the Province of Manitoba. The trust fund liability offsets the assets held in trust until work performed on outstanding projects have been completed.

10. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $8,000 of which $4,494 was used as at March 31, 2015 (2014 - $3,799). The advance is unsecured, and interest is charged at Prime less 1% on the daily balance.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade accounts payable	**$ 164**	$ 362
Accrued wages, vacation pay and banked time	**284**	374
Sick pay leave obligation	**57**	57
	$ 505	$ 793

12. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The severance benefit at March 31 included the following components:

	2015	2014
Balance, beginning of year	**$ 289**	$ 284
Actuarial loss (gain)	**(25)**	-
Benefits accrued	**17**	16
Interest on accrued benefits	**16**	19
Severance paid	**(37)**	(30)
Accrued benefit liability	**260**	289
Add: unamortized actuarial gains	**92**	76
Severance benefit liability	**$ 352**	$ 365

13. CLIENT HELD FUNDS

The Agency invoices and collects funds on behalf of other departments. All amounts received for these departments are recorded as a liability and are held in a separate bank account.

14. DEFERRED LEASES

The Agency manages leases on behalf of clients. The Agency remits to the consolidated fund the difference of revenue generated and the costs to manage the leases.

15. LEASE COMMITMENTS

During the year ended March 31, 2015, the Agency incurred costs of $258 for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

The Agency has entered into various leases for vehicles and office equipment. The expected payments for the remaining terms of the lease agreements are as follows:

2016	$ 10

16. PENSION BENEFITS

Employees of Crown Lands and Property Agency (the "Agency") are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund.

The pension liability related to the CSSA's defined benefit plan is included in the Province of Manitoba's financial statements. Accordingly, no provision is required in the Agency's financial statements relating to the effects of participation in the plan by the Agency and its employees.

The Agency is regularly required to pay to the Province an amount equal to the current pension contributions paid by its employees.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

18. CONTINGENT LIABILITY

As at March 31, 2015, there were two outstanding claims for flooded properties. The claims do not clearly articulate the Agency's involvement, outside of its role in administering compensation. It is unknown at this time if there are any future liabilities related to these claims.

ENTREPRENEURSHIP MANITOBA

FINANCIAL STATEMENTS

MARCH 31, 2015

ENTREPRENEURSHIP
MANITOBA

Companies Office
1010-405 Broadway, Winnipeg, Manitoba, Canada R3C 3L6
T 204-945-2500 F 204-945-1459
www.manitoba.ca/emb

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Entrepreneurship Manitoba 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 judgments regarding all necessary estimates and all other data available as at June 5, 2015.

Management maintains internal controls to properly safeguard the assets of Entrepreneurship Manitoba 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 Entrepreneurship Manitoba 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 Entrepreneurship Manitoba are fairly represented, in all material respects, 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 the financial statements.

On behalf of Management of
Entrepreneurship Manitoba

Original document signed

Craig Halwachs
Chief Operating Officer

Original document signed

David Rudy
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority
and Entrepreneurship Manitoba

Report on the Financial Statements

We have audited the accompanying financial statements of Entrepreneurship Manitoba, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2015 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 Entrepreneurship 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.



June 5, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2015

	2015 Actual	2014 Actual
Financial assets		
Cash and cash equivalents	$ 6,769	$ 5,312
Trade accounts receivable	225	375
Receivable from the Province of Manitoba	-	213
Portfolio investments	1,445	2,055
	8,439	7,955
Liabilities		
Accounts payable and accrued liabilities	331	512
Accrued vacation entitlements	401	385
Provision for loan guarantees (Note 4)	783	644
Employee future benefits (Note 5)	430	402
Borrowings from the Province of Manitoba (Note 6)	2,177	2,507
	4,122	4,450
Net financial assets	4,317	3,505
Non-financial assets		
Tangible capital assets (Note 7)	4,703	4,204
Prepaid expenses	12	13
Inventories of supplies	41	34
	4,756	4,251
Accumulated surplus	$ 9,073	$ 7,756

Designated assets (Note 8)

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Fees and services	$ 8,760	$ 9,430	$ 9,025
Immigration settlement transfer	1,750	1,750	1,750
Investment income	20	56	64
	10,530	11,236	10,839
Expenses:			
Salaries and employee benefits	4,404	3,931	3,729
Operating expenses (Schedule 1)	4,378	3,483	3,278
Amortization of tangible capital assets	233	5	9
	9,015	7,419	7,016
Net income before the transfer of funds to the Province of Manitoba	1,515	3,817	3,823
Transfer of funds to the Province of Manitoba (Note 9)	2,500	2,500	2,500
Net income for the year	(985)	1,317	1,323
Accumulated surplus, beginning of year	6,651	7,756	6,433
Accumulated surplus, end of year	$ 5,666	$ 9,073	$ 7,756

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Net income for the year	$ (985)	$ 1,317	$ 1,323
Tangible capital assets:			
Acquisition of tangible capital assets	(425)	(504)	(911)
Amortization of tangible capital assets	233	5	9
Net acquisition of tangible capital assets	(192)	(499)	(902)
Other non-financial assets:			
Change in prepaid expenses during the year	-	1	(7)
Change in inventories of supplies during the year	-	(7)	1
Net acquisition of other non-financial assets	-	(6)	(6)
Increase (decrease) in net financial assets	(1,177)	812	415
Net financial assets, beginning of year	2,343	3,505	3,090
Net financial assets, end of year	$ 1,166	$ 4,317	$ 3,505

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2015

	2015 Actual	2014 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 1,317	$ 1,323
Adjustment for:		
Amortization of tangible capital assets	5	9
	1,322	1,332
Changes in the following:		
Accounts receivable	150	(126)
Receivable from the Province of Manitoba	213	(213)
Prepaid expenses	1	(7)
Inventories of supplies	(7)	1
Accounts payable and accrued liabilities	(181)	(362)
Provision for loan guarantees	139	644
Accrued vacation entitlements	16	144
Employee future benefits	28	80
Cash provided by operating activities	1,681	1,493
Capital activities:		
Capital asset additions	(504)	(911)
Cash (applied to) capital activities	(504)	(911)
Financing activities:		
Debt repayments to the Province of Manitoba	(330)	(330)
Cash (applied to) financing activities	(330)	(330)
Investing activities:		
Change in portfolio investments	610	(20)
Cash provided by (applied to) investing activities	610	(20)
Change in cash and cash equivalents	1,457	232
Cash and cash equivalents, beginning of year	5,312	5,080
Cash and cash equivalents, end of year	$ 6,769	$ 5,312

See accompanying notes to financial statements.

1. Nature of organization

Effective April 1, 2013, Entrepreneurship Manitoba (the "Agency") commenced operations as a Government of Manitoba Special Operating Agency (SOA) under *The Special Operating Agencies Financing Authority Act* (C.C.S.M. cS185) by Order in Council No. 78/2013. The Agency integrates the operations of the former Companies Office and Manitoba Jobs and the Economy's Small Business Development Branch, Competitiveness Initiatives Branch and the Business Settlement Office of the Business Immigration and Investment Branch.

The Agency is in the department of Jobs and the Economy and is under the policy direction of the Minister, the Deputy Minister, and the Assistant Deputy Minister of Manitoba Jobs and the Economy. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its operating charter in order to meet business objectives.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Fees and services

Fees and services revenue is recognized when the rendering of services is complete or substantially complete and when collection is reasonably assured.

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Other revenue

All other revenue is recognized on an accrual basis.

(b) Expenses

Accrual accounting

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

3. Summary of significant accounting policies (continued)

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

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.

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.

Portfolio investments

Portfolio investments are deposits or investments with original maturities of greater than three months. These investments are recognized at cost.

(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 Agency. These amounts are normally employed to provide future services.

Tangible capital assets

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

Computer equipment and software	20% straight line (10% in year of acquisition)
Office equipment	20% straight line (10% in year of acquisition)
Furniture and fixtures	20% straight line (10% in year of acquisition)
Leasehold improvements	20% straight line (10% in year of acquisition)
System development costs	15 years straight line

3. Summary of significant accounting policies (continued)

Prepaid expenses

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

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the period the supplies are used or consumed.

(f) Financial instruments - measurement

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

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, trade accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities and borrowings.

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 financial instruments measured at fair value, if any, 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.

(g) Measurement uncertainty

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. Actual results may differ from these estimates.

4. Provision for loan guarantees

Effective April 1, 2013, responsibility for the Province's Manitoba Business Start Loan Guarantee Program was transferred to the Agency. Losses on these loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when the amount of the anticipated loss can be reasonably estimated. The amount of the provision for loan losses is determined by taking into consideration the Program's historical loss experience and current economic conditions. Any increase or decrease in the provision is recognized in operating expenses for the year.

Under *The Loan Act*, the Province guarantees loans up to $30 each made by participating financial institutions to new owner-managed businesses operating in Manitoba. Business Start Loans are five year term loans at prime plus 1% interest with a one year deferral on principal repayment. In the event of a Business Start Loan default within the five year term, the lender can make a claim for the outstanding loan balance and up to 120 days of interest. When the Agency makes a claim payment, the lender will assign the defaulted loan to the Agency, which allows for potential recovery from the borrower by the Agency.

4. Provision for loan guarantees (continued)

As at March 31, 2015, the following debt has been guaranteed under the Manitoba Business Start Loan Guarantee Program (2014 - principal outstanding of $2,966):

	Revolving authorized limit	Principal outstanding
Business Start Loans under *The Loan Act*	$ 5,000	$ 3,561

As at March 31, 2015, the Agency has recorded a provision of $783 for these loan guarantees (2014 - $644). The increase in the provision of $139 (2014 - $nil) represents the loan guarantee losses recognized as an expense during the year. In addition, the Agency made total loan guarantee payments during the year of $131 (2014 - $112) for total loan guarantee losses and payments during the year of $270 (2014 - $112).

As at March 31, 2015, no amounts receivable relating to defaulted loans assigned to the Agency are included in these financial statements due to the uncertainty of recovering any amounts relating to these defaulted loans (2014 - $nil). Recoveries, if any, will be recognized in the period in which payments are received.

5. Employee future benefits

	2015	2014
Severance benefits	$ 371	$ 343
Sick pay benefits	59	59
	$ 430	$ 402

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the *Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $217 (2014 - $196). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

5. Employee future benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 is $371 (2014 - $343), with the total actuarial losses of $168 (2014 - $83) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability as at March 31 includes the following components:

	2015	2014
Accrued benefit liability, beginning of year	$ 394	$ 338
Actuarial (gains) losses	85	-
Current period service costs	25	16
Interest on accrued benefits	29	22
Severance benefits paid	(37)	(73)
Transfer of severance benefits due to reorganization	-	91
Accrued benefit liability, end of year	496	394
Less: unamortized actuarial losses	(125)	(51)
Severance benefit liability, end of year	$ 371	$ 343

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2015	2014
Current period service costs	25	16
Interest on accrued benefits	$ 29	$ 22
Amortization of actuarial losses over EARSL	11	6
Total expense related to severance benefits	$ 65	$ 44

5. Employee future benefits (continued)

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements 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. These assumptions include a 6.00% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2015 based on the valuation model is $59 (2014 - $59). The increase in the sick leave benefit liability of $nil (2014 - $18) represents the total sick leave benefit expense for the year.

6. Borrowings from the Province of Manitoba

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed below on behalf of the Agency.

Borrowings obtained through the use of available Loan Act Authority are repayable in quarterly instalments of principal and interest as follows:

	2015	2014
4.0% repayable in quarterly instalments of $33 principal plus interest, maturing in 2021	$ 798	$ 931
3.0% repayable in quarterly instalments of $49 principal plus interest, maturing in 2022	1,379	1,576
	$ 2,177	$ 2,507

Interest is measured using the effective interest method. Approximate scheduled principal repayments in each of the next five years are as follows:

2016	$ 330
2017	330
2018	330
2019	330
2020	330

7. Tangible capital assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 119	$ -	$ -	$ 119
Office equipment	16	-	-	16
Furniture and fixtures	145	-	-	145
Leasehold improvements	40	-	-	40
System development costs	4,182	504	-	4,686
	$ 4,502	$ 504	$ -	$ 5,006
Accumulated amortization				
Computer equipment and software	(107)	(4)	-	(111)
Office equipment	(16)	-	-	(16)
Furniture and fixtures	(135)	(1)	-	(136)
Leasehold improvements	(40)	-	-	(40)
Total accumulated amortization	$ (298)	$ (5)	$ -	$ (303)
Net book value	$ 4,204	$ 499	$ -	$ 4,703

During the year, system development costs were capitalized in the amount of $504 (2014 - $902). The total cost of tangible capital assets not subject to amortization as at March 31, 2015 is $4,686 (2014 - $4,182). Amortization will commence when construction is complete and the system is available for use.

7. Tangible capital assets (continued)

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 119	$ -	$ -	$ 119
Office equipment	16	-	-	16
Furniture and fixtures	136	9	-	145
Leasehold improvements	40	-	-	40
System development costs	3,280	902	-	4,182
	$ 3,591	$ 911	$ -	$ 4,502
Accumulated amortization				
Computer equipment and software	(101)	(6)	-	(107)
Office equipment	(16)	-	-	(16)
Furniture and fixtures	(132)	(3)	-	(135)
Leasehold improvements	(40)	-	-	(40)
Total accumulated amortization	$ (289)	$ (9)	$ -	$ (298)
Net book value	$ 3,302	$ 902	$ -	$ 4,204

8. Designated assets

The Agency has allocated $218 (2014 - $218) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the former Companies Office prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain employees. In addition, during the current year, $213 was received from the Province of Manitoba for vacation and severance benefits transferred to the Agency as of April 1, 2013 relating to the reorganization effective as of this date. These amounts are held in interest bearing trust accounts until the cash is required to discharge the related liabilities for severance and vacation entitlements. Any unused balance is re-invested annually.

During the prior year, $644 was received from the Province of Manitoba for the total provision for loan guarantees transferred to the Agency as of April 1, 2013. This amount is also held in an interest bearing trust account until cash is required to discharge the related liabilities for loan guarantees.

As at March 31, 2015, the Agency has a total of $1,075 (2014 - $1,075) of its portfolio investments designated for specific purposes as described above.

9. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $2,500 (2014 - $2,500) of its surplus funds to the Province of Manitoba. These amounts are recorded as an expense in the statement of operations.

10. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2014 - $nil).

Financial risk management - overview

The Agency 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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Agency to credit risk as at March 31 is:

	2015	2014
Cash and cash equivalents	$ 6,769	$ 5,312
Accounts receivable	225	375
Receivable from Province of Manitoba	-	213
Portfolio investments	1,445	2,055
	$ 8,439	$ 7,955

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable is due from a large client base and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of any overdue accounts.

The Agency 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.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2015 is $nil (2014 - $nil).

10. Financial instruments and financial risk management (continued)

The aging of accounts receivable and allowance for doubtful accounts at March 31, 2015 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 188	$ -	$ 188
30-60 days past the billing date	25	-	25
61-90 days past the billing date	2	-	2
90 days past the billing date	10	-	10
	$ 225	$ -	$ 225

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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 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 Agency's income 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 due to their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on borrowings through the exclusive use of fixed rate terms for its borrowings.

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

11. Comparative information

Certain of the amounts for the year ended March 31, 2014 have been reclassified to conform to the financial statement presentation adopted for the current year.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Operating Expenses **Schedule 1**

(in thousands)

Year ended March 31, 2015

	2015	2014
Advertising and brochures	$ 20	$ 30
Audit fees	11	9
Bad debts	2	2
Bank and credit card charges	55	67
C/MBSC expenses	-	15
Communications and telephone	78	68
Commissioner for Oath and Notary Public fees	140	141
Computer expenses	176	183
Computer programming	252	220
Conference/convention registration fees	2	3
Desktop support costs	234	202
Disaster recovery and electronic storage	45	52
Education and training expenses	23	2
Equipment maintenance and rentals	3	4
Hall rentals	20	20
Hospitality	2	3
Insurance expense	16	14
Interest on borrowings	80	92
Journey Persons Program grant expenditures	3	17
Legal services	47	49
Library materials	21	4
Loan guarantee losses and payments (Note 4)	270	112
Manitoba Business Links, net of recoveries	237	164
Miscellaneous expenses	51	102
Name search applications	161	167
New system costs - BSI allocation	871	918
Occupancy costs	309	280
Payroll processing	21	21
Postage and courier	78	67
Promotional materials	19	14
Publications	25	20
Seminar hall rental	27	6
Sponsorships	15	11
Stationery and supplies	100	87
Subscriptions	7	18
Translation services	2	6
Travel and transportation	46	43
Website hosting fees	1	39
Workshops	13	6
	$ 3,483	$ 3,278

FOOD DEVELOPMENT CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2015

FOOD DEVELOPMENT CENTRE
Growing Opportunities in Food

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Food Development Centre 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 judgments regarding all necessary estimates and all other data available as at July 27, 2015.

Management maintains internal controls to properly safeguard the assets of Food Development Centre 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 Food Development Centre 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 Food Development Centre are fairly represented, in all material respects, 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 the financial statements.

On behalf of Management of
Food Development Centre

Original document signed

Tim Hore
Chief Operating Officer/General Manager

Original document signed

Guy Van Den Bussche
Manager of Support Services

Box 1240 • 810 Phillips Street • Portage la Prairie, Manitoba • R1N 3J9
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A Special Operating Agency of Manitoba Agriculture, Food & Rural Development

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority
and Food Development Centre

Report on the Financial Statements

We have audited the accompanying financial statements of Food Development Centre, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2015 and the statements of operations, change in net (debt) 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 Food Development Centre 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.



July 27, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2015

	2015 Actual	2014 Actual
Financial assets		
Cash and cash equivalents	$ 515	$ 533
Accounts receivable (Note 4)	1,010	927
Portfolio investments	41	41
	1,566	1,501
Liabilities		
Accounts payable and accrued liabilities (Note 5)	491	443
Deferred revenue	72	76
Accrued vacation and overtime entitlements	253	284
Employee future benefits (Note 7)	295	244
Borrowings from the Province of Manitoba (Note 8)	1,753	1,946
	2,864	2,993
Net (debt) financial assets	(1,298)	(1,492)
Non-financial assets		
Tangible capital assets (Note 9)	11,676	13,355
Prepaid expenses	54	61
Inventories of supplies	-	9
	11,730	13,425
Accumulated surplus	$ 10,432	$ 11,933

Designated assets (Note 10)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Grants:			
Province of Manitoba - Operating Grant	$ 2,020	$ 2,003	$ 2,020
Other	238	227	361
Total grants	2,258	2,230	2,381
Fee for service	902	881	728
Lease revenue	216	309	210
Administration fees (Note 11)	595	565	656
Donations and other	-	15	-
Investment income	12	7	11
	3,983	4,007	3,986
Expenses:			
Salaries and benefits	2,315	2,250	2,238
Lab supplies	107	144	157
Purchased services	91	67	30
Travel and transportation	52	64	74
Marketing	74	25	44
Library	44	2	3
Amortization of tangible capital assets	1,414	1,341	1,340
Write-down of tangible capital assets (Note 9)	-	351	-
Occupancy expenses	322	374	339
Administrative expenses (Schedule 1)	1,050	890	935
	5,469	5,508	5,160
Net (loss) for the year	(1,486)	(1,501)	(1,174)
Accumulated surplus, beginning of year	11,768	11,933	13,107
Accumulated surplus, end of year	$ 10,282	$ 10,432	$ 11,933

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net (Debt) Financial Assets

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Net (loss) for the year	$ (1,486)	$ (1,501)	$ (1,174)
Tangible capital assets:			
Acquisition of tangible capital assets	-	(13)	(71)
Disposals or write-downs of tangible capital assets	-	351	-
Amortization of tangible capital assets	1,414	1,341	1,340
Net acquisition of tangible capital assets	1,414	1,679	1,269
Other non-financial assets:			
Decrease (increase) in prepaid expenses	10	7	(3)
Decrease in inventories of supplies	-	9	11
Net acquisition of other non-financial assets	10	16	8
Increase in net (debt) financial assets	(62)	194	103
Net (debt) financial assets, beginning of year	(1,677)	(1,492)	(1,595)
Net (debt) financial assets, end of year	$ (1,739)	$ (1,298)	$ (1,492)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2015

	2015 Actual	2014 Actual
Cash provided by (applied to)		
Operating activities:		
Net (loss) for the year	$ (1,501)	$ (1,174)
Adjustments for:		
Amortization of tangible capital assets	1,341	1,340
Write-down of tangible capital assets	351	-
	191	166
Changes in the following:		
Accounts receivable	(83)	(670)
Accounts payable and accrued liabilities	48	147
Deferred revenue	(4)	41
Accrued vacation and overtime entitlements	(31)	119
Employee future benefits	51	(7)
Prepaid expenses	7	(3)
Inventories of supplies	9	11
Cash provided by (applied to) operating activities	188	(196)
Capital activities:		
Acquisition of tangible capital assets	(13)	(71)
Cash (applied to) capital activities	(13)	(71)
Financing activities:		
Repayment of borrowings from the Province of Manitoba	(193)	(193)
Cash (applied to) financing activities	(193)	(193)
Change in cash and cash equivalents	(18)	(460)
Cash and cash equivalents, beginning of year	533	993
Cash and cash equivalents, end of year	$ 515	$ 533

See accompanying notes to financial statements.

1. Nature of organization

Established in 1978, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services including food product development, research, testing and assistance with technology transfer to enable the industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under *The Special Operating Agencies Financing Authority Act* made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Centre's operations. The Financing Authority finances the Centre through repayable loans and working capital advances. This financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Centre at that time, assigned responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Development under the general direction of a General Manager/Chief Operating Officer, and ultimately the policy direction of the Deputy Minister and Minister. The Centre remains bound by relevant legislation and regulations.

An Advisory Board with representation from the food industry, clients of the Centre, academia and government provides direction on policy and operating activities.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Fee for service

Fee for service revenue is recognized when the services provided are complete or substantially complete and when collection is reasonably assured.

3. Summary of significant accounting policies (continued)

Lease revenue

Lease revenue is recognized according to the terms of the underlying lease agreement(s).

Administration fees

Administration fees are recognized in accordance with the terms and conditions of the underlying agreement(s).

Other revenue

All other revenue is recognized on an accrual basis.

(b) Expenses

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

(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. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(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 Centre. 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 period the goods or services are consumed.

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the period the supplies are used or consumed.

3. Summary of significant accounting policies (continued)

Tangible capital assets

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

	Method	Rate
Equipment - commercial and product development	Straight-line	10-15 years
Computer hardware and software	Straight-line	5 years
Building improvements	Straight-line	15 years

(f) Financial instruments - measurement

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

The Centre records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Centre also records its financial liabilities at cost, which include accounts payable and accrued liabilities and borrowings.

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 financial instruments measured at fair value, if any, 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.

(g) Measurement uncertainty

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. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2015	2014
Trade accounts receivable	$ 385	$ 291
Due from Growing Forward (Note 11)	648	640
Other receivables	45	7
Allowance for doubtful accounts (Note 12)	(68)	(11)
	$ 1,010	$ 927

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at March 31 is comprised of the following:

	2015	2014
Trade accounts payable and accrued liabilities	$ 435	$ 418
GST and PST payable	14	17
Due to (from) MAFRD	42	8
	$ 491	$ 443

Amounts due to (from) Manitoba Agriculture, Food and Rural Development (MAFRD) are non-interest bearing with no specified terms of repayment.

6. Working capital advances

The Special Operating Agencies Financing Authority has provided the Centre with an authorized line of working capital of $1,000 of which $528 was used at March 31, 2015 (2014 - $326).

7. Employee future benefits

	2015	2014
Severance benefits	$ 243	$ 207
Sick pay benefits	52	37
	$ 295	$ 244

Pension benefits

Employees of the Centre are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Centre, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Centre transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Centre was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $196 (2014 - $168). Under this agreement, the Centre has no further pension liability.

Severance benefits

Effective April 1, 1998, the Centre began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

7. Employee future benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Centre's actuarially determined net liability for accounting purposes as at March 31, 2015 is $243 (2014 - $207), with the total net actuarial losses of $18 (2014 - $16) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability, beginning of year	$ 223	$ 224
Actuarial losses	2	-
Current period service costs	21	16
Interest on accrued severance benefits	14	14
Severance benefits paid	-	(31)
Accrued benefit liability, end of year	260	223
Less: unamortized actuarial losses	(17)	(16)
Severance benefit liability, end of year	$ 243	$ 207

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2015	2014
Current period service costs	21	16
Interest on accrued severance benefits	$ 14	$ 14
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	$ 36	$ 31

7. Employee future benefits (continued)

Sick pay benefits

The Centre provides sick leave benefits for employees that accumulate but do not vest. 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. These assumptions include a 5.00% (2014 - 5.00%) annual return and a 3.00% (2014 - 3.00%) annual salary increase. The Centre's sick leave benefit liability at March 31, 2015 is $52 (2014 - $37). The increase (decrease) in the sick leave benefit liability of $15 (2014 - ($7)) represents the total sick leave benefit expense (recovery) for the year.

8. Borrowings from the Province of Manitoba

By virtue of the Management Agreement between the Financing Authority and the Minister of Rural Development, the Centre is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed below on behalf of the Centre.

Borrowings obtained through the use of the available Loan Act Authority are repayable in annual instalments of principal and interest as follows:

	2015	2014
5.625% repayable in annual instalments of $175 principal plus interest, maturing in 2019	$ 875	$ 1,050
5.8% repayable in annual instalments of $18 principal plus interest, maturing in 2017	53	71
Currently interest only at prime less .75%, with scheduled principal repayment terms and maturity date yet to be determined	825	825
	$ 1,753	$ 1,946

Interest is measured using the effective interest method. During the year ended March 31, 2015, the Centre made principal payments of $nil (2014 - $nil) on the loan with scheduled repayment terms and conditions yet to be determined.

Approximate principal repayments in each of the next five years or until maturity, excluding amounts yet to be determined, are as follows:

Year	Amount
2016	$ 193
2017	193
2018	175
2019	175

9. Tangible capital assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 7,196	$ 13	$ (351)	$ 6,858
Computer hardware and software	96	-	-	96
Building improvements	14,061	-	-	14,061
	$ 21,353	$ 13	$ (351)	$ 21,015
Accumulated Amortization				
Equipment - commercial and product development	$ (3,204)	$ (399)	$ -	$ (3,603)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(4,698)	(942)	-	(5,640)
Total accumulated amortization	$ (7,998)	$ (1,341)	$ -	$ (9,339)
Net book value	$ 13,355	$ (1,328)	$ (351)	$ 11,676

As at March 31, 2015, the total cost of tangible capital assets not subject to amortization is $802 (2014 - $1,153). During the year ended March 31, 2015, commercial and product development equipment with an original cost of $1,153 was written down to its estimated value of $802 resulting in a write-down of $351 recognized as an expense on the statement of operations (2014- $nil).

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 7,128	$ 71	$ (3)	$ 7,196
Computer hardware and software	96	-	-	96
Building improvements	14,061	-	-	14,061
	$ 21,285	$ 71	$ (3)	$ 21,353
Accumulated Amortization				
Equipment - commercial and product development	$ (2,810)	$ (397)	$ 3	$ (3,204)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(3,755)	(943)	-	(4,698)
Total accumulated amortization	$ (6,661)	$ (1,340)	$ 3	$ (7,998)
Net book value	$ 14,624	$ (1,269)	$ -	$ 13,355

10. Designated assets

The Centre has allocated $41 (2014 - $41) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the Centre prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

11. Administration fees - Growing Forward Program

The Centre has been authorized by Treasury Board to administer the non-business risk management programs under the joint Canada-Manitoba Growing Forward Framework Agreement (the "Growing Forward Program") on behalf of the federal government and to collect an administration fee for these services. The administration fee under the current Growing Forward 2 Program is based on recoveries of certain specified expenses included in a Memorandum of Understanding between the Agency and Manitoba Agri-Food and Rural Development. The Centre's administration of the Growing Forward 2 Program runs from April 1, 2013 to March 31, 2018. Total administration fees received or receivable for the year ended March 31, 2015 were $565 (2014 - $656).

Amounts due from the Growing Forward Program are non-interest bearing with no formal terms of repayment. The total amount due from the Growing Forward Program as at March 31, 2015 is $648 (2014 - $640).

Although the Growing Forward Program is administered by the Centre, control of the program remains with the Government of Canada, Department of Agriculture and Agri-Food. Therefore, the financial statements of the Growing Forward Program have not been consolidated into the Centre's financial statements.

12. Financial instruments and financial risk management

The Centre does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Centre did not incur any remeasurement gains or losses during the year (2014 - $nil).

Financial risk management – overview

The Centre 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 Centre to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Centre to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	$ 515	$ 533
Accounts receivable	1,010	927
Portfolio Investments	41	41
	$ 1,566	$ 1,501

Cash and cash equivalents and portfolio investments: The Centre is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Centre is not exposed to significant credit risk as the balance is due from a large client base or related entities and payment in full is typically collected when it is due. The Centre manages this credit risk through close monitoring of overdue accounts.

The Centre 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.

The balance in the allowance for doubtful accounts at March 31, 2015 is $68 (2014 - $11) with changes to the allowance for doubtful accounts during the year ended March 31 as follows:

	2015	2014
Balance, beginning of the year	$ 11	$ 1
Provision for receivable impairment	60	10
Amounts written off during the year	(3)	-
Balance, end of the year	$ 68	$ 11

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts as at March 31, 2015 is as follows:

	Accounts Receivable	Allowance	Net
Current	$ 861	$ (58)	$ 803
30-60 days past the billing date	112	-	112
61-90 days past the billing date	21	-	21
90 days past the billing date	84	(10)	74
Balance, end of the year	$ 1,078	$ (68)	$ 1,010

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they come due.

The Centre 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Centre's income 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 low as the original deposits are reinvested at rates for investments 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 Centre is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

13. Comparative information

Certain of the amounts from the year ended March 31, 2014 have been reclassified to conform to the financial statement presentation adopted for the current year.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Administrative Expenses — Schedule 1

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Accreditation and licensing fees	$ 8	$ 8	$ 8
Advisory committee fees	3	2	2
Bad debt expense	10	60	10
Bank charges	5	3	3
Computer expenses	108	100	148
Equipment rental	87	85	88
Insurance	92	83	77
Interest on borrowings	109	71	82
Memberships	10	4	4
Postage, courier and telephone	74	48	41
Professional fees	86	40	48
Property taxes	345	307	333
Repairs and maintenance	87	53	53
Research and development	10	6	3
Stationery and office supplies	-	13	18
Training	16	7	17
	$ 1,050	$ 890	$ 935

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Financial Statements

(In Thousands)

Year Ended March 31, 2015

GREEN MANITOBA ECO SOLUTIONS
(An Agency of the Government of Manitoba)

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Year Ended March 31, 2015

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GREEN MANITOBA ECO SOLUTIONS
(An Agency of the Government of Manitoba)

Management's Responsibility for Financial Reporting

Green Manitoba Eco Solutions (Green Manitoba) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of Green Manitoba's financial position and results of operations and its cash flows 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 judgement regarding all necessary estimates and all other data available through June 25, 2015.

Management maintains internal controls to properly safeguard Green Manitoba's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

Green Manitoba's financial statements have been audited by Grant Thornton LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of Green Manitoba are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of Green Manitoba's management,

Original document signed

Christina McDonald
Chief Operating Officer

Winnipeg, Manitoba
June 25, 2015

Grant Thornton LLP
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Winnipeg, MB
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Independent Auditors' Report

To the Special Operating Agencies Financing Authority of
Green Manitoba Eco Solutions

We have audited the accompanying financial statements of Green Manitoba Eco Solutions, which comprise the statement of financial position as at March 31, 2015, the statement 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 company'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 company'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 Green Manitoba Eco Solutions as at March 31, 2015 and the results of i*ts operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

June 25, 2015

Grant Thornton LLP

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Financial Position
(In Thousands)

March 31, 2015

	March 31, 2015	March 31, 2014
FINANCIAL ASSETS		
Cash	**$ 2,192**	$ 1,947
Accounts receivable *(Note 5)*	**505**	1,062
	2,697	3,009
LIABILITIES		
Accounts payable and accruals	**132**	198
Accrued severance liability (Note 6)	**13**	27
	145	225
NET FINANCIAL ASSETS	**2,552**	2,784
ACCUMULATED SURPLUS	**$ 2,552**	$ 2,784

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Operations
(In Thousands)

For the Year Ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Grants - Province of Manitoba	$ -	**$ -**	$ 5
Non government funding	4,084	**1,748**	2,376
	4,084	**1,748**	2,381
EXPENSES			
Advertising and promotion	25	**15**	37
Bad debt	-	**-**	1
Computer	70	**37**	56
Contracted services	44	**110**	95
Office	35	**26**	29
Professional fees	25	**17**	22
Program supplies and services	3,528	**1,177**	570
Rent	57	**28**	72
Salaries and benefits	868	**537**	671
Training	10	**12**	6
Travel	25	**21**	15
	4,687	**1,980**	1,574
ANNUAL (DEFICIT) SURPLUS	(603)	**(232)**	807
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,784	**2,784**	1,977
ACCUMULATED SURPLUS, END OF YEAR	$ 2,181	**$ 2,552**	$ 2,784

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Change in Net Financial assets

(In Thousands)

For the Year Ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Annual (Deficit) Surplus	$ (603)	**$ (232)**	$ 807
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(603)	**(232)**	807
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,784	**2,784**	1,977
NET FINANCIAL ASSETS, END OF YEAR	$ 2,181	**$ 2,552**	$ 2,784

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Cash Flow
(In Thousands)

For the Year Ended March 31, 2015

		2015 Actual		2014 Actual
Cash provided by (applied to):				
Operating				
Annual (Deficit) Surplus	**$**	**(232)**	$	807
Change in:				
Accounts receivable		**557**		(1,061)
Accounts payable and accruals		**(66)**		(2)
Accrued severance liability		**(14)**		(10)
Cash provided by operating activities		**245**		(266)
INCREASE (DECREASE) IN CASH		**245**		(266)
CASH - BEGINNING OF YEAR		**1,947**		2,213
CASH - END OF YEAR	**$**	**2,192**	$	1,947

See accompanying notes to financial statements.

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Green Manitoba Eco Solutions (Green Manitoba) was designated as a Special Operating Agency (SOA) pursuant to the Special Operating Agencies Financial Authority Act (C.C.S.M. c.S185). Green Manitoba operates under a charter approved by the Lieutenant Governor in Council.

Green Manitoba promotes sustainability practices by bringing together all partners (government, business and other stakeholder organizations) and in doing so achieves more than if each had acted alone. Green Manitoba serves as the access point for the public to acquire information about provincial sustainability issues. The SOA delivers programs and services related to waste reduction, climate change action, environmental sustainability education and water conservation.

Green Manitoba is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Green Manitoba's operations. It finances Green Manitoba through repayable loans and working capital advances. The financial framework enables Green Manitoba to operate in a business-like manner according to public policy expectations. A management agreement between the Financing Authority and the Minister of Conservation and Water Stewardship assigns responsibility to Green Manitoba to manage and account for agency-related assets and operations on behalf of the Financing Authority.

Green Manitoba is part of the Department of Conservation and Water Stewardship and operates under policy direction of the Assistant Deputy Minister, Environmental Stewardship Division. Green Manitoba remains bound by relevant legislation and regulations, as well as by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Green Manitoba derives its revenue from the Province of Manitoba and external sources. The transactions with the Province are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

(i) Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Government transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Non government funding

Special program funding is taken into income to match the program expenditures. Any remaining program funding is deferred.

(iii) Other revenue

All other revenues are recorded on an accrual basis.

b. Expenses

All expenses are recorded on an accrual basis.

c. Cash

Cash includes cash on hand and the bank balance.

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of Green Manitoba. These assets are normally employed to provide future services.

f. Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over a period of 10 years for machinery and equipment (asset class 6) and furniture (asset class 12), and over a period of 4 years for computer hardware (asset class 9) and software (asset class 11).

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. 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. The accrued severance liability is subject to such estimates and assumptions. 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.

Green Manitoba records its financial assets at cost, which include cash and accounts receivable. Green Manitoba also records its financial liabilities at cost, which include accounts payable, and accrued severance liability.

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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

Green Manitoba did not incur any re-measurement gains and losses during the year (2014 - $0).

Financial risk management – overview

Green Manitoba 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 Green Manitoba to credit risk consist principally of cash, and accounts receivable.

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

The maximum exposure of Green Manitoba to credit risk at March 31 is:

	2015	2014
Cash	**$2,192**	$1,947
Accounts receivable	**505**	1,062
	$2,697	$3,009

Cash: Green Manitoba is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: Green Manitoba is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. Green Manitoba manages this credit risk through close monitoring of overdue accounts.

Green Manitoba 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.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2015 was $0 (2014 - $0).

Liquidity risk

Liquidity risk is the risk that Green Manitoba will not be able to meet its financial obligations as they come due.

Green Manitoba 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect Green Manitoba's income 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 funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

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

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2015	2014
Waste (HHW)	**$ 16**	$ 3
Sustainability (various)	**113**	-
WRARS (Waste)	**376**	1,059
	$ 505	$1,062

6. ACCRUED SEVERANCE LIABILITY

Effective April 1, 2006, Green Manitoba commenced recording accumulated severance pay benefits for its employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. Green Manitoba's actuarially determined net liability for accounting purposes as at March 31, 2015 was $13 (2014 - $27). The actuarial loss of $63 (2014 - $61) based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

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	
inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

(continues)

6. ACCRUED SEVERANCE LIABILITY *(continued)*

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability	**$ 60**	$ 76
Less: unamortized actuarial losses	**(47)**	(49)
Severance benefit liability	**$ 13**	$ 27

During the year severance benefits of $25 (2014 - $22) were paid. The total expenses related to severance benefits at March 31 include the following components:

	2015	2014
Interest on obligation	**$ 5**	$ 6
Current period benefit cost	**2**	2
Amortization of actuarial gain over EARSL	**4**	4
Total expense related to severance benefit	**$ 11**	$ 12

7. TANGIBLE CAPITAL ASSETS

	2015				2014
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**	Total
Cost					
Computer equipment	$ 4	$ -	$ -	**$ 4**	$ 4
Furniture and fixtures	9	-	-	**9**	9
Total cost	13	**-**	**-**	**13**	**13**
Accumulated Amortization					
Computer equipment	4	-	-	**4**	4
Furniture and fixtures	9	-	-	**9**	9
Total accumulated amortization	13	-	-	**13**	13
Net	$ -	$ -	$ -	**$ -**	$ -

8. WORKING CAPITAL ASSETS

Green Manitoba has an authorized line of working capital from the Province of Manitoba of $500 of which $0 was used at March 31, 2015 (2014 - $0).

9. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of Green Manitoba are eligible for pension benefits under the Civil Service Superannuation Fund. The pension plan is a defined contribution plan, which requires Green Manitoba to contribute an amount equal to the employee's contribution to the Fund for current services. The amount expensed by Green Manitoba in the current year is $36 (2014 - $40).

Green Manitoba has no further liability associated with the annual cost of pension benefits earned by Green Manitoba's employees.

10. CONTRACTUAL OBLIGATIONS

Green Manitoba currently holds contractual obligations with the following parties, with related expenditures scheduled to occur in the following year (2016):

Description (year authorized)	**Amount Authorized**	**Obligation at Mar. 31, 2015**
Organizations (TBD) – CR&D research and demonstration projects (12/13)	$ 108	**$ 48**
City of Wpg. Capital CR&D Study (2013)	50	**50**
MIT (2013)	35	**31**
Mother Earth Recycling -Mattress Recycling Project (2013)	50	**15**
Parks Propane Bottle Collection System (2013)	25	**23**
Product Care Association Agreement - Non-program HHW (2014)	125	**21**
Organizations (TBD) – Manitoba Compost Incentive Payment Program (2013)	200	**118**
Organizations (TBD) – Manitoba Compost Program Develop., Community Proj. (12/13)	165	**6**
Manitoba Compost Brandon Organics Collection Project (2012)	300	**30**
Organizations (TBD) – Manitoba Compost Incentive Payment Program (2013)	474	**474**
Manitoba Compost - Legislative Compost Project (2013)	20	**20**
Manitoba Compost - School Organics Project (2013)	10	**10**
Manitoba Compost - Communities in Bloom (2013)	25	**13**
Manitoba Compost - National Compost Trials (CCC) 5yr (2013)	75	**49**
Manitoba Compost - Winnipeg Harvest - Blue Box Garden & Compost System (2014)	25	**10**
Manitoba Compost - Green Action Centre - Nutrient For Life Compost Education.(2014)	10	**5**
Manitoba Compost - CCC - Compost Training/Compost Matters Conference (2014)	25	**25**
Organizations (TBD) Northern Remote recycling Support (2010)	50	**22**
WRARS Database Development (Various 12/13)	75	**30**
PIN Printer Paper (Green Gov't)(2013)	20	**12**
CleanFarms Phase II Recycling Project (2013)	50	**15**
Take Pride Winnipeg - Province-wide Litter Clean-up and Education Program (2014)	25	**6**
Solid Waste Association of North America Annual Conference 2015-(2014)	20	**5**
Other Waste Projects (12/13)	165	**18**
CCPA Study (Funding received in (11/12)	20	**20**
MPSC (Funding received in (11/12)	132	**91**
	$ 2,279	**$ 1,171**

Industrial Technology Centre

An Agency of the Government of Manitoba

Financial Statements
March 31, 2015

Industrial Technology Centre

An Agency of the Government of Manitoba

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Year Ended March 31, 2015

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Industrial Technology Centre (ITC) 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 the audit report date.

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 ITC are fairly represented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
Industrial Technology Centre (ITC)

Original document signed

Trevor Cornell
Chief Operating Officer

Original document signed

David Olafson
Manager Corporate Services

June 4, 2015
Date

BDO

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BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the **INDUSTRIAL TECHNOLOGY CENTRE An Agency of the Government of Manitoba,** which comprise the statement of financial position as at March 31, 2015, and the statements of operations, change in net debt and cash flow for the year ended March 31, 2015, 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 **INDUSTRIAL TECHNOLOGY CENTRE An Agency of the Government of Manitoba** as at March 31, 2015, and the results of its operations and its cash flows for the year ended March 31, 2015 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 4, 2015

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO Canada s.r.l., une société canadienne à responsabilité limitée, est membre de BDO International Limited, société de droit anglais, et fait partie du réseau international de sociétés membres indépendantes BDO.

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2015
(In Thousands)

	March 31, 2015	March 31, 2014
Financial Assets		
Cash and cash equivalents	$ 608	$ 710
Accounts receivable	227	138
Portfolio investments	103	103
	938	951
Liabilities		
Accounts payable and accruals	555	453
Unearned revenue	-	122
Employee future benefits (Note 6)	303	283
Borrowings from the Province of Manitoba (Note 7)	-	-
	858	858
Net Debt	80	93
Non-financial Assets		
Prepaid expenses	36	28
Tangible capital assets (Note 8)	874	830
	910	858
Accumulated Surplus	$ 990	$ 951

Designated assets (Note 9)
Commitments (Note 10)

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Operations
For the Year Ended March 31, 2015
(In Thousands)

	2015 Budget	2015 Actual	2014 Actual
Revenue			
Province of Manitoba	$ 730	$ 730	$ 850
Fee for service	2,173	2,013	1,970
Other	50	63	64
Total revenue	2,953	2,806	2,884
Expense			
Advertising and promotion	80	59	58
Amortization	288	261	258
Audit and legal	12	10	10
Bad debts	2	-	-
Building maintenance	52	72	61
Computer	26	14	37
Equipment	64	67	87
Fees and memberships	42	38	27
Insurance	47	43	45
Interest and service charges	4	7	5
Library	9	28	9
Office	64	49	60
Professional development	30	22	13
Project supplies and subcontract	124	135	162
Purchased services	10	4	4
Rent and property tax	273	269	271
Salaries and benefits	1,702	1,520	1,595
Travel	50	22	28
Utilities	74	47	49
Total expense	2,953	2,667	2,779
Annual surplus, before transfer of funds to the Province of Manitoba	-	139	105
Transfer of funds to the Province of Manitoba	100	100	-
Annual surplus	(100)	39	105
Accumulated surplus, beginning of year	942	951	846
Accumulated surplus, end of year	$ 842	$ 990	$ 951

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Change in Net Debt
For the Year Ended March 31, 2015
(In Thousands)

	2015 Budget	2015 Actual	2014 Actual
Annual surplus	$ (100)	$ 39	$ 105
Tangible capital assets			
Acquisition of tangible capital assets	(300)	(305)	(298)
Amortization of tangible capital assets	288	261	258
Net acquisition of tangible capital assets	(12)	(44)	(40)
Other non-financial assets			
Increase in prepaid expense	-	(8)	12
Net acquisition of other non-financial assets	-	(8)	12
(Increase) decrease in net debt	(112)	(13)	77
Net debt, beginning of year	93	93	16
Net debt, end of year	$ (19)	$ 80	$ 93

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Cash Flow
For the Year Ended March 31, 2015
(In Thousands)

	2015 Actual	2014 Actual
Cash provided by (applied to):		
Operating		
Annual surplus	$ 39	$ 105
Amortization of tangible capital assets	261	258
	300	363
Change in:		
Accounts receivable	(89)	83
Accounts payable and accruals	102	(69)
Unearned revenue	(122)	(39)
Employee future benefits	20	(8)
Prepaid expenses	(8)	12
Cash provided by operating activities	203	342
Capital		
Acquisition of tangible capital assets	(305)	(298)
Cash applied to capital activities	(305)	(298)
Increase (decrease) in cash	(102)	44
Cash and cash equivalents at beginning of year	710	666
Cash and cash equivalents at end of year	$ 608	$ 710

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

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Jobs and the Economy under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister Jobs and the Economy assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Jobs and the Economy defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Revenue

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

c. Financial Assets

(i) Portfolio Investments

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

3. Significant Accounting Policies (continued)

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

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

(i) 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.

(ii) Tangible Capital Assets

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

Furniture and fixtures	20% straight-line
Office and laboratory equipment	20% straight-line
Computer equipment and software	20% straight-line
Leasehold improvements	10% straight-line

f. 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 Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accruals and borrowings.

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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year (Nil in 2014).

Financial Risk Management - Overview

The Agency 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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

4. **Financial Instruments and Financial Risk Management (continued)**

The maximum exposure of the Agency to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	$ 608	$ 710
Accounts receivable	227	138
Portfolio investments	103	103
	$ 938	$ 951

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance or a Chartered Bank.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency 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.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2015 was $20.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income 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 funds on deposit, portfolio investments and borrowings.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt.

4. Financial Instruments and Financial Risk Management (continued)

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

5. Working Capital Advances

The Agency has an authorized line of working capital advance up to a maximum of $300. As at March 31, 2015 working capital advances were nil (Nil in 2014). The line bears interest at prime less 1% and is not secured by specific assets.

6. Employee Future Benefits

	2015	2014
Severance benefits	$ 275	$ 255
Sick pay benefits	28	28
	$ 303	$ 283

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including ITC, through the Civil Service Superannuation Fund.

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for 2015 is $89 (2014 - $91). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of its severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 is $275 ($255 in 2014), with an actuarial adjustment being amortized over the 15-year expected average remaining service life (EARSL) of the employee group.

6. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation, were:

Annual rate of return	- inflation component	2.00%
	- real rate of return	4.00%
		6.00%
Assumed salary increase rates	- annual productivity increase	1.00%
	- annual general salary increase	2.75%
		3.75%

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability		
Balance, beginning of year	$ 249	$ 257
Actuarial gain	(13)	-
Benefits accrued	9	6
Interest on accrued benefits	14	17
Severance paid	-	(31)
Balance, end of year	259	249
Add: Unamortized actuarial gains	16	6
Severance benefit liability	$ 275	$ 255

The total expenses related to severance benefits at March 31 includes the following components:

	2015	2014
Interest on obligation	$ 14	$ 17
Current period benefit cost	9	6
Amortization of actuarial gains over EARSL	(3)	(3)
Total expense related to severance benefit	$ 20	$ 20

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. 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. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

7. Borrowings from the Province of Manitoba

The Minister of Finance has authorized a loan authority of $1,160 (Order in Council #00248 in 2010) for the Industrial Technology Centre. ITC has drawn down $250, which has been repaid, of the $1,160 total loan authority, leaving $910 of loan authority availability unutilized as of March 31, 2015.

8. Tangible Capital Assets

				2015
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,236	267	2	2,501
Computer equipment and software	422	2	-	424
Leasehold improvements	244	36	-	280
	2,935	305	2	3,238
Accumulated Amortization				
Furniture and fixtures	23	3	-	26
Office and laboratory equipment	1,588	205	2	1,791
Computer equipment and software	327	27	-	354
Leasehold improvements	167	26	-	193
	2,105	261	2	2,364
Net	$ 830	$ 44	$ -	$ 874

8. Tangible Capital Assets (continued)

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,016	220	-	2,236
Computer equipment and software	369	53	-	422
Leasehold improvements	219	25	-	244
	2,637	298	-	2,935
Accumulated Amortization				
Furniture and fixtures	18	5	-	23
Office and laboratory equipment	1,381	207	-	1,588
Computer equipment and software	303	24	-	327
Leasehold improvements	145	22	-	167
	1,847	258	-	2,105
Net	$ 790	$ 40	$ -	$ 830

9. Designated Assets

The Agency has allocated $103 ($103 in 2014) of its portfolio investments as designated assets for severance pay benefits. The Agency has received $103 of cash from the Province of Manitoba for the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is reinvested annually.

10. Commitments

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 19,032 square feet.

Estimated minimum lease payments for each of the next five years are as follows:

2016	$ 191
2017	194
2018	194
2019	194
2020	194

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Financial Statements
For the year ended March 31, 2015

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Financial Statements

For the year ended March 31, 2015

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Manitoba Education, Research and Learning Information Networks ("MERLIN") 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 the date of the audit report

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 MERLIN are fairly represented 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
MERLIN

Original document signed

Kiley Bender, Acting Chief Operating Officer

Original document signed

David Olafson, Controller

June 3, 2015

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Independent Auditor's Report

To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of **Manitoba Education Research and Learning Information Networks, An Agency of the Government of Manitoba** 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 ended March 31, 2015, 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 Education Research and Learning Information Networks, An Agency of the Government of Manitoba** as at March 31, 2015, and the results of its operations and its cash flows for the year ended March 31, 2015 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 3, 2015

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MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Financial Position

(In Thousands)

March 31	2015	2014
Financial Assets		
Cash and cash equivalents (Note 6)	$ 765	$ 625
Accounts receivable	321	327
Portfolio investments	47	47
	1,133	999
Liabilities		
Accounts payable and accruals	593	431
Unearned revenue	795	826
Employee future benefits (Note 7)	169	146
	1,557	1,403
Net debt	(424)	(404)
Non-financial Assets		
Prepaid expenses	341	345
Tangible capital assets (Note 8)	414	295
	755	640
Accumulated surplus	$ 331	$ 236

Designated assets (Note 9)
Commitments (Note 10)

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Operations

(In Thousands)

For the year ended March 31	2015 Budget	2015 Actual	2014 Actual
Revenue			
Province of Manitoba Jobs and the Economy	$ 346	$ 346	$ 346
Fee for goods and services	4,293	4,623	4,376
Other	-	7	7
	4,639	4,976	4,729
Expense			
Advertising and promotion	17	14	11
Amortization	160	165	129
Audit and legal fees	11	10	11
Communication and bandwidth	140	205	184
Cost of purchases for resale	1,810	2,046	1,762
Course delivery	10	36	43
Equipment repair and maintenance	230	217	259
Manitoba Network connections	550	524	597
Occupancy	80	76	79
Office and miscellaneous	33	42	32
Professional development	13	8	9
Purchased services	229	223	227
Salaries and benefits	1,322	1,295	1,307
Travel	34	20	27
	4,639	4,881	4,677
Annual surplus	-	95	52
Accumulated surplus, beginning of year	208	236	184
Accumulated surplus, end of year	$ 208	$ 331	$ 236

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Change in Net Debt

(In Thousands)

For the year ended March 31	2015 Budget	2015 Actual	2014 Actual
Annual surplus	$ -	$ 95	$ 52
Tangible Capital Assets			
Acquisition of tangible capital assets	(295)	(285)	(146)
Amortization of tangible capital assets	160	165	129
Net acquisition of tangible capital assets	(135)	(120)	(17)
Other Non-financial Assets			
(Increase) decrease in prepaid expenses	-	5	54
(Increase) decrease in net debt	(135)	(20)	89
Net debt, beginning of year	(525)	(404)	(493)
Net debt, end of year	$ (660)	$ (424)	$ (404)

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Cash Flows

(In Thousands)

For the year ended March 31	2015	2014
Cash provided by (applied to):		
Operating Activities		
Annual surplus	$ 95	$ 52
Amortization of tangible capital assets	165	129
	260	181
Changes in:		
Accounts receivable	6	570
Accounts payable and accruals	162	(62)
Unearned revenue	(31)	(184)
Employee future benefits	23	(6)
Prepaid expenses	5	54
Cash provided by operating activities	425	553
Capital Activities		
Acquisition of tangible capital assets	(285)	(146)
Cash applied to capital activities	(285)	(146)
Increase in cash and cash equivalents	140	407
Cash and cash equivalents, beginning of year	625	218
Cash and cash equivalents, end of year	$ 765	$ 625

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

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks ("MERLIN") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, MERLIN operates as part of Jobs and the Economy under the general direction of the Assistant Deputy Minister.

MERLIN is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from MERLIN operations. It finances MERLIN through repayable loans and working capital advances. This financial framework enables MERLIN to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Jobs and the Economy assigns responsibility to MERLIN to manage and account for MERLIN related assets and operations on behalf of SOAFA.

MERLIN remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

MERLIN is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Revenue

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

3. Significant Accounting Policies (continued)

c. Financial Assets

(i) Portfolio Investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

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

(i) Prepaid Expenses

Prepaid expenses are payments of 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.

(ii) Tangible Capital Assets

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

Computer hardware	25%, straight-line
Computer software	25%, straight-line
Equipment and furniture	20%, straight-line
Leaseholds	20%, straight-line

3. Significant Accounting Policies (continued)

f. 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 amounts 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 Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include 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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year ($Nil in 2014).

Financial Risk Management - Overview

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

4. Financial Instruments and 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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of MERLIN to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	$ 765	$ 625
Accounts receivable	321	327
Portfolio investments	47	47
Maximum exposure to credit risk	$ 1,133	$ 999

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency 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.

The allowance for doubtful accounts was unchanged during the year and the balance at March 31, 2015 was $17.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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.

4. 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 Agency's income 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 funds on deposit, and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments 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 Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working Capital Advances

MERLIN has an authorized line of working capital advances up to $2.0 million. As at March 31, 2015 working capital advances were $NIL ($NIL in 2014). The line bears interest at prime less 1% and is not secured by specific assets.

6. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the province of Manitoba, which are made up of term deposits with maturities of up to three months.

7. Employee Future Benefits

	2015	2014
Severance benefits	$ 152	$ 138
Sick pay benefits	17	8
	$ 169	$ 146

Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of their employees. The amount paid for 2015 was $86 ($83 in 2014). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998, MERLIN began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

7. Employee Future Benefits (continued)

Severance Benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. MERLIN's actuarially determined net liability for accounting purposes as at March 31, 2015 was $152 ($138 in 2014), with an actuarial adjustment being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Annual salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes to following components:

	2015	2014
Accrued benefit liability		
Balance, beginning of year	$ 160	$ 165
Actuarial gain	(13)	-
Benefits accrued	4	4
Interest on accrued benefits	9	11
Severance paid	-	(20)
Balance, end of year	$ 160	$ 160
Less unamortized actuarial losses	(8)	(22)
Severance benefit liability	$ 152	$ 138

7. Employee Future Benefits (continued)

Severance Benefits (continued)

The total expenses related to severance benefits at March 31 includes the following components:

	2015	2014
Interest on obligation	$ 11	$ 11
Current period benefit cost	4	4
Amortization of actuarial losses over EARSL	2	2
Total expense related to severance benefit	$ 17	$ 17

Sick Pay Benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. 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. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

For the year ended March 31, 2015

8. Tangible Capital Assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 1,047	$ 285	$ -	$ 1,332
Computer software	96	-	-	96
Equipment and furniture	46	-	-	46
Leaseholds	20	-	-	20
	1,209	285	-	1,494
Accumulated Amortization				
Computer hardware	760	163	-	923
Computer software	95	1	-	96
Equipment and furniture	39	2	-	41
Leaseholds	20	-	-	20
	914	166	-	1,080
Net book value	$ 295	$ 119	$ -	$ 414

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 901	$ 146	$ -	$ 1,047
Computer software	96	-	-	96
Equipment and furniture	46	-	-	46
Leaseholds	20	-	-	20
	1,063	146	-	1,209
Accumulated Amortization				
Computer hardware	636	124	-	760
Computer software	93	2	-	95
Equipment and furniture	37	2	-	39
Leaseholds	19	1	-	20
	785	129	-	914
Net book value	$ 278	$ 17	$ -	$ 295

9. Designated Assets

MERLIN has allocated $47 ($47 in 2014) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of MERLIN prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Commitments

MERLIN leases office space under a long-term lease which expires March 31, 2018. The future minimum payments required under this lease are:

2016	$	48
2017		48
2018		48

MANITOBA FINANCIAL SERVICES AGENCY

Financial Statements
For the year ended March 31, 2015

MANITOBA FINANCIAL SERVICES AGENCY

Financial Statements
For the year ended March 31, 2015

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THE MANITOBA SECURITIES COMMISSION

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the MANITOBA FINANCIAL SERVICES AGENCY 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 the audit report date.

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 the MANITOBA FINANCIAL SERVICES AGENCY are fairly represented 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

MANITOBA FINANCIAL SERVICES AGENCY

Original document signed

Donald G. Murray, Chair and CEO

Original document signed

Marlene Nemes, CMA, Deputy Director of Finance and Administration

June 5, 2015
Date

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Independent Auditor's Report

To The Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the **MANITOBA FINANCIAL SERVICES AGENCY** which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, 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 **MANITOBA FINANCIAL SERVICES AGENCY** 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 5, 2015

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MANITOBA FINANCIAL SERVICES AGENCY
Statement of Financial Position
(in thousands)

March 31	2015	2014
	Actual	Actual
Financial Assets		
Cash and cash equivalents (Note 5)	**$ 20,384**	$ 18,639
Accounts receivable (Note 6)	**41**	77
Portfolio investments	**1,019**	1,019
	21,444	19,735
Liabilities		
Accounts payable and accrued liabilities	**97**	89
Accrued vacation entitlements	**306**	334
Accrued salaries and benefits	**92**	87
Employee future benefits (Note 7)	**400**	451
Deferred revenue	**-**	15
	895	976
Net Financial Assets	**20,549**	18,759
Non-financial Assets		
Tangible capital assets (Note 8)	**125**	27
Prepaid expenses	**54**	51
	179	78
Accumulated surplus	**$ 20,728**	$ 18,837

Designated assets (Note 9)
Commitments (Note 10)

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Operations and Accumulated Surplus
(in thousands)

For the year ended March 31	2015 Revised Budget	2015 Actual	2014 Actual
Revenue			
Fees	**$ 16,900**	**$ 18,537**	$ 17,938
Interest	**100**	**172**	161
Miscellaneous	**-**	**18**	20
	17,000	**18,727**	18,119
Expenses			
Amortization - capital assets	**10**	**18**	7
CSA initiatives*	**91**	**65**	69
Contract services	**370**	**301**	294
Education/Information initiatives	**197**	**79**	108
Miscellaneous	**30**	**21**	22
Office materials and supplies	**120**	**75**	107
Premises	**505**	**458**	340
Professional services	**124**	**143**	96
Research resources	**54**	**43**	42
Salaries and benefits	**4,398**	**3,661**	3,739
Staff development and professional dues	**40**	**28**	28
Telecommunications	**81**	**83**	77
Travel	**90**	**61**	83
	6,110	**5,036**	5,012
Annual operating surplus	**10,890**	**13,691**	13,107
Transfer to the Province of Manitoba (Note 11)	**11,800**	**11,800**	10,300
Annual surplus (deficit)	**(910)**	**1,891**	2,807
Accumulated surplus, beginning of year	**18,837**	**18,837**	16,030
Accumulated surplus, end of year	**$ 17,927**	**$ 20,728**	$ 18,837

* Canadian Securities Administrators

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Change in Net Financial Assets
(in thousands)

For the year ended March 31	2015 Revised Budget	2015 Actual	2014 Actual
Annual surplus (deficit)	**$ (910)**	**$ 1,891**	$ 2,807
Tangible Capital Assets			
Acquisition of tangible capital assets	**-**	**(116)**	(11)
Amortization of tangible capital assets	**10**	**18**	7
Net change in tangible capital assets	**10**	**(98)**	(4)
Other Non-financial Assets			
(Increase) decrease in prepaid expense	**-**	**(3)**	1
Net acquisition of other non-financial assets	**-**	**(3)**	1
Increase (decrease) in net financial assets	**(900)**	**1,790**	2,804
Net financial assets, beginning of year	**18,759**	**18,759**	15,955
Net financial assets, end of year	**$ 17,859**	**$ 20,549**	$ 18,759

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Cash Flows
(in thousands)

For the year ended March 31	2015	2014
	Actual	Actual
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	**$ 1,891**	$ 2,807
Amortization of tangible capital assets	**18**	7
	1,909	2,814
Changes in non-cash working capital balances		
Accounts receivable	**37**	157
Receivable from the Province of Manitoba	**-**	1
Prepaid expenses	**(3)**	-
Accounts payable and accrued liabilities	**7**	42
Accrued vacation entitlements	**(28)**	33
Accrued salaries and benefits	**5**	22
Deferred revenue	**(15)**	15
Employee future benefits	**(51)**	48
	1,861	3,132
Cash Flows from Capital Activities		
Acquisition of capital assets	**(116)**	(11)
Increase in cash and cash equivalents	**1,745**	3,121
Cash and cash equivalents, beginning of year	**18,639**	15,518
Cash and cash equivalents, end of year	**$ 20,384**	$ 18,639
Supplementary information:		
Interest received	**$ 172**	$ 159

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

For the year ended March 31, 2015

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the Manitoba Securities Commission ("Commission") as a special operating agency under *The Special Operating Agencies Financing Authority Act* (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Manitoba Securities Commission in delivering regulated services to clients. The Minister of Finance is responsible for the Agency.

Treasury Board Secretariat issued a Program Portfolio Management Review (PPMR) Minute on September 22, 2012 which approved the transfer of the Financial Institutions Regulation Branch (FIRB) of the Department of Finance to the Manitoba Securities Commission a Special Operating Agency (SOA), effective October 1, 2012. Since that date, the SOA has been operating as the Manitoba Financial Services Agency ("Agency").

This change was subsequently reflected in Regulation 29/2013, which provides an updated listing of the special operating agencies, including the merger of Manitoba Securities Commission and FIRB. As well, it was reflected in the background to the Order in Council 77/2013.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

Revenue

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

3. Significant Accounting Policies (continued)

Expenses

(a) All expenses incurred for goods and services are recorded on an accrual basis.

(b) Government transfers are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial Assets

Portfolio Investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial Assets

(a) 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.

(b) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. Capital assets are recorded at cost and amortized over their useful lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

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.

For the year ended March 31, 2015

4. Financial Instruments and Financial Risk Management

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

The Agency records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include working capital advances and accounts payable.

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.

Financial Risk Management Overview

The Agency 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 Agency to credit risk consist principally of cash and cash equivalents, portfolio investments, and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	**$ 20,384**	$ 18,639
Accounts receivable	**41**	77
Portfolio investments	**1,019**	1,019
	$ 21,444	$ 19,735

Cash, cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

4. Financial Instruments and Financial Risk Management (continued)

Accounts receivable: The Agency is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Agency 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.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2015 (Nil in 2014).

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency 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 funds on deposit.

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

5. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of ninety day callable term deposits.

For the year ended March 31, 2015

6. Accounts Receivable

	2015	2014
Accrued interest	**$ 19**	$ 19
Trade	**22**	58
	$ 41	$ 77

7. Employee Future Benefits

Pension Benefits

Employees of the Manitoba Financial Services Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $207 ($200 in 2014). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2015 is $400 ($451 in 2014). The actuarial loss of $47 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return:	
Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %
Assumed salary increase rate:	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability		
Balance, beginning of year	**$ 483**	$ 438
Actuarial loss	**20**	-
Benefits accrued	**23**	16
Interest on accrued benefits	**30**	29
Severance paid	**(109)**	-
Balance, end of year	**447**	483
Less: unamortized actuarial losses	**(47)**	(32)
Severance benefit liability	**$ 400**	$ 451

The total expenses related to severance benefits at March 31 include the following components:

	2015	2014
Interest on obligation	**$ 30**	$ 29
Current period benefit cost	**23**	16
Amortization of actuarial losses over EARSL	**4**	3
Total expense related to severance benefit	**$ 57**	$ 48

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

For the year ended March 31, 2015

8. Tangible Capital Assets

2015

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	**$ 42**	**$ 19**	**$ -**	**$ 61**
Furniture and fixtures	**160**	**61**	**-**	**221**
Leasehold improvements	**41**	**33**	**-**	**74**
Computer hardware	**143**	**-**	**-**	**143**
Computer software	**866**	**3**	**-**	**869**
	1,252	**116**	**-**	**1,368**
Accumulated Amortization				
Office equipment	**40**	**3**	**-**	**43**
Furniture and fixtures	**153**	**7**	**-**	**160**
Leasehold improvements	**27**	**6**	**-**	**33**
Computer hardware	**141**	**1**	**-**	**142**
Computer software	**864**	**1**	**-**	**865**
	1,225	**18**	**-**	**1,243**
Net book value	**$ 27**	**$ 98**	**$ -**	**$ 125**

2014

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 42	$ -	$ -	$ 42
Furniture and fixtures	153	7	-	160
Leasehold improvements	41	-	-	41
Computer hardware	142	1	-	143
Computer software	863	3	-	866
	1,241	11	-	1,252
Accumulated Amortization				
Office equipment	40	-	-	40
Furniture and fixtures	152	1	-	153
Leasehold improvements	23	4	-	27
Computer hardware	140	1	-	141
Computer software	863	1	-	864
	1,218	7	-	1,225
Net book value	$ 23	$ 4	$ -	$ 27

For the year ended March 31, 2015

9. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Agency or the Government can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Agency has allocated $1,019 ($1,019 in 2014) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of $750 ($750 in 2014) to fund expenses which may arise with respect to its reserve fund. The Reserve Fund was established to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that have a negative effect on revenues.

The Agency has received $269 ($269 in 2014) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is deposited in the Agency's trust account.

10. Commitments

The Agency has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2015 were $437.

The Agency has entered into a lease agreement as of December 31, 2013 which includes rental of 207-400 St. Mary Avenue (FIRB occupancy) and the remainder of the 5th floor for the Manitoba Securities Commission, which expires April 30, 2026.

Minimum annual lease payments for these agreements total $525 per year for each of the next five years.

11. Transfer to the Province of Manitoba

Payments to the Consolidated Revenue Fund of the Province of Manitoba are set annually according to Treasury Board Directives, and paid in quarterly installments. Total transfers for the current year were $11,800 ($10,300 in 2014).The Treasury Board has approved payments of $11,800 for the year ended March 31, 2015.

12. Contingency

The Commission has been named as defendant in one complaint. At the time of preparation of these financial statements, the outcome of this complaint was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

13. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advance of $500 which was unutilized at March 31, 2015 ($500 in 2014).

The Agency incurred no interest charges during the year (Nil in 2014).

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Auditor's Comments on Supplementary Financial Information

To The Special Operating Agencies Financing Authority

We have audited the financial statements of March 31, 2015 which comprise the statement of financial position as at March 31, 2015 and statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 5, 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. The following supplementary schedules are presented for the purpose 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 such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 5, 2015

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MANITOBA FINANCIAL SERVICES AGENCY
Schedule of Operating Income
The Manitoba Securities Commission
(in thousands)

For the year ended March 31	2015 Revised Budget	2015 Actual	2014 Actual
Revenue			
Fees	**$ 15,247**	**$ 16,854**	$ 16,356
Interest	**100**	**172**	161
Miscellaneous	**-**	**1**	2
	15,347	**17,027**	16,519
Expenses			
Amortization - capital assets	**10**	**18**	7
CSA initiatives*	**91**	**65**	69
Contract services	**336**	**264**	265
Education/Information initiatives	**197**	**79**	108
Miscellaneous	**27**	**18**	21
Office materials and supplies	**107**	**61**	100
Premises	**438**	**376**	271
Professional membership and dues	**22**	**15**	13
Professional services	**74**	**126**	94
Research resources	**53**	**42**	40
Salaries and benefits	**3,557**	**2,962**	3,059
Staff development and professional dues	**15**	**11**	12
Telecommunications	**70**	**70**	66
Travel	**77**	**52**	80
	5,074	**4,159**	4,205
Annual operating surplus	**$ 10,273**	**$ 12,868**	12,314

* Canadian Securities Administrators

MANITOBA FINANCIAL SERVICES AGENCY
Schedule of Operating Income
Financial Institutions Regulation Branch
(in thousands)

For the year ended March 31	2015 Revised Budget	2015 Actual	2014 Actual
Revenue			
Fees	**$ 1,653**	**$ 1,700**	**$ 1,600**
Expenses			
Contract services	**34**	**37**	**29**
Miscellaneous	**3**	**3**	**1**
Office materials and supplies	**13**	**14**	**7**
Premises	**67**	**82**	**69**
Professional services	**50**	**17**	**2**
Research resources	**1**	**1**	**2**
Salaries and benefits	**841**	**699**	**680**
Staff development and professional dues	**3**	**2**	**3**
Telecommunications	**11**	**13**	**11**
Travel	**13**	**9**	**3**
	1,036	**877**	**807**
Annual operating surplus	**$ 617**	**$ 823**	**$ 793**

MANITOBA TEXT BOOK BUREAU
An Agency of the Government of Manitoba
Province of Manitoba

Financial Statements

For the year ended March 31, 2015

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A Special Operating Agency of Manitoba Education and Advanced Learning

Management Report

The accompanying financial statements are the responsibility of the management of the Manitoba Text Book Bureau and have been prepared in accordance with Canadian public sector accounting principles. 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 up to July 15, 2015.

Management maintains internal controls to properly safeguard the Bureau's 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 Auditor General is to express an independent opinion on whether the financial statements of the Bureau are fairly presented in accordance with Canadian public sector accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Original document signed

Brenda McKinny
Chief Operating Officer

Original document signed

Rhonda Williams, CPA, CGA
Controller

Souris, Manitoba
July 15, 2015

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Text Book Bureau
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Manitoba Text Book Bureau which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, 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 Manitoba Text Book Bureau 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.

Office of the Auditor General

Office of the Auditor General
July 15, 2015
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Text Book Bureau
An Agency of the Government of Manitoba
Statement of Financial Position

(in thousands)

March 31	2015	2014
Financial assets		
Cash	**$ 3**	$ 3
Accounts receivable	**874**	556
Portfolio investments	**64**	64
Inventories for resale	**2,511**	2,439
	3,452	3,062
Liabilities		
Working capital advance (Note 5)	**2,297**	1,735
Accounts payable and accruals	**365**	427
Customer deposit accounts	**177**	226
Accrued severance liability (Note 6)	**51**	48
	2,890	2,436
Net financial assets	**562**	626
Non-financial assets		
Prepaid expenses	**9**	8
Tangible capital assets (Note 7)	**27**	28
	36	36
Accumulated surplus	**$ 598**	$ 662

Designated assets (Note 8)

Manitoba Text Book Bureau
An Agency of the Government of Manitoba
Statement of Operations and Accumulated Surplus

(in thousands)

Year Ended March 31	2015 Budget	**2015 Actual**	2014 Actual
Sales	$ 7,984	**$ 7,097**	$ 6,872
Cost of goods sold			
Inventory, beginning of year	2,554	**2,439**	2,719
Purchases	7,110	**6,170**	5,634
Transportation in	45	**39**	43
Transportation out	102	**99**	92
	9,811	**8,747**	8,488
Inventory, end of year	2,779	**2,511**	2,439
Cost of goods sold	7,032	**6,236**	6,049
Gross profit	952	**861**	823
General and administrative expenses			
Amortization	21	**17**	21
Bad debts	-	**6**	5
Computer expense	85	**65**	76
Employee benefits	69	**70**	67
Interest	42	**30**	30
Marketing	10	**1**	9
Office	23	**18**	19
Office occupancy	50	**50**	44
Postage	3	**2**	2
Professional services	14	**14**	14
Salaries	356	**348**	342
Telephone	7	**7**	8
Training	-	**-**	-
Travel	9	**7**	8
Warehouse occupancy	89	**89**	89
Warehouse service	201	**201**	201
	979	**925**	935
Annual deficit	(27)	**(64)**	(112)
Accumulated surplus, beginning of year	684	**662**	774
Accumulated surplus, end of year	$ 657	**$ 598**	$ 662

Manitoba Text Book Bureau
An Agency of the Government of Manitoba
Statement of Change in Net Financial Assets

(in thousands)

Year Ended March 31	2015 Budget	**2015 Actual**	2014 Actual
Annual deficit	$ (27)	**$ (64)**	$ (112)
Tangible capital assets			
Acquisition of tangible capital assets	(10)	**(16)**	-
Amortization of tangible capital assets	21	**17**	21
Net acquisition of tangible capital assets	11	**1**	21
Other non-financial assets			
Increase in prepaid expense	1	**(1)**	(1)
Net acquisition of other non-financial assets	1	**(1)**	(1)
Decrease in net financial assets	(15)	**(64)**	(92)
Net financial assets, beginning of year	632	**626**	718
Net financial assets, end of year	$ 617	**$ 562**	$ 626

Manitoba Text Book Bureau
An Agency of the Government of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	**2015**	2014
Increase (decrease) in cash		
Operating		
Annual deficit	**$ (64)**	$ (112)
Amortization of tangible capital assets	**17**	21
	(47)	(91)
Changes in		
Accounts receivable	**(318)**	152
Inventories for resale	**(72)**	280
Accounts payable and accruals	**(62)**	76
Customer deposit accounts	**(49)**	(62)
Accrued severance liability	**3**	1
Prepaid expenses	**(1)**	(1)
	(546)	355
Capital		
Acquisition of tangible capital assets	**(16)**	-
Financing		
Receipt (repayment) of working capital advance	**562**	(356)
(Decrease) increase in cash	**-**	(1)
Cash, beginning of year	**3**	4
Cash, end of year	**$ 3**	$ 3
Supplemental cash flow information:		
Interest received	**$ 4**	$ 3
Interest paid	**$ 30**	$ 31

Manitoba Text Book Bureau
An Agency of the Government of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2015

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education and Advanced Learning. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

The MTBB is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education and Advanced Learning, being the Minister responsible for the Agency at that time, assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

The MTBB continues to be part of the Department of Education and Advanced Learning under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The MTBB remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant accounting policies

Revenue

Revenue is recognized upon transfer of title to the customer.

Expenses

All expenses incurred for goods and services are recorded on an accrual basis.

Financial assets

Cash
Cash includes cash on hand and bank balance.

Portfolio investments
Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale
Inventories for resale are valued using the average unit cost method and are measured using lower of cost and net realizable value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the MTBB. 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.

3. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recognized 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:

Office equipment, furniture and video recording equipment	- 20% declining balance
Computer equipment	- 20% straight line
Computer software	- 20% straight line

One-half year's amortization is applied in the year of acquisition.

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 MTBB records its financial assets at cost, which include cash, portfolio investments, accounts receivable and inventories for resale. The MTBB also records its financial liabilities at cost, which include working capital advance, accounts payable and accruals and customer deposit accounts.

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 consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The MTBB did not incur any re-measurement gains and losses during the year (2014 - $nil).

Financial risk management - overview

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

4. Financial instruments and 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 MTBB to credit risk consist principally of cash, portfolio investments and accounts receivable.

The maximum exposure of the MTBB to credit risk at March 31 is:

	2015	2014
Cash	**$ 3**	$ 3
Accounts receivable	**874**	556
Portfolio investments	**64**	64
	$ 941	$ 623

Cash and portfolio investments: The MTBB is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The MTBB is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The MTBB manages this credit risk through close monitoring of overdue accounts.

The MTBB 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.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 68
Provision for receivable impairment	6
Amounts written off	-
Balance, end of the year	$ 74

4. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the MTBB will not be able to meet its financial obligations as they come due.

The MTBB 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the MTBB's income 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 funds on deposit, and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments 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 MTBB is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working capital advance

The MTBB has an authorized line of working capital advances of $3,500, of which $2,297 was used as of March 31, 2015 (2014 - $1,735).

6. Severance liability

Effective April 1, 1998, the MTBB began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The MTBB's actuarially determined net liability for accounting purposes as at March 31, 2015 was $51 (2014 - $48), with the actuarial gain of $30 (2014 - $30) being amortized over the 15 year expected average remaining service life of the employee group. Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability	**$ 35**	$ 29
Unamortized actuarial losses (gains)	**16**	19
Severance benefit liability	**$ 51**	$ 48

6. Severance liability (continued)

Total expenses related to severance benefits at March 31 include the following components:

	2015	2014
Interest on obligation	**$ 2**	$ 1
Employer service cost	**3**	2
Severance payout	**-**	-
Amortization of actuarial (loss)/gain over EARSL	**(2)**	(2)
Total expense related to severance benefit	**$ 3**	$ 1

7. Tangible capital assets

	2015				2014
	Opening Balance	Additions	Disposals	Closing Balance	Closing Balance
Cost					
Computer equipment	$ 208	$ -	$ -	**$ 208**	$ 208
Computer software	93	16	-	**109**	93
Office equipment and furniture	48	-	-	**48**	48
Video recording equipment	51	-	-	**51**	51
Total cost	400	16	-	**416**	400
Accumulated Amortization					
Computer equipment	208	-	-	**208**	208
Computer software	75	15	-	**90**	75
Office equipment and furniture	40	2	-	**42**	40
Video recording equipment	49	-	-	**49**	49
Total accumulated amortization	372	17	-	**389**	372
Net	$ 28	$ (1)	$ -	**$ 27**	$ 28

8. Designated assets

The MTBB has allocated $64 (2014 - $64) of its portfolio investments as designated assets for cash received from the Province of Manitoba as settlement for the vacation entitlements earned by employees of the MTBB prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the MTBB's employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding vacation and severance pay amounts.

9. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The MTBB enters into transactions with these entities in the normal course of business and the transactions are measured at the exchange amount.

10. Pension benefits

Employees of the MTBB are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the MTBB, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the MTBB transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the MTBB is required to pay annually to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $23 (2014 - $20). Under this agreement, the MTBB has no further pension liability.

11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the Manitoba Text Book Bureau.

MATERIALS DISTRIBUTION AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2015

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Government of Manitoba)

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Materials Distribution Agency 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 judgments regarding all necessary estimates and all other data available as at June 9, 2015.

Management maintains internal controls to properly safeguard the assets of Materials Distribution Agency 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 Materials Distribution Agency 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 Materials Distribution Agency are fairly represented, in all material respects, 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 the financial statements.

On behalf of Management of
Materials Distribution Agency

Original document signed

David Bishop
Chief Operating Officer

Original document signed

Joel Hershfield, CMA
Manager of Finance and Technology

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority
and Materials Distribution Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Materials Distribution Agency, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2015 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 Materials Distribution Agency 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.



June 9, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2015

	2015 Actual	2014 Actual
Financial assets		
Cash and cash equivalents	$ 1,045	$ 1,195
Accounts receivable (Note 4)	1,937	2,312
Portfolio investments	512	412
Inventories held for resale (Note 6)	1,505	1,290
	4,999	5,209
Liabilities		
Accounts payable and accrued liabilities	2,613	2,325
Employee future benefits (Note 7)	736	713
	3,349	3,038
Net financial assets	1,650	2,171
Non-financial assets		
Tangible capital assets (Note 8)	2,313	1,785
Prepaid expenses	242	208
	2,555	1,993
Accumulated surplus	$ 4,205	$ 4,164

Designated assets (Note 9)

Commitments (Note 10)

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Warehouse sales (Schedule 1)	$ 14,310	$ 14,330	$ 12,805
Service revenue (Schedule 1)	11,309	12,006	11,594
Investment income	-	5	4
	25,619	26,341	24,403
Expenses:			
Cost of sales	11,127	11,365	9,931
Salaries and benefits	5,538	5,084	5,031
Occupancy costs	1,023	980	1,020
Operating expenses (Schedule 2)	7,143	8,020	7,579
Administrative expenses (Schedule 2)	588	651	639
	25,419	26,100	24,200
Net income before transfer of funds to the Province of Manitoba (Note 11)	200	241	203
Transfer of funds to the Province of Manitoba (Note 11)	200	200	200
Net income for the year	-	41	3
Accumulated surplus, beginning of year	4,049	4,164	4,161
Accumulated surplus, end of year	$ 4,049	$ 4,205	$ 4,164

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Net income for the year	$ -	$ 41	$ 3
Tangible capital assets			
Acquisition of tangible capital assets	(1,035)	(1,664)	(1,027)
Disposals of tangible capital assets	-	74	-
Amortization of tangible capital assets	955	1,062	1,009
Net acquisition of tangible capital assets	(80)	(528)	(18)
Other non-financial assets			
(Increase) decrease in prepaid expenses	50	(34)	56
Net acquisition of other non-financial assets	50	(34)	56
(Decrease) increase in net financial assets	(30)	(521)	41
Net financial assets, beginning of year	2,009	2,171	2,130
Net financial assets, end of year	$ 1,979	$ 1,650	$ 2,171

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2015

	2015 Actual	2014 Actual
Cash provided by (applied to):		
Operating activities:		
Net income for the year	$ 41	$ 3
Adjustment for:		
Amortization	1,062	1,009
Gain on disposal of tangible capital assets (Note 8)	(11)	-
	1,092	1,012
Changes in the following:		
Accounts receivable	375	(430)
Inventories held for resale	(215)	63
Prepaid expenses	(34)	56
Accounts payable and accrued liabilities	288	158
Employee future benefits	23	62
Cash provided by operating activities	1,529	921
Investing activities:		
Change in portfolio investments	(100)	-
Cash (applied to) investing activities	(100)	-
Capital activities:		
Acquisition of tangible capital assets	(1,664)	(1,027)
Proceeds on disposal of tangible capital assets	85	-
Cash (applied to) capital activities	(1,579)	(1,027)
Change in cash and cash equivalents	(150)	(106)
Cash and cash equivalents, beginning of year	1,195	1,301
Cash and cash equivalents, end of year	$ 1,045	$ 1,195

See accompanying notes to financial statements.

1. Nature of organization

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal services. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations and finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations. A Management Agreement between the Financing Authority and the Minister of Infrastructure and Transportation assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Effective April 1, 2012 the Agency is administering the vaccine program on behalf of Manitoba Health.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Warehouse sales

Revenue is recognized when the goods are shipped.

Service revenue

Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable.

Other revenue

All other revenue is recognized on an accrual basis.

(b) Expenses

Accrual basis of accounting

All expenses incurred for goods and services are recognized on an accrual basis.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

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.

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.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale

Inventories for resale are recorded at the lower of cost or 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.

3. Summary of significant accounting policies (continued)

(e) Non-financial assets

Tangible capital assets

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

Computer equipment	20% straight line
Furniture and fixtures	20% straight line
Leasehold improvements	10 years straight line
Office equipment	20% straight line
Production equipment	20% declining balance
Rental equipment	2 - 5 years straight line
Warehouse equipment	20% declining balance

Prepaid expenses

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

(f) Financial instruments - measurement

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

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities.

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 financial instruments measured at fair value, if any, 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.

(g) Measurement uncertainty

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. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2015	2014
Trade accounts receivable	$ 2,002	$ 2,377
Allowance for doubtful accounts	(65)	(65)
	$ 1,937	$ 2,312

5. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $1,000 of which $nil was used at March 31, 2015 (2014 - $nil).

6. Inventories held for resale

	2015	2014
Medical supplies	$ 642	$ 563
Health equipment	148	107
Stationary	508	402
Janitorial	203	215
Furniture	4	3
	$ 1,505	$ 1,290

7. Employee future benefits

	2015	2014
Severance benefits	$ 666	$ 643
Sick pay benefits	70	70
	$ 736	$ 713

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the *Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $306 (2014 - $284). Under this agreement, the Agency has no further pension liability.

7. Employee future benefits (continued)

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 is $666 (2014 - $643), with the total net actuarial losses of $38 (2014 - $23) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability, beginning of year	$ 649	$ 588
Actuarial losses	15	-
Current service costs	30	22
Interest on accrued severance benefits	40	39
Severance benefits paid during the year	(49)	-
Accrued benefit liability, end of year	685	649
Less: unamortized actuarial losses	(19)	(6)
Severance benefit liability, end of year	$ 666	$ 643

7. Employee future benefits (continued)

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2015	2014
Interest on accrued severance benefits	$ 40	$ 39
Current period service costs	30	22
Amortization of actuarial losses over EARSL	3	1
Total expense related to severance benefits	$ 73	$ 62

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements 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. These assumptions include a 5.00% annual return and a 3.00% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2015 based on the valuation model is $70 (2014 - $70). The increase (decrease) in the sick leave benefit liability of $nil (2014 - $nil) represents the total sick leave benefit expense (recovery) for the year.

8. Tangible capital assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 275	$ 4	$ -	$ 279
Furniture and fixtures	165	-	-	165
Leasehold improvements	882	260	-	1,142
Office equipment	64	-	-	64
Production equipment	323	219	-	542
Rental equipment	11,487	998	(74)	12,411
Warehouse equipment	1,119	183	-	1,302
	$ 14,315	$ 1,664	$ (74)	$ 15,905
Accumulated amortization				
Computer equipment	$ (238)	$ (7)	$ -	$ (245)
Furniture and fixtures	(153)	(9)	-	(162)
Leasehold improvements	(822)	(41)	-	(863)
Office equipment	(64)	-	-	(64)
Production equipment	(293)	(27)	-	(320)
Rental equipment	(10,131)	(902)	-	(11,033)
Warehouse equipment	(829)	(76)	-	(905)
Total accumulated amortization	$ (12,530)	$ (1,062)	$ -	$ (13,592)
Net book value	$ 1,785	$ 602	$ (74)	$ 2,313

During the year ended March 31, 2015, rental equipment with a net book value of $74 was sold for proceeds of $85 resulting in a gain on disposal of tangible capital assets of $11 included in total health equipment sales during the year (2014 - $nil).

8. Tangible capital assets (continued)

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 598	$ 13	$ (336)	$ 275
Furniture and fixtures	164	1	-	165
Leasehold improvements	854	28	-	882
Office equipment	64	-	-	64
Production equipment	288	35	-	323
Rental equipment	10,581	906	-	11,487
Warehouse equipment	1,075	44	-	1,119
	$ 13,624	$ 1,027	$ (336)	$ 14,315
Accumulated amortization				
Computer equipment	$ (567)	$ (7)	$ 336	$ (238)
Furniture and fixtures	(143)	(10)	-	(153)
Leasehold improvements	(797)	(25)	-	(822)
Office equipment	(64)	-	-	(64)
Production equipment	(288)	(5)	-	(293)
Rental equipment	(9,224)	(907)	-	(10,131)
Warehouse equipment	(774)	(55)	-	(829)
Total accumulated amortization	$ (11,857)	$ (1,009)	$ 336	$ (12,530)
Net book value	$ 1,767	$ 18	$ -	$ 1,785

9. Designated assets

The Agency has allocated $412 (2014 - $412) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Commitments

Rental agreement

The Agency leases space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg, MB; 340 - 9th Street, Brandon, MB; and 25 Tupper Street, Portage La Prairie, MB. Occupancy charges for the year ended March 30, 2016 are estimated to be $10 (2015 actual - $10).

11. Transfer of funds to the Province of Manitoba

During the year ended March 31, 2015, with Lieutenant-Governor approval by Order in Council, the Agency transferred $200 (2014 - $200) of its surplus funds to the Province of Manitoba.

12. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2014 - $nil).

Financial risk management – overview

The Agency 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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	$ 1,045	$ 1,195
Accounts receivable	1,937	2,312
Portfolio investments	512	412
	$ 3,494	$ 3,919

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable are primarily with other government agencies and departments. The balance is due from a large client base and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency 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.

The balance in the allowance for doubtful accounts as at March 31, 2015 is $65 (2014 - $65) with changes to the allowance for doubtful accounts during the year ended March 31 as follows:

	2015	2014
Balance, beginning of the year	$ 65	$ 93
Provision for receivable impairment	-	-
Reversals of previously recognized impairments	-	(28)
Amounts written off during the year	-	-
Balance, end of the year	$ 65	$ 65

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2015 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 1,819	$ -	$ 1,819
30-60 days past the billing date	111	-	111
61-90 days past the billing date	57	(50)	7
90 days past the billing date	15	(15)	-
Balance, end of the year	$ 2,002	$ (65)	$ 1,937

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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 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 Agency's income 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 low as the original deposits are reinvested at rates for investments 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 Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

13. Comparative information

Certain of the amounts from the year ended March 31, 2014 have been reclassified to conform with the financial statement presentation adopted in the current year.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Warehouse Sales and Service Revenue

(in thousands)

Year ended March 31, 2015 — Schedule 1

	2015	2014
Warehouse sales:		
Medical supplies	$ 5,994	$ 4,945
Stationery	4,327	4,361
Furniture	618	544
Janitorial	2,189	2,270
Health equipment	1,072	575
Special projects	130	110
	$ 14,330	$ 12,805
Service revenue:		
Disposal	$ 36	$ 9
Manitoba Textbook Bureau	290	289
Freight	804	728
Moving	537	695
Storage	408	462
Vaccine program	583	543
Office equipment - copy centres	11	11
Mail services	5,541	5,284
Home care equipment rentals	3,583	3,406
Other revenue	213	167
	$ 12,006	$ 11,594

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Operating and Administrative Expenses

(in thousands)

Year ended March 31, 2015 — Schedule 2

	2015	2014
Operating expenses:		
Amortization	$ 1,062	$ 1,009
Bad debts (recovery)	-	(28)
Copy centre	7	11
Equipment rentals	162	135
Freight	1,755	1,564
Mail services	4,322	4,090
Moving expenses	402	536
Vehicle	130	119
Warehouse supplies	180	143
	$ 8,020	$ 7,579
Administrative expenses:		
Computer	$ 193	$ 245
Miscellaneous	14	12
Office	291	236
Professional fees	12	12
Promotion and marketing	50	64
SOAFA fees	2	2
Telephone	78	64
Training	11	4
	$ 651	$ 639

OFFICE OF THE FIRE COMMISSIONER

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Office of the Fire Commissioner 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 judgments regarding all necessary estimates and all other data available as at June 30, 2015.

Management maintains internal controls to properly safeguard the assets of Office of the Fire Commissioner 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 Office of the Fire Commissioner 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 Office of the Fire Commissioner are fairly represented, in all material respects, 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 the financial statements.

On behalf of Management of
Office of the Fire Commissioner

Original document signed

David Schafer
Fire Commissioner

Original document signed

Cindy Giesbrecht
Director of Support Services

508 Norquay Building • 401 York Avenue • Winnipeg, Manitoba • Canada • R3C 0P8
Telephone: 204-945-3322 • Fax: 204-948-2089 • Website: www.firecomm.gov.mb.ca

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority
and Office of the Fire Commissioner

Report on the Financial Statements

We have audited the accompanying financial statements of Office of the Fire Commissioner, an agency of the Government of Manitoba, which comprise the statement of financial position as at March 31, 2015 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 Office of the Fire Commissioner 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.



June 30, 2015
Winnipeg, Canada

Magnus Chartered Accountants LLP

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2015

	2015 Actual	2014 Actual
Financial assets		
Cash and cash equivalents	$ 16,631	$ 14,717
Accounts receivable (Note 4)	943	852
Portfolio investments	787	787
	18,361	16,356
Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 2,043	$ 2,944
Deferred revenue	537	546
Employee future benefits (Note 6)	876	772
	3,456	4,262
Net financial assets	14,905	12,094
Non-financial assets		
Tangible capital assets (Note 7)	7,212	7,381
Prepaid expenses	110	118
Inventories of supplies	268	-
	7,590	7,499
Accumulated surplus	$ 22,495	$ 19,593

Designated assets (Note 8)
Commitments (Note 9)

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue (Schedule 1):			
Government grants/transfers:			
Province of Manitoba	$ 130	$ 201	$ 209
Federal Government	50	78	244
Total Government grants/transfers	180	279	453
Fees and other revenue	15,850	17,260	15,772
Investment income	50	79	72
	16,080	17,618	16,297
Expenses:			
Salaries and employee benefits	9,810	9,242	8,293
Mutual Aid expenses	260	207	215
Transportation (Schedule 2)	780	589	631
Communications (Schedule 3)	380	256	287
Supplies and services (Schedule 4)	1,445	1,503	1,587
Debt servicing - capital lease obligations	-	-	4
Minor capital expenses	190	183	49
Amortization of tangible capital assets	860	760	887
Loss on disposal of tangible capital assets (Note 7)	-	13	-
Other operating expenses (Schedule 5)	1,550	1,213	1,403
	15,275	13,966	13,356
Net income before the transfer of funds to the Province of Manitoba	805	3,652	2,941
Transfer of funds to the Province of Manitoba (Note 10)	750	750	750
Net income for the year	55	2,902	2,191
Accumulated surplus, beginning of year	17,821	19,593	17,402
Accumulated surplus, end of year	$ 17,876	$ 22,495	$ 19,593

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Net income for the year	$ 55	$ 2,902	$ 2,191
Tangible capital assets:			
Acquisitions of tangible capital assets	(725)	(604)	(418)
Disposals of tangible capital assets	(4)	13	-
Amortization of tangible capital assets	860	760	887
Net acquisition of tangible capital assets	131	169	469
Other non-financial assets:			
Decrease (increase) in prepaid expenses	-	8	(25)
(Increase) in inventories of supplies	-	(268)	-
Net acquisition of other non-financial assets	-	(260)	(25)
Increase in net financial assets	186	2,811	2,635
Net financial assets, beginning of year	10,197	12,094	9,459
Net financial assets, end of year	$ 10,383	$ 14,905	$ 12,094

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2015

	2015 Actual	2014 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 2,902	$ 2,191
Adjustments for:		
Amortization of tangible capital assets	760	887
Loss on disposal of tangible capital assets	13	-
	3,675	3,078
Changes in the following:		
Accounts receivable	(91)	4,416
Accounts payable and accrued liabilities	(901)	(365)
Deferred revenue	(9)	64
Employee future benefits	104	(104)
Prepaid expenses	8	(25)
Inventories of supplies	(268)	-
Cash provided by operating activities	2,518	7,064
Capital activities:		
Acquisitions of tangible capital assets	(604)	(418)
Cash (applied to) capital activities	(604)	(418)
Financing activities:		
Capital lease obligations	-	(74)
Cash (applied to) financing activities	-	(74)
Change in cash and cash equivalents	1,914	6,572
Cash and cash equivalents, beginning of year	14,717	8,145
Cash and cash equivalents, end of year	$ 16,631	$ 14,717

See accompanying notes to financial statements.

1. Nature of organization

Effective April 1, 1996, the Office of the Fire Commissioner (the "Agency") was designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement between the Government of Manitoba (Labour) and the Special Operating Agencies Financing Authority (SOAFA), a corporation pursuant to *The Special Operating Agencies Financing Authority Act*, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority. A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility for these assets to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office of the Fire Commissioner does not hold title to the assets. Effective April 1, 1996, the Financing Authority established a fund referred to as the Fires Prevention Fund to hold these assets.

Effective April 1, 2011, the operations and related net liabilities valued at $358 of the Mechanical and Engineering Branch of the Department of Labour and Immigration were transferred to the Financing Authority to be managed and accounted for by the Office of the Fire Commissioner.

The Office of the Fire Commissioner is part of the Department of Labour and Immigration and is ultimately under the policy direction of the Minister of Labour and Immigration. The Agency is bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

During the year ended March 31, 2013, the Agency's operating charter was updated and an Audit Committee established to oversee the financial reporting and overall operations of the Agency.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Government grants/transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

3. Summary of significant accounting policies (continued)

(a) Revenue (continued)

Fees and other revenue

Insurance levy revenue is recognized in accordance with the underlying legislation. *The Fires Prevention and Emergency Response Act* imposes a special assessment on licensed insurers in Manitoba equal to a set percentage of total property insurance premiums. The levy rate is currently set at 1.25% (2014 - 1.25%). The Agency collects this levy based on the value of premiums and assessments relating to property insurance premiums in a calendar year. Levy revenue with respect to the 2014 calendar year is recognized as revenue in the fiscal year ending March 31, 2015 with no amounts recognized in the financial statements for January to March of the current fiscal year due to it not being practicable to determine a reasonable estimate for these amounts.

Mechanical and engineering fees including amusement rides, boiler and pressure vessel, gas and oil, electrical, and elevator fees including certificates, design registrations, examinations, inspections, licenses, permits, searches and special acceptances under *The Amusements Act, The Electricians' License Act, The Elevator Act, The Gas and Oil Burner Act, The Power Engineers Act and The Steam and Pressure Plants Act* are recognized on the accrual basis.

Codes and standards revenue including building, mobile home and plumbing code inspections and permits under *The Buildings and Mobile Homes Act* is recognized on the accrual basis.

Tuition fees and fire inspections, investigations and reports under *The Fires Prevention and Emergency Response Act* are recognized on the accrual basis.

Emergency services and other conferences revenue and all other revenue and are recognized on the accrual basis.

Amounts received in advance for tuition fees, conferences and mechanical and engineering fees are deferred and recognized as revenue during the period the revenue relates to.

Investment income is recognized on the accrual basis.

(b) Expenses

Expenses

Expenses incurred for goods and services are recorded on the accrual basis when the related goods or services are received.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

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 investments and deposits with original maturities of three months or less.

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.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(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 Agency. These assets are normally employed to provide future services.

Tangible capital assets

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

Building	5% declining balance
Practical training site	10% declining balance
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	30% declining balance
Leasehold improvements	10% declining balance

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.

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the year the supplies are consumed.

3. Summary of significant accounting policies (continued)

(f) Financial instruments - measurement

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

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accrued liabilities.

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 financial instruments measured at fair value, if any, 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.

(g) Measurement uncertainty

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. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2015	2014
Financial Institutions Branch of the Department of Finance - Fire Prevention Levy	$ 227	$ 188
National Search and Rescue Secretariat - New Search and Rescue Initiative	54	236
Trade accounts receivable	1,043	823
Allowance for doubtful accounts (Note 12)	(381)	(395)
	$ 943	$ 852

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at March 31 is comprised of the following:

	2015	2014
Trade payables	$ 865	$ 989
Province of Manitoba transfer payment	-	750
Vacation and overtime entitlements	811	726
Accrued salaries and benefits	258	189
City of Winnipeg - professional services	53	53
PST and GST payable	8	18
Other accruals	48	219
	$ 2,043	$ 2,944

6. Employee future benefits

	2015	2014
Severance benefits	$ 738	$ 653
Sick pay benefits	138	119
	$ 876	$ 772

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Agency was required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for 2015 was $515 (2014 - $495). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 is $738 (2014 - $653), with the net actuarial losses of $220 (2014 - $112) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

6. Employee future benefits (continued)

The severance benefit liability at March 31 includes the following components:

	2015	2014
Accrued benefit liability, beginning of year	$ 709	$ 784
Actuarial losses	108	-
Current period service costs	53	36
Interest on accrued severance benefits	49	51
Severance benefits paid	(32)	(162)
Accrued benefit liability, end of year	887	709
Less: unamortized actuarial losses	(149)	(56)
Severance benefit liability, end of year	$ 738	$ 653

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2015	2014
Current period service costs	53	36
Interest on accrued severance benefits	$ 49	$ 51
Amortization of actuarial losses over EARSL	15	8
Total expense related to severance benefits	$ 117	$ 95

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlements 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. These assumptions include a 5.00% (2014 - 5.00%) annual return and a 3.00% (2014 - 3.00%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2015 based on the valuation model is $138 (2014 - $119). The increase (decrease) in the sick leave benefit liability of $19 (2014 - ($37)) represents the total sick leave benefit expense (recovery) for the year.

7. Tangible capital assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,819	$ 26	$ -	$ 7,845
Practical training site	2,630	96	-	2,726
Equipment	3,506	134	-	3,640
Fire engines	1,707	-	-	1,707
Other vehicles	1,429	21	-	1,450
Air compressors	992	159	-	1,151
Furniture	237	94	-	331
Computer equipment and software	629	-	(41)	588
Leasehold improvements	-	74	-	74
	$ 18,949	$ 604	$ (41)	$ 19,512
Accumulated amortization				
Buildings	$ (3,040)	$ (231)	$ -	$ (3,271)
Practical training site	(1,722)	(94)	-	(1,816)
Equipment	(2,850)	(135)	-	(2,985)
Fire engines	(1,470)	(58)	-	(1,528)
Other vehicles	(1,175)	(68)	-	(1,243)
Air compressors	(699)	(82)	-	(781)
Furniture	(139)	(52)	-	(191)
Computer equipment and software	(473)	(32)	28	(477)
Leasehold improvements	-	(8)	-	(8)
Total accumulated amortization	$ (11,568)	$ (760)	$ 28	$ (12,300)
Net book value	$ 7,381	$ (156)	$ (13)	$ 7,212

7. Tangible capital assets (continued)

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,782	$ 37	$ -	$ 7,819
Practical training site	2,630	-	-	2,630
Equipment	3,334	172	-	3,506
Fire engines	1,707	-	-	1,707
Other vehicles	1,429	-	-	1,429
Air compressors	913	79	-	992
Furniture	141	96	-	237
Computer equipment and software	595	34	-	629
	$ 18,531	$ 418	$ -	$ 18,949
Accumulated amortization				
Buildings	(2,788)	(252)	-	(3,040)
Practical training site	(1,621)	(101)	-	(1,722)
Equipment	(2,686)	(164)	-	(2,850)
Fire engines	(1,369)	(101)	-	(1,470)
Other vehicles	(1,067)	(108)	-	(1,175)
Air compressors	(624)	(75)	-	(699)
Furniture	(89)	(50)	-	(139)
Computer equipment and software	(437)	(36)	-	(473)
Total accumulated amortization	$ (10,681)	$ (887)	$ -	$ (11,568)
Net book value	$ 7,850	$ (469)	$ -	$ 7,381

8. Designated assets

The Agency has allocated $787 (2014 - $787) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and for severance pay benefits for certain of its employees. As at March 31, 2015, $559 is designated for the vacation entitlements and severance pay benefits accumulated to March 31, 1998 for certain of its employees and $228 is designated for the severance pay benefits accumulated to April 1, 2011 for employees transferred from the Mechanical and Engineering Branch. These amount are held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

9. Commitments

The Agency has entered into a lease agreement with the City of Brandon for the land on which the practical training facility has been constructed. The term of the lease expires May 31, 2017. Minimum annual rent is $12 due in equal monthly installments, plus all operating costs with respect to the subject land.

Computer and office equipment operating leases exist for 138 machines. The longest lease term expires on December 31, 2017.

The Agency has entered into leases on a fleet of 41 vehicles.

These three categories of leases give rise to lease commitments as follows:

2016	$ 167
2017	145
2018	94
2019	43
2020	4

10. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $750 (2014 - $750) of its surplus funds to the Province of Manitoba.

11. Professional services - Labour and Immigration

The Agency has a professional services agreement with the Department of Labour and Immigration for the provision of legislation and policy services to the Agency for total fees of $75 for the year ended March 31, 2015. In the prior year, a similar agreement was in place for financial and administrative services, information and communications technology services, research, legislation and policy services. The amount paid pursuant to this professional services agreement for the year ended March 31, 2015 was $75 (2014 - $180). As at year end, all amounts owing pursuant to this agreement have been paid.

12. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2014 - $nil).

Financial risk management – overview

The Agency 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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

12. Financial instruments and financial risk management (continued)

The maximum exposure of the Agency to credit risk at March 31 is:

	2015	2014
Cash and cash equivalents	$ 16,631	$ 14,717
Accounts receivable	943	852
Portfolio investments	787	787
	$ 18,361	$ 16,356

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is exposed to credit risk on its trade accounts receivable. The Agency 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.

The balance in the allowance for doubtful accounts at March 31, 2015 is $381 (2014 - $395). The change in the allowance for doubtful accounts during the year is as follows:

	2015	2014
Balance, beginning of the year	$ 395	$ 172
Provision for receivable impairment	-	223
Reversals of previously recognized impairments	(14)	-
Balance, end of the year	$ 381	$ 395

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2015 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 818	$ -	$ 818
30-60 days past the billing date	88	-	88
61-90 days past the billing date	37	-	37
90 days past the billing date	381	(381)	-
Balance, end of the year	$ 1,324	$ (381)	$ 943

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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.

12. 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 Agency's income 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 low as the original deposits are reinvested at rates for investments 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 Agency is not exposed to significant 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 March 31, 2014 have been reclassified to conform to the financial statement presentation adopted in the current year.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 1 - Revenue

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue			
Government grants/transfers:			
Province of Manitoba:			
Manitoba Local Government - Mutual Aid	$ 130	$ 130	$ 128
Conservation - Disaster Financial Assistance	-	-	81
Other - Criminal Property Forfeiture	-	71	-
Total Province of Manitoba	130	201	209
Federal Government:			
National Search and Rescue Secretariat - New Search and Rescue Initiative	50	78	244
Total Federal Government	50	78	244
Fees and other revenue:			
Insurance Levy	7,400	7,868	7,380
Mechanical and engineering fees	5,000	5,433	5,074
Codes and standards	1,900	2,797	1,927
Tuition fees	1,300	999	1,155
Fire inspections, investigations and reports	130	124	133
Emergency services and other conferences	30	18	61
Other revenue	90	21	42
Total fees and other revenue	15,850	17,260	15,772
Investment income	50	79	72
	$ 16,080	$ 17,618	$ 16,297

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 2 - Transportation Expenses

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Transportation expenses:			
Vehicle leases	$ 550	$ 456	$ 490
Travel	200	115	106
Fuel - owned vehicles	25	13	23
Emergency response	-	3	8
Boards and committees	5	2	4
	$ 780	$ 589	$ 631

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 3 - Communications Expenses

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Communications expenses:			
Communications	$ 185	$ 161	$ 168
Postage and courier	40	55	47
Marketing	85	13	53
Public education material	70	27	19
	$ 380	$ 256	$ 287

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 4 - Supplies and Services Expenses

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Supplies and services expenses:			
Supplies	$ 229	$ 219	$ 229
Repairs and maintenance	200	206	200
Rent	300	338	301
Professional services - Labour and Immigration (Note 11)	75	75	180
Professional fees and contracted services	475	420	475
Mutual Aid - air compressor maintenance	60	83	57
Fuel - training supplies	30	18	33
Utilities	70	88	80
Other	6	10	12
Emergency response - Crown lands	-	46	20
	$ 1,445	$ 1,503	$ 1,587

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 5 - Other Operating Expenses

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Other operating expenses:			
Desktop management	$ 501	$ 452	$ 455
Travel	275	280	271
Bad debts (recovery) expense	-	(14)	223
Property taxes	190	161	173
Insurance	139	129	131
Clothing	80	70	9
Publications	25	38	28
Professional development	30	37	23
Boards and committees	6	3	4
Seminar and conference registration	10	2	3
Memberships and subscriptions	18	7	7
Mutual Aid - meetings	5	2	2
Other	6	10	8
Emergency response - municipal lands	265	36	66
	$ 1,550	$ 1,213	$ 1,403

Pineland Forest Nursery
An Agency of the Government of Manitoba
Financial Statements
March 31, 2015

MNP

Management's Responsibility

To An Agency of the Government of Manitoba:

The accompanying financial statements of Pineland Forest Nursery are the responsibility of management and have been approved by the advisory board.

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. 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 the financial statements.

The Pineland Forest Nursery advisory board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The advisory board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The advisory board is also responsible for recommending the appointment of the Nursery's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Nursery 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 advisory board and management to discuss their audit findings.

June 18, 2015

Original document signed

General Manager

Original document signed

Board member

MNP

Independent Auditors' Report

To An Agency of the Government of Manitoba:

We have audited the accompanying financial statements of Pineland Forest Nursery, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated deficit, 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.

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 Pineland Forest Nursery as at March 31, 2015 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.

Winnipeg, Manitoba

June 18, 2015

MNP LLP

Chartered Accountants

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2015

	2015 (in thousands)	2014 (in thousands)
Financial assets		
Portfolio investments	**187**	187
Accounts receivable *(Note 4)*	**931**	638
	1,118	825
Liabilities		
Working capital advances (Note 5)	**3,465**	2,501
Accounts payable and accruals	**239**	268
Unearned revenue	**573**	639
Employee future benefits (Note 6)	**349**	338
Borrowings from the Province of Manitoba (Note 7)	**1,172**	1,317
	5,798	5,063
Net Debt	**(4,680)**	(4,238)
Non-financial assets		
Inventories held for use	**238**	134
Prepaid expenses	**23**	23
Tangible capital assets (Note 8)	**1,709**	1,965
	1,970	2,122
Accumulated Deficit	**(2,710)**	(2,116)

Designated assets (Note 9)

Approved on behalf of an Agency of the Government of Manitoba:

Original document signed

Director

Original document signed

Director

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Operations and Accumulated Deficit
As at March 31, 2015

	2015 Budget (in thousands)	***2015 Actual (in thousands)***	*2014 Actual (in thousands)*
Revenues - Private Sector			
Overwinter	966	**1,038**	1,017
Current	395	**164**	454
Seed services	50	**54**	40
Other	5	**17**	27
	1,416	**1,273**	1,538
Revenues - Province of Manitoba			
Overwinter	446	**537**	640
Current	102	**109**	130
Seed services	5	**37**	37
Other	73	**103**	32
	626	**786**	839
Total revenues	2,042	**2,059**	2,377
Operating Expenses (Schedule 1)	709	**857**	947
General administrative expenses			
Amortization	294	**287**	342
Interest - operating and capital loan	153	**121**	117
Salaries, wages and benefits	1,381	**1,388**	1,517
	1,828	**1,796**	1,976
Total expenses	2,537	**2,653**	2,923
Net loss	(495)	**(594)**	(546)
Accumulated deficit, beginning of year	(2,116)	**(2,116)**	(1,570)
Accumulated deficit, end of year	(2,611)	**(2,710)**	(2,116)

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Change in Net Debt
As at March 31, 2015

	2015 Budget (in thousands)	***2015 Actual (in thousands)***	*2014 Actual (in thousands)*
Net loss	(495)	**(594)**	(546)
Tangible capital assets			
Acquisition of tangible capital assets	(100)	**(31)**	(33)
Amortization of tangible capital assets	294	**287**	342
	194	**256**	309
Other non-financial assets			
Decrease (increase) in inventories held for use	(141)	**(104)**	11
Decrease in prepaid expense	-	**-**	(1)
	(141)	**(104)**	10
Increase in net debt	(442)	**(442)**	(227)
Net debt, beginning of year	(4,238)	**(4,238)**	(4,011)
Net debt, end of year	(4,680)	**(4,680)**	(4,238)

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Cash Flows
As at March 31, 2015

	2015 Actual (in thousands)	2014 Actual (in thousands)
Cash provided by (applied to):		
Operating		
Net loss	**(594)**	(546)
Amortization of tangible assets	**287**	342
	(307)	(204)
Change in:		
Accounts receivable	**(293)**	422
Accounts payable and accruals	**(29)**	(6)
Unearned revenue	**(66)**	(123)
Employee future benefits	**11**	9
Inventories	**(104)**	11
Prepaid expenses	**-**	(1)
	(788)	108
Capital		
Acquisition of tangible capital assets	**(31)**	(33)
Financing		
Debt repayments to the Province of Manitoba	**(145)**	(145)
Decrease in cash resources	**(964)**	(70)
Working capital advances, beginning of year	**(2,501)**	(2,431)
Working capital advances, end of year	**(3,465)**	(2,501)

The accompanying notes are an integral part of these financial statements

MNP

1. Nature of Organization

In 1953, Pineland Provincial Forestry Nursery was established to meet all the nursery stock requirements of the Province at one location. Prior to 1953 there were several small nurseries located throughout the Province. Effective April 1, 1995, Pineland Forest Nursery, (the "Nursery") was designated as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) and operates under a charter approved by the Lieutenant Governor in Council.

A management agreement between the Financing Authority and the Minister of Conservation and Water Stewardship assigns responsibility to the Nursery to manage and account for the agency related assets and operations on behalf of the Financing Authority. Pineland Forest Nursery continues to be part of Manitoba Conservation and Water Stewardship under the general direction of the Assistant Deputy Minister of Conservation and Water Stewardship Division and ultimately the policy direction of the Deputy Minister and the Minister. Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. Significant Accounting Policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies.

Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Financial Assets

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at fair value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

2. Significant Accounting Policies *(Continued from previous page)*

Net debt

The Nursery's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nursery is determined by its liabilities less its financial assets. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated deficit.

Non-financial Assets

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

Inventories held for use are classified as non-financial assets.

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 are recognized at cost. Cost includes the purchase price as well as other acquisition costs. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	10-20%
Equipment	20-30%

Amortization on current year additions is pro-rated on the length of time in use in the current year.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nursery performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

Revenue

Revenue is recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue and included in accounts receivable. Any excess of amounts billed over revenue recorded on a percentage of completion basis is recorded as unearned revenue.

2. Significant Accounting Policies *(Continued from previous page)*

Measurement uncertainty

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 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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Unbilled accounts receivable and unearned revenue are based on estimated percentage of completion. Amortization is based on the estimated useful lives of tangible 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.

Donated materials and services

Donated materials and services are recorded in the accounts at their fair value. Fair value is based on the amounts that would be paid if these materials and services were purchased in the normal course of business. No amount has been included in cases when fair value could not be reasonably estimated.

3. Financial Instruments and Financial Risk Management

Measurement

Amortized cost

The Nursery has classified the following financial assets in the amortized cost category: accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The Nursery has classified the following liabilities in the amortized cost category: working capital advances, accounts payable and borrowings. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Working capital advances, accounts payable and borrowings are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

3. Financial Instruments and Financial Risk Management *(Continued from previous page)*

Fair value

The Nursery has classified portfolio investments in the fair value category. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Investments are subsequently measured at their fair value. Investments in equity instruments that do not have quoted market prices in an active market are measured at fair value using alternative means of estimation. Gains and losses arising from changes in fair value, except for impairment losses and foreign exchange translation adjustments, are recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in the statement of remeasurement gains or losses is transferred to the consolidated statement of operations.

Financial risk management - overview

The Nursery 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 Nursery to credit risk consist principally of portfolio investments and accounts receivable.

The maximum exposure of the Nursery to credit risk is:

	2015	*2014*
Portfolio investments	**187**	187
Accounts receivable	**931**	638
	1,118	825

Portfolio investments: The Nursery is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: Accounts receivable from two customers represents 76% (2014 – 71%) of total accounts receivable as at March 31, 2015. The Nursery believes that there is minimal risk associated with the collection of these amounts. The Nursery manages this credit risk through close monitoring of overdue accounts. The Nursery 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.

The change in the allowance for doubtful accounts was as follows:

	2015	*2014*
Balance, beginning of the year	**43**	43
Provision for (recovery of) receivable impairment	**-**	-
Amounts written off	**-**	-
Balance, end of the year	**43**	43

3. Financial Instruments and Financial Risk Management *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Nursery will not be able to meet its financial obligations as they come due.

The Nursery 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Nursery's income 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 portfolio investments and borrowings.

The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at fixed rates for investments with similar terms and conditions.

The Nursery manages its interest rate risk on borrowings through the exclusive use of fixed rate terms for its borrowings.

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

4. Accounts receivable

	2015	*2014*
Trade receivable:		
Province of Manitoba	**310**	-
Other	**343**	443
	653	443
Allowance for doubtful accounts	**(43)**	(43)
	610	400
Unbilled revenue	**312**	229
Goods and Services Tax receivable	**9**	9
	931	638

5. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $5,000 (2014 - $5,000) of which $3,465 was advanced at March 31, 2015 (2014 - $2,501). The indebtedness bears interest at prime less 1% (2014 – prime less 1%).

6. Employee future benefits

	2015	2014
Severance benefits	**328**	317
Sick pay benefits	**21**	21
	349	338

Pension benefits

Employees of the Nursery are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Nursery transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Nursery was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $79 (2014 - $79).

Under this agreement, the Nursery has no further pension liability.

Severance benefits

Effective April 1, 1998, the Nursery began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because changes in actuarial assumptions used. The resulting actual gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. The report provides a formula to update the liability on an annual basis. The Nursery's actuarially determined net liability for accounting purposes as at March 31, 2015 was $328 (2014 - $317), with an actuarial loss being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

Sick pay benefits

The Financing Authority provides sick pay benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick pay entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick pay usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

7. Borrowings from the Province of Manitoba

	2015	*2014*
Capital purchase loan payable in monthly installments of $6,317, plus interest at 5.125%, due July 2023.	**632**	707
Capital purchase loan payable in monthly installments of $2,727, plus interest at 4.875%, due July 2023.	**273**	306
Capital purchase loan payable in monthly installments of $1,786, plus interest at 4.875%, due July 2023.	**178**	200
Capital purchase loan payable in monthly installments of $1,250, plus interest at 3.875%, due January 2021.	**89**	104
	1,172	1,317

Principal repayments in each of the next five years are estimated as follows:

2016	145
2017	145
2018	145
2019	145
2020	145

8. Tangible capital assets

2015

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	6,217	8	-	6,225
Equipment	2,088	23	-	2,112
Total cost	8,305	31	-	8,337
Accumulated Amortization				
Buildings	4,425	243	-	4,669
Equipment	1,915	44	-	1,959
Total accumulated amortization	6,340	287	-	6,628
Net				
Buildings	1,792	(235)	-	1,556
Equipment	173	(21)	-	153
Total	1,965	(256)	-	1,709

2014

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	6,211	6	-	6,217
Equipment	2,061	27	-	2,088
Total cost	8,272	33	-	8,305
Accumulated Amortization				
Buildings	4,137	288	-	4,425
Equipment	1,861	54	-	1,915
Total accumulated amortization	5,998	342	-	6,340
Net				
Buildings	2,074	(282)	-	1,792
Equipment	200	(27)	-	173
Total	2,274	(309)	-	1,965

9. Designated assets

The Nursery has allocated $187 (2014 - $187) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the Nursery prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Economic dependence

The Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

The Nursery is also economically dependent on two of its main private sector clients as a significant portion of its private sector revenue is derived from these two clients.

Pineland Forest Nursery
An Agency of the Government of Manitoba
Schedule 1 - Schedule of Operating Expenses
For the Year Ended March 31, 2015

	2015 Budget (In thousands)	***2015 Actual (In thousands)***	*2014 Actual (In thousands)*
Operating expenses			
Departmental services and professional fees	25	**37**	31
Freight	20	**26**	32
Marketing	5	**5**	5
Natural gas and hydro, Biomass fuel	200	**273**	275
Office	40	**36**	61
Property taxes and insurance	60	**60**	59
Repairs and maintenance	125	**197**	221
Supplies	230	**213**	251
Travel	4	**10**	12
	709	**857**	947

MNP



The Public Guardian and Trustee of Manitoba
An Agency of the Province of Manitoba

Financial Statements
March 31, 2015

155 Carlton St, Suite 500
Winnipeg, MB R3C 5R9
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of 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 up to August 12, 2015. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of The Public Guardian and Trustee of Manitoba – An Agency of the Province of Manitoba are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with Canadian Public Sector Accounting Standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Public Guardian and Trustee have reviewed and approved these financial statements and the Annual Report in advance of its release and have approved its content and authorized its release.

Original document signed

Douglas R. Brown
Public Guardian and Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba,
To the Public Guardian and Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

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

The Public Guardian and Trustee's Responsibility for the Financial Statements
The Public Guardian and Trustee 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 the Public Guardian and Trustee 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 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 the Public Guardian and Trustee, 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 Public Guardian and Trustee of Manitoba 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.

Office of the Auditor General

Office of the Auditor General
August 12, 2015
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Financial Position
As at March 31, 2015
(In Thousands)

	March 31, 2015	March 31, 2014
Financial assets		
Cash and cash equivalents (Note 5)	$ 4,998	$ 4,666
Portfolio investments (Note 10)	515	515
Accounts receivable (Note 6)	1,047	1,003
	6,560	6,184
Liabilities		
Accounts payable and accrued liabilities (Note 7)	827	743
Employee future benefits (Note 8)	703	657
	1,530	1,400
Net financial assets	5,030	4,784
Non-financial assets		
Prepaid expenses	7	6
Tangible capital assets (Note 9)	63	82
	70	88
Accumulated surplus	$ 5,100	$ 4,872

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2015
(In Thousands)

	2015 Budget (Note 18)	2015 Actual	2014 Actual
Revenue			
Fees and other revenue (Note 12)	$ 6,950	$ 7,021	$ 7,042
Investment income	41	72	51
Total revenue	6,991	7,093	7,093
Expenses			
Amortization of tangible capital assets (Note 9)	22	20	21
Accommodation costs (Note 11)	411	419	411
Other administration expenses (Note 13)	1,397	1,152	1,095
Salaries and benefits	4,857	4,938	4,778
Pension benefits (Note 14)	288	336	306
Total expenses	6,975	6,865	6,611
Annual surplus	16	228	482
Accumulated surplus, beginning of period	4,872	4,872	4,390
Accumulated surplus, end of period	$ 4,888	$ 5,100	$ 4,872

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Cash Flows
For the Year Ended March 31, 2015
(In Thousands)

	2015 Actual	2014 Actual
Cash provided by (applied to)		
Operating		
Annual surplus	$ 228	$ 482
Amortization of tangible capital assets	20	21
	248	503
Changes in non-cash working capital balances:		
Accounts receivable	(44)	(71)
Accounts payable and accrued liabilities	84	40
Employee future benefits	46	10
Prepaid expenses	(1)	1
Cash provided by operating activities	333	483
Capital		
Acquisition of tangible capital assets	(1)	(64)
Cash applied to capital activities	(1)	(64)
Net increase in cash	332	419
Cash and cash equivalents		
Beginning of year	4,666	4,247
End of year	$ 4,998	$ 4,666
Supplemental cash flow information		
Interest received	$ 72	$ 51

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2015
(In Thousands)

	2015 Budget (Note18)	2015 Actual	2014 Actual
Annual Surplus	$ 16	$ 228	$ 482
Tangible capital assets			
Acquisition of tangible capital assets	(15)	(1)	(64)
Amortization of tangible capital assets	22	20	21
Net change in tangible capital assets	7	19	(43)
Other non-financial assets			
Decrease (increase) in prepaid expenses	-	(1)	1
Net change in other non-financial assets	-	(1)	1
Net increase in net financial assets	23	246	440
Net financial assets, beginning of year	4,784	4,784	4,344
Net financial assets, end of year	$ 4,807	$ 5,030	$ 4,784

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA

An Agency of the Province of Manitoba

Notes to Financial Statements

March 31, 2015

(In Thousands)

1. Nature of organization

The Public Guardian and Trustee of Manitoba – An Agency of the Special Operating Agencies Financing Authority – Province of Manitoba (the "Agency") protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, the Agency was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2014 The Public Guardian and Trustee's name was changed from The Public Trustee upon the enactment of legislation which updated and clarified the statutory roles of the office.

The Agency is financed through the Special Operating Agencies Financing Authority ("SOAFA"). SOAFA has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists the Agency to sustain the provision of high quality service to its clients.

A Management Agreement between SOAFA and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency continues to be part of Manitoba Justice. The Agency is a corporation sole with perpetual succession. As a corporate entity, the Agency functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by the Agency.

The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in The Agency charter in order to meet business objectives.

2. Basis of accounting

The financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

3. Significant accounting policies

a) Revenue recognition

i. Administration fees are charged quarterly as earned to client accounts based on the anniversary date of the account in accordance with the provisions of *The Public Guardian and Trustee Act*. Fees revenue recognized during the year consists of all fees charged.

ii. Other fees are recognized and charged to an account as services are provided.

iii. Statutory legal fees as prescribed in the Public Guardian and Trustee Act are recognized as revenue when received.

b) Tangible capital assets

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

Furnishings and equipment	20%, declining balance basis
Computer hardware and software	20%, straight-line basis, 10% in the year of acquisition, software purchases less than $1 are expensed in year of acquisition
Leasehold improvements	20%, straight-line basis

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Agency's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

c) Measurement uncertainty

In preparing the Agency's financial statements, management is required 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in the financial statements include allowance for doubtful accounts, amortization of tangible capital assets, accrued severance benefits costs and accrued sick pay benefits.

d) Capital disclosures

The Agency's capital consists of the accumulated surplus from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its accumulated surplus. The Agency has developed risk management strategies, as described in Note 4, to preserve the accumulated surplus. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand; demand deposits and short-term highly liquid investments that are readily convertible to a known amount 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 the date of acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

f) Prepaid expenses

Prepaid expenses include insurance and deposits and are charged over the periods expected to benefit from it.

g) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

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.

Financial instruments including cash and cash equivalents, portfolio investments, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations and accumulated surplus in the period the gain or loss occurs. As at March 31, 2015, the Agency does not have any financial instruments measured at fair value. In the event financial instruments are measured at fair value gains and losses would be 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 and accumulated surplus.

The Agency did not incur any re-measurement gains and losses during the year ended March 31, 2015 (2014 - $nil).

The Agency has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk which includes 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 Agency to credit risk consist principally of cash and cash equivalents, portfolio investments and accounts receivable.

The maximum exposure of the Agency to credit risk is as follows:

	2015	2014
Cash and cash equivalents	$4,998	$4,666
Portfolio investments	515	515
Accounts receivable	1,047	1,003
	$6,560	$6,184

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency 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 Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated at 5% of the accrued administration fees.

The aging of fees receivable and allowance for doubtful accounts on the accrued administration fees as at March 31, 2015 was as follows:

	Net	Allowance
Current (note 6)	$1,047	$ 45
30-60 days past the billing date	-	-
61-90 days past the billing date	-	-
More than 90 days past the billing date	-	-
	$1,047	$ 45

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances. The Agency prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. The Agency continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting. The Agency's accounts payable and accrued liabilities mature within 12 months.

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 Agency's income or the fair values of its financial instruments. The significant market risk that the Agency 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 and portfolio investments is considered to be low because of their short-term nature and because amounts are re-invested annually.

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

5. Cash and cash equivalents

	2015	2014
Cash	$ 2,673	$ 1,665
Demand deposits	2,325	3,001
	$ 4,998	$ 4,666

6. Accounts receivable

	2015	2014
Fees receivable	$ 1,062	$ 1,023
Allowance for doubtful accounts	(45)	(43)
	1,017	980
Interest receivable	16	15
Advances to clients	8	2
Cost recoveries	6	6
	$ 1,047	$ 1,003

7. Accounts payable and accrued liabilities

	2015	2014
Operating expenses payable	$ 242	$ 216
Salaries and benefits payable	144	113
Vacation entitlements earned	412	386
GST payable to Canada Revenue Agency	29	28
	$ 827	$ 743

8. Employee future benefits

	2015	2014
Severance benefits	$ 603	$ 559
Sick pay benefits	100	98
	$ 703	$ 657

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis.

The Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 was $664 (2014 - $634). The actuarial loss of $210 based on actuarial reports is being

amortized over the 15 year expected average remaining service life ("EARSL") of the employee group. Benefits paid during the year were $40 (2014 – $75)

The severance benefit liability at March 31 includes the following components:

	2015	2014
Balance beginning of year	$ 634	$ 648
Actuarial gain	70	-
Benefits accrued	28	19
Interest on accrued benefits	42	42
Severance paid	(40)	(75)
Accrued benefit liability	734	634
Less: unamortized actuarial gains (losses)	(131)	(75)
Severance benefit liability	$ 603	$ 559

The total expense related to severance benefits at March 31 includes the following components:

	2015	2014
Interest on obligation	$ 42	$ 42
Employer service cost	28	19
Amortization of actuarial loss over EARSL	14	9
Total expense related to severance benefits	$ 84	$ 70

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

	2014	2011
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	1.00%	1.00%
Annual general salary increase	2.75%	2.75%
	3.75%	3.75%

Sick pay benefits

The Agency provides its employees with sick leave benefits that accumulate but do not vest. 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. These assumptions include an annual return 5.00% (2014 5.00%) and an annual salary increase of 3.00% (2014 3.00%).

9. Tangible capital assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 326	$ 1	$ -	$ 327
Computer hardware and software	121	-	-	121
Leasehold improvements	94	-	-	94
Total cost	$ 541	$ 1	$ -	$ 542
Accumulated amortization				
Furnishings and equipment	$ 293	$ 7	$ -	$ 300
Computer hardware and software	119	1	-	120
Leasehold improvements	47	12	-	59
Total accumulated amortization	$ 459	$ 20	$ -	$ 479
Net book value	$ 82	$ 19	$ -	$ 63

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 319	$ 7	$ -	$ 326
Computer hardware and software	121	-	-	121
Leasehold improvements	37	57	-	94
Total cost	$ 477	$ 64	$ -	$ 541
Accumulated amortization				
Furnishings and equipment	$ 285	$ 8	$ -	$ 293
Computer hardware and software	118	1	-	119
Leasehold improvements	35	12	-	47
Total accumulated amortization	$ 438	$ 21	$ -	$ 459
Net book value	$ 39	$ 43	$ -	$ 82

10. Designated portfolio investments

Portfolio investments consist of designated assets and non-redeemable investments and guaranteed investment certificates. The Agency has allocated $515 (2014 - $515) of its portfolio investments as designated assets for cash received from the Province of Manitoba as settlement for the severance pay benefits accumulated to March 31, 1998 for certain of its employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding severance pay amounts. Interest amounted to $5 (2014 - $6).

11. Commitments

The Agency has an arrangement with the Province of Manitoba, through the Department of Infrastructure and Transportation, for rental of its facilities at 155 Carlton Street in Winnipeg and its facility in the Provincial Building in Brandon. Accommodation costs are estimated to be $411 for the year ended March 31, 2016.

12. Fees and other revenue

	2015	2014
Administration	$ 6,032	$ 6,093
Legal fees	414	408
Income taxes	302	302
Inspection	273	239
	$ 7,021	$ 7,042

13. Other administration expenses

	2015	2014
Computer expenses	$ 629	$ 605
Courier charges	7	5
Insurance, loss, damage	29	26
Office supplies	99	73
Other	2	1
Personnel expenses	15	27
Photocopies	1	3
Postage	77	67
Professional fees	102	114
Publications	1	2
Public communications	21	12
Records Centre charges	25	30
Rentals, equipment	1	1
Repairs and maintenance	9	4
SAP costs	6	7
Support services - Department of Justice	21	21
Telephone	52	54
Travel	55	43
	$ 1,152	$ 1,095

14. Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid at March 31 was $336 (2014 - $306). Under this agreement, the Agency has no further pension liability.

15. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business. The transactions are recorded at the exchange amount.

16. Escheats to the Crown

Escheats to the Crown relate to estates of deceased persons with no heirs. These estates are sent by the Public Guardian and Trustee to the Department of Finance annually. Escheats to the Crown, received by the Agency during the year and remitted to the Minister of Finance, amounted to $85 (2014 - $176). These amounts are not reflected in these financial statements.

17. Estates and trusts under administration

The client assets under administration at March 31, 2015 totaled approximately $249,000 (unaudited) (2014 - $239,000). The trust activities of the Agency are reported in a separate Estates and Trusts under Administration financial statements.

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Agency.

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Manitoba Government)

Financial Statements

Year Ended March 31, 2015

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Index to Financial Statements

Year Ended March 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

VEMA
Vehicle and Equipment Management Agency

Management's Responsibility for Financial Reporting

The Vehicle and Equipment Management Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position, results of operations, change in net debt, and cash flows, in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 through June 18, 2015.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions in all material respects, and that established policies and procedures are followed.

The Agency's financial statements have been audited by MNP LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Original document signed

Al Franchuk
Chief Operating Officer

Original document signed

Kyle Giesbrecht
Manager, Finance and Administration

Winnipeg, Manitoba
June 18, 2015

An Agency of the Manitoba Government

626 Henry Avenue Winnipeg MB R3A 1P7
P. 204-945-0275 T. 1-800-363-6693
F. 204-957-1109 www.vema.gov.mb.ca

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Vehicle and Equipment Management Agency:
To the Vehicle and Equipment Management Agency:

We have audited the accompanying financial statements of Vehicle and Equipment Management Agency (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes 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.

Independent 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 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 purposes 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 Vehicle and Equipment Management Agency (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), 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.

Winnipeg, Manitoba
June 18, 2015

MNP LLP
Chartered Accountants

2500-201 Portage Avenue, Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1(877)500-0795

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Financial Position

(In Thousands)

March 31, 2015

	March 31 2015	March 31 2014
FINANCIAL ASSETS		
Cash and cash equivalents	**$ 275**	$ 436
Receivables *(Note 5)*	**5,891**	7,373
Portfolio investments *(Notes 6 and 10)*	**1,433**	1,433
Inventory for resale	**3,790**	3,777
	11,389	13,019
LIABILITIES		
Working capital advances *(Note 7)*	**2,283**	3,758
Accounts payable and accrued liabilities	**4,002**	5,575
Unearned revenue	**2,541**	2,304
Severance pay liability *(Note 6)*	**1,541**	1,527
Borrowings from the Province of Manitoba *(Note 8)*	**100,700**	95,838
	111,067	109,002
NET DEBT	**(99,678)**	(95,983)
NON-FINANCIAL ASSETS		
Prepaid expenses	**2,796**	2,864
Tangible capital assets *(Note 9)*		
Vehicles and equipment	**122,854**	119,095
Office and shop equipment	**418**	403
Computer hardware and software	**4**	7
Leasehold improvements	**166**	156
	123,442	119,661
	126,238	122,525
ACCUMULATED SURPLUS	**$ 26,560**	$ 26,542

Designated assets *(Note 10)*
Commitments *(Note 11)*

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Operations

(In Thousands)

Year Ended March 31, 2015

	2015		2014
	Projected	**Actual**	Actual
REVENUES			
Vehicle and equipment utilization	$ 52,000	**$ 52,814**	$ 51,520
Fuel billings	21,500	**22,510**	23,647
Insurance and other billings	4,900	**4,589**	4,504
Other revenue (Page 18)	8,525	**10,438**	8,543
	86,925	**90,351**	88,214
EXPENSES			
Salaries and wages	10,000	**9,212**	9,409
Vehicle and equipment operating expenses (Page 18)	64,160	**68,744**	67,115
Administrative expenses (Page 18)	6,100	**5,938**	6,107
Community service	40	**27**	37
Interest expense	4,100	**3,912**	3,874
	84,400	**87,833**	86,542
INCOME FROM OPERATIONS	2,525	**2,518**	1,672
Transfers during the year to the Province of Manitoba	2,500	**2,500**	2,500
NET INCOME (LOSS)	25	**18**	(828)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	26,370	**26,542**	27,370
ACCUMULATED SURPLUS, END OF YEAR	$ 26,395	**$ 26,560**	$ 26,542

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Change in Net Debt

(In Thousands)

Year Ended March 31, 2015

	2015		2014
	Projected	**Actual**	Actual
Net income (loss)	$ 25	**$ 18**	$ (828)
Tangible capital assets			
Acquisition of tangible capital assets	(29,517)	**(30,778)**	(21,662)
Amortization of tangible capital assets	22,120	**23,820**	22,048
Gain on disposal of tangible capital assets, net	(500)	**(838)**	(715)
Proceeds from disposal of tangible capital assets	3,000	**4,015**	3,401
Net acquisition of tangible capital assets	(4,897)	**(3,781)**	3,072
Decrease (increase) in prepaid expenses during the year	(100)	**68**	(72)
DECREASE (INCREASE) IN NET DEBT	(4,972)	**(3,695)**	2,172
NET DEBT, BEGINNING OF YEAR	(96,859)	**(95,983)**	(98,155)
NET DEBT, END OF YEAR	$ (101,831)	**$ (99,678)**	$ (95,983)

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2015

Cash provided by (applied to):	**2015**	2014
OPERATING ACTIVITIES		
Net income (loss)	**$ 18**	$ (828)
Amortization of tangible capital assets	**23,820**	22,048
Gain on disposal of tangible capital assets, net	**(838)**	(715)
Increase in severance pay liability	**116**	126
Payment of severance pay benefits	**(102)**	(225)
	23,014	20,406
Change in:		
Receivables	**1,482**	(1,302)
Inventory for resale	**(13)**	(125)
Accounts payable and accrued liabilities	**(1,573)**	1,006
Unearned revenue	**237**	(274)
Prepaid expenses	**68**	(72)
Cash provided by operating activities	**23,215**	19,639
CAPITAL ACTIVITIES		
Proceeds from disposal of tangible capital assets	**4,015**	3,401
Acquisition of vehicles and equipment	**(30,643)**	(21,493)
Acquisition of office and shop equipment	**(102)**	(119)
Acquisition of leasehold improvements	**(33)**	(50)
Cash applied to capital activities	**(26,763)**	(18,261)
FINANCING ACTIVITIES		
Borrowings from the Province of Manitoba	**20,000**	13,000
Debt repayments to the Province of Manitoba	**(15,138)**	(13,025)
Cash provided by (applied to) financing activities	**4,862**	(25)
INCREASE IN CASH	**1,314**	1,353
WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**(3,322)**	(4,675)
WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS, END OF YEAR	**$ (2,008)**	$ (3,322)

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Notes to Financial Statements

(in Thousands)

Year Ended March 31, 2015

1. NATURE OF ORGANIZATION

In 1934, Fleet Vehicles was created as a branch of the Manitoba provincial government to provide a centralized fleet management program. On April 1, 1992, the branch was approved as a special operating agency, the first such agency at the provincial level in Canada. Since inception, Fleet Vehicles Agency primarily provided light duty vehicles and equipment services, with ambulances becoming a part of the fleet starting in 2001/02. On April 1, 2003, the Agency assumed responsibility for Radio Services, a division that evaluates and supplies the fixed and mobile radio requirements of its provincial and other clients.

Following the advent of engineering-based highway management in the 1960s, the Province established a highways department. The Mechanical Equipment Services branch emerged as an integral and important part of the department, primarily providing heavy duty vehicles and equipment, as well as warehousing services. The provided services support the safe and efficient delivery of the department's construction, maintenance and preservation programs, and its remote airport programs, in a manner that incorporates the principles of sustainable development and environmental awareness.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services branch were amalgamated into a new special operating agency named Vehicle and Equipment Management Agency ("VEMA", or the "Agency"). VEMA combines the acquisition, management and disposal of both light duty and heavy duty vehicles and equipment under common management.

VEMA was a part of the Department of Infrastructure and Transportation through March 31, 2015, under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister of Infrastructure and Transportation. As of April 1, 2015, the Agency is being transitioned from Infrastructure and Transportation to report instead to the Department of Finance.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables VEMA to operate in a business-like manner according to public policy expectations.

A Management Agreement assigns responsibility to VEMA to manage and account for the Agency-related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. BASIS OF ACCOUNTING

The Agency's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed. All revenues are recorded on an accrual basis.

Expenses

All expenses incurred for goods and services are recognized at the gross amount on an accrual basis. Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts and bank borrowings are considered to be financing activities.

(ii) Receivables

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

(iii) Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

(iv) Inventory for resale

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-financial assets

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

(i) Prepaid expenses

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

(ii) Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs such as freight charges, transportation, insurance costs and duties. Modifications or additions to the original asset are capitalized and recognized at cost.

The values of tangible capital assets are written down when conditions indicate that the values of the future economic benefits associated with the tangible capital assets are less than their book values.

The costs of tangible capital assets, less their estimated residual values, are amortized over their useful lives in the following manner:

Vehicles and equipment	30%, declining balance method
Vehicles and equipment (signed lease agreement)	Straight-line over term of lease
Office and shop equipment	20%, declining balance method
Computer hardware and software	20%, straight-line method
Leasehold improvements	10%, straight-line method

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. Judgment is required in determining the future economic benefit of all non-financial assets, especially in the estimation of the useful lives of tangible capital assets. 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 Agency records its financial assets at cost. Financial assets include cash and cash equivalents, receivables and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include working capital advances, accounts payable and accrued liabilities, and borrowings from the Province of Manitoba.

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.

As the Agency has no financial instruments measured at fair value, it did not incur any re-measurement gains and losses during the year ended March 31, 2015 (2014 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and interest rate 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 Agency to credit risk consist principally of cash and cash equivalents, receivables and portfolio investments.

The maximum exposure of the Agency to credit risk as of March 31, 2015, is:

	2015	2014
Cash and cash equivalents	**$ 275**	$ 436
Receivables	**5,891**	7,373
Portfolio investments	**1,433**	1,433
	$ 7,599	$ 9,242

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and Crown corporations with the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. The receivable balances are from a large client base, and payment in full is typically collected when it is due. An allowance for doubtful accounts was not recorded as of March 31, 2015 (2014 - $nil).

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements with draw downs from its available working capital advances and its other borrowings from the Province of Manitoba. Regular determinations of the Agency's working capital advances limit and its other debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due. The contractual maturities of the Agency's borrowings from the Province of Manitoba are included in note 8. Working capital advances are due on demand.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income from 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, portfolio investments, working capital advances, and to other borrowings.

The interest rate risk on cash and cash equivalents and working capital advances is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long term borrowings through the exclusive use of fixed rate terms on each amount borrowed.

5. RECEIVABLES

	March 31 2015	March 31 2014
Trade	**$ 2,551**	$ 1,332
Accrued trade	**2,590**	5,862
Insurance rebate receivable	**750**	179
	$ 5,891	$ 7,373

6. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Province. There is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. For the Fleet Vehicles Agency employees, that responsibility is reflected through the payment by the Province of $270 on March 31, 2009. For the Mechanical Equipment Services employees, that responsibility is reflected through the payment by the Province of $1,163 on July 31, 2010. The $1,433 in combined payments is held in an interest bearing trust account until the cash is required to discharge the related liability.

An actuarial valuation report was completed for the severance pay liability as of December 31, 2013. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability.

Significant long-term actuarial assumptions used in the December 31, 2013, valuation were:

Annual rate of return	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

6. SEVERANCE PAY LIABILITY *(continued)*

Actuarial valuation report updates are prepared every three years. Actuarial adjustments that result from the updates are absorbed by VEMA as a part of the benefits and interest accrued during the year in which the adjustment amounts are known.

The severance pay liability as of March 31 included the following components:

	2015	2014
Severance pay liability, beginning of year	**$ 1,527**	$ 1,626
Benefits and interest accrued during the year	**116**	126
Severance benefits paid during the year	**(102)**	(225)
	$ 1,541	$ 1,527

7. WORKING CAPITAL ADVANCES

The Agency has an authorized line of working capital advances of $10,000, $2,283 of which was used as of March 31, 2015 (2014 - $3,758). Advances bear interest at prime less 1% and are unsecured.

8. BORROWINGS FROM THE PROVINCE OF MANITOBA

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Vehicle and Equipment Management Agency.

Borrowings obtained through the use of available Loan Act authority are repayable in semi-annual instalments of principal and interest, as follows:

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

Interest rate	Semi-annual payment ($)	Maturity date	2015	2014
2.625%	376	September 30, 2014	**$ -**	$ 371
4.875%	148	March 31, 2015	**-**	284
2.625%	215	March 31, 2015	**-**	421
4.125%	117	September 30, 2015	**115**	337
2.5%	482	September 30, 2015	**476**	1,409
2.563%	271	September 30, 2016	**793**	1,306
2.05%	581	September 30, 2016	**1,709**	2,820
3.45%	186	March 31, 2017	**713**	1,051
2.375%	213	March 31, 2017	**828**	1,228
2.25%	269	September 30, 2017	**1,299**	1,799
2.125%	530	September 30, 2017	**2,566**	3,555
2.125%	212	March 31, 2018	**1,225**	1,617
2.2%	232	September 30, 2018	**1,558**	1,982
2.75%	754	September 30, 2018	**4,999**	6,342
2.5%	535	September 30, 2019	**4,527**	-
2.5%	482	September 30, 2019	**4,075**	-
2.625%	272	March 31, 2020	**2,532**	3,000
1.8125%	265	March 31, 2021	**3,000**	-
2.8%	526	September 30, 2022	**7,079**	-
4.875%	237	September 30, 2023	**3,265**	3,569
3.4%	102	September 30, 2023	**1,498**	1,647
5%	334	March 31, 2024	**4,800**	5,214
4.875%	192	March 31, 2024	**2,770**	3,010
4.5%	162	September 30, 2024	**2,478**	2,683
4%	201	September 30, 2025	**3,418**	3,675
3.9%	158	September 30, 2025	**2,697**	2,901
4.55%	162	March 31, 2026	**2,784**	2,975
3.3%	213	September 30, 2027	**4,327**	4,603
3.25%	127	September 30, 2027	**2,595**	2,761
3.375%	86	March 31, 2028	**1,788**	1,896
5%	80	March 31, 2030	**1,668**	1,741
			71,582	64,197

Amount of debt owing in connection with the transfer of Mechanical Equipment Services branch net assets on April 1, 2009

4.875%	2,018	March 31, 2024	**29,118**	31,641
Amount of borrowings owing to the Province of Manitoba at year-end			**$ 100,700**	$ 95,838

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

Unused loan authority of $5,000 was available as of March 31, 2014. An additional $24,000 of loan authority availability was approved during June 2014 in The Loan Act, 2014. Of the $29,000 in available loan authority, $20,000 was drawn down at various times during the year ended March 31, 2015. Unused loan authority available as of March 31, 2015, was $9,000.

All borrowings from the Province of Manitoba are payable in instalments of principal and interest on March 31 and September 30 each year. Interest cost is measured using the effective interest method.

As of March 31, 2015, principal repayments in each of the next five years on the combined outstanding balances owing to the Province of Manitoba are as follows:

2016	$ 15,738
2017	14,782
2018	12,803
2019	11,027
2020	9,419

9. TANGIBLE CAPITAL ASSETS

	2015			
Cost	Opening balance	Additions	Disposals	**Closing balance**
Vehicles and equipment	$ 233,602	$ 30,643	$ (20,317)	**$ 243,928**
Office and shop equipment	1,524	102	-	**1,626**
Computer hardware and software	410	-	(11)	**399**
Leasehold improvements	861	33	-	**894**
	236,397	30,778	(20,328)	**246,847**
Accumulated amortization				
Vehicles and equipment	114,507	23,707	(17,140)	**121,074**
Office and shop equipment	1,121	87	-	**1,208**
Computer hardware and software	403	3	(11)	**395**
Leasehold improvements	705	23	-	**728**
	116,736	23,820	(17,151)	**123,405**
Net book value	$ 119,661	$ 6,958	$ (3,177)	**$ 123,442**

9. TANGIBLE CAPITAL ASSETS *(continued)*

	2014			
Cost	Opening balance	Additions	Disposals	Closing balance
Vehicles and equipment	$ 232,609	$ 21,493	$ (20,500)	$ 233,602
Office and shop equipment	1,456	119	(51)	1,524
Computer hardware and software	415	-	(5)	410
Leasehold improvements	811	50	-	861
	235,291	21,662	(20,556)	236,397
Accumulated amortization				
Vehicles and equipment	110,381	21,939	(17,813)	114,507
Office and shop equipment	1,087	86	(52)	1,121
Computer hardware and software	405	3	(5)	403
Leasehold improvements	685	20	-	705
	112,558	22,048	(17,870)	116,736
Net book value	$ 122,733	$ (386)	$ (2,686)	$ 119,661

10. DESIGNATED ASSETS

The Agency has allocated $1,433 (2014 - $1,433) of its portfolio investments as designated assets for its severance pay liability.

11. COMMITMENTS

(a) VEMA has arrangements with the Government of Manitoba for the rental of facilities in Beausejour, Brandon, Dauphin, The Pas, Thompson and Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2015/16 are established annually based on the approved budget for the Department of Infrastructure and Transportation. Occupancy charges for 2015/16 are estimated at $2,400 for the year, to be paid in quarterly instalments during 2015/16.

(b) VEMA's approved 2015/16 Business Plan calls for $2,500 to be paid to the Consolidated Fund of the Province of Manitoba for the year in quarterly instalments of $625.

12. PENSION BENEFITS

Employees of VEMA are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

The pension liability related to the CSSA's defined benefit plan is included in the Province of Manitoba's financial statements. Accordingly, no provision is required in the Agency's financial statements relating to the effects of participation in the plan by the Agency and its employees.

The Agency is regularly required to pay to the Province an amount equal to the current pension contributions paid by its employees. The amount paid for 2015 was $675 (2014 - $652).

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2015

	2015		2014
	Projected	**Actual**	Actual
OTHER REVENUE			
Autopac service	$ 600	**$ 810**	$ 697
Gain on disposal of tangible capital assets, net	500	**838**	715
Garage regular service	4,400	**5,068**	4,687
Insurance premium rebates	1,200	**2,125**	1,160
Interest income	0	**14**	15
Other service revenue	125	**155**	72
Radio Services	1,700	**1,428**	1,197
	$ 8,525	**$ 10,438**	$ 8,543
VEHICLE AND EQUIPMENT OPERATING EXPENSES			
Amortization of tangible capital assets	$ 22,000	**$ 23,707**	$ 21,939
Fuel	22,000	**22,487**	23,973
Insurance premiums	5,000	**4,878**	4,898
Licenses	160	**154**	157
Repairs and maintenance	15,000	**17,518**	16,148
	$ 64,160	**$ 68,744**	$ 67,115
ADMINISTRATIVE EXPENSES			
Amortization of tangible capital assets	$ 120	**$ 113**	$ 109
Fleet management information system	430	**440**	431
Human resource overhead	2,200	**2,226**	2,315
Occupancy costs	2,400	**2,329**	2,337
Other costs	500	**361**	432
Professional fees	20	**12**	19
SOAFA charges	6	**6**	6
Supplies and materials	250	**274**	304
Telephone and communication	174	**177**	154
	$ 6,100	**$ 5,938**	$ 6,107

VITAL STATISTICS AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

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AS AT MARCH 31, 2015

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Vital Statistics Agency 254 Portage Avenue, Winnipeg, MB R3C 0B6 Canada
Bureau de l'état civil 254, avenue Portage, Winnipeg MB R3C 0B6 Canada

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and all the information in the annual report are the responsibility of the management of Vital Statistics Agency and have been prepared in accordance with 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 8, 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 the transactions and that established policies and procedures are followed.

The responsibility of Bulat & Poustie is to express an independent opinion on whether the financial statements of Vital Statistics Agency are fairly presented in accordance with 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,
Vital Statistics Agency

Original document signed

Denise Koss, Chief Operating Officer
June 8, 2015

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BULAT & POUSTIE
CHARTERED ACCOUNTANTS

1700 Ness Avenue
Winnipeg, Manitoba R3J 3Y1

Telephone: (204) 831-1700
Fax: (204) 831-7812

INDEPENDENT AUDITOR'S REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

We have audited the accompanying financial statements of Vital Statistics Agency, an Agency of the Government of Manitoba which comprise the statement of financial position as at March 31, 2015 and the statement of operations, statement of change in net debt, and 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 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 Vital Statistics Agency as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

BULAT & POUSTIE

Bulat & Poustie

June 8, 2015
Winnipeg, Manitoba

CHARTERED ACCOUNTANTS

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF FINANCIAL POSITION
(in thousands)
AS AT MARCH 31, 2015

	2015	2014
FINANCIAL ASSETS		
Accounts receivable, note 6	$ 173	$ 181
Portfolio investments	94	94
Inventories for resale	185	162
	452	437
LIABILITIES		
Bank indebtedness, note 7	$ 110	$ 133
Accounts payable and accruals	134	144
Unearned revenue	135	52
Accrued unused vacation entitlements	176	183
Employee future benefits, note 8	266	271
	821	783
NET DEBT	(369)	(346)
NON-FINANCIAL ASSETS		
Prepaid expenses	88	93
Tangible capital assets, note 9	725	902
	813	995
ACCUMULATED SURPLUS	$ 444	$ 649

Designated assets, note 10
Commitments, note 11

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF OPERATIONS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	**2015 Actual**	2014 Actual
REVENUE			
Net sales	$ 3,905	**$ 3,542**	$ 3,702
Proceeds from government departments	200	**338**	262
Interest	-	**1**	1
	4,105	**3,881**	3,965
EXPENSES			
Salaries and employee benefits	2,335	**2,401**	2,270
Operating expenses, Schedule 1	1,151	**1,120**	1,093
Amortization	239	**185**	228
Funeral Board of Manitoba operating grant	180	**180**	-
	3,905	**3,886**	3,591
Net income before the transfer of funds to the Province of Manitoba	200	**(5)**	374
Transfer of funds to the Province of Manitoba, note 12	200	**200**	380
NET INCOME (LOSS)	-	**(205)**	(6)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	746	**649**	655
ACCUMULATED SURPLUS, END OF YEAR	$ 746	**$ 444**	$ 649

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF CHANGE IN NET DEBT
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	**2015 Actual**	2014 Actual
NET INCOME (LOSS)	$ -	**$ (205)**	$ (6)
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(220)	**(8)**	(23)
Amortization of tangible capital assets	257	**185**	228
Net acquisition of tangible capital assets	37	**177**	205
OTHER NON-FINANCIAL ASSETS			
Decrease (increase) in prepaid expenses	-	**5**	(13)
DECREASE (INCREASE) IN NET DEBT	37	**(23)**	186
NET DEBT, BEGINNING OF YEAR	(346)	**(346)**	(532)
NET DEBT, END OF YEAR	$ (309)	**$ (369)**	$ (346)

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Actual	2014 Actual
CASH PROVIDED BY (APPLIED TO):		
OPERATING		
Net loss	**$ (205)**	$ (6)
Amortization of tangible capital assets	**185**	228
	(20)	222
Changes in the following:		
Accounts receivable	**8**	(26)
Inventories for resale	**(23)**	(75)
Accounts payable and accruals	**(10)**	39
Unearned revenue	**82**	(80)
Accrued unused vacation entitlements	**(6)**	9
Employee future benefits	**(5)**	14
Prepaid expenses	**5**	(13)
	31	90
CAPITAL		
Acquisition of tangible capital assets	**(8)**	(23)
INCREASE IN CASH AND CASH EQUIVALENTS	**23**	67
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), BEGINNING OF YEAR	**(133)**	(200)
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR	**$ (110)**	$ (133)
Supplementary information:		
Interest paid	**$ -**	$ -
Interest received	**$ 1**	$ 1

The accompanying notes are an integral part of the financial statements

1. ENTITY DEFINITION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Agency in delivering regulated services to clients through administration of three major Acts; The Vital Statistics Act, The Change of Name Act, and The Marriage Act. The Agency also handles disinterments under the Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the the public interest.

The Agency is part of the Consumer and Corporate Affairs Division in the Healthy Living, Seniors and Consumer Affairs Department under the general direction of the Minister of Healthy Living, Seniors and Consumer Affairs, the Deputy Minister and Assistant Deputy Minister who is also Chairperson of Vital Statistics Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. SIGNIFICANT ACCOUNTING POLICIES

Deferred Revenue and Revenue Recognition

Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Government transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Significant Accounting Policies - continued

Exchange transactions

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as deferred revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

Other revenue

All other revenues are recorded on an accrual basis.

Expenses

Accrual accounting

All expenses incurred for goods and services are recorded on an accrual basis.

Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Financial Assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balance, bank indebtedness, and investments with a maturity of three months or less from the date of acquisition.

Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. The investments are recognized at cost.

Inventories for resale

Inventory of certificates and pre-printed forms are valued at the lower of and net realizable value. Cost is generally determined on a first-in, first-out method.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-Financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. 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.

Significant Accounting Policies - continued

Tangible capital assets

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:

	Rate	Method
Data conversion	20 %	Declining balance
Furniture and fixtures	20 %	Straight line
Information system	20 %	Declining balance
Leasehold improvements	20 %	Straight line
National Routing System - Computer equipment and software	20 %	Declining balance
Office equipment	20 %	Straight line
Security equipment	20 %	Straight line

Measurement Uncertainty

The preparation of the 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 amounts 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 Agency records its financial assets at cost, which include cash and cash equivalents, portfolio investments, accounts receivable, and inventories for resale. The Agency also records its financial liabilities at cost, which includes accounts payable and accruals.

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 Agency did not incur any re-measurement gains and losses during the year (2014 - $nil).

Financial Risk Management - overview

The Agency 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 Agency to credit risk consist principally of cash, accounts receivable and portfolio investments.

Financial Instruments and Financial Risk Management - continued

The maximum exposure of the Agency to credit risk at year end is:

	2015	2014
Cash on hand and balances in bank, note 7	$ 37	$ -
Accounts receivable	173	181
Portfolio investments	94	94
	$ 304	$ 275

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these instruments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as no one party accounts for a significant balance of trade receivables and payment in full is typically collected when it is due. The majority of the other receivables is due from the federal government. The Agency 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.

The aging of accounts receivable and allowance for doubtful accounts as of March 31, 2015 was:

	Net	Allowance
Current	$ 87	$ -
31-60 days past billing date	18	-
Greater than 90 days past the billing date	68	2
Balance, end of the year	$ 173	$ 2

The change in the allowance for doubtful accounts during the year was as follows:

	2015	2014
Balance, beginning of the year	$ 1	$ 4
Provision for receivable impairment	4	1
Amounts recovered	(3)	(4)
Balance, end of the year	$ 2	$ 1

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency 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.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Financial Instruments and Financial Risk Management - continued

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 funds on deposit and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered to be low as the original deposits are reinvested at rates for investments 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 Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. WAIVER OF FEES

The Agency charges no fee for services in exchange for services from the following organizations:

(a) The Manitoba Bureau of Statistics.
(b) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

Services provided under the above agreements are valued at $38 for the year ended March 31, 2015 (2014 - $49).

The Agency provides services without compensation to victims of crimes as follows:

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificate stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba. Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide police incident number.

Service provided under the above arrangement are valued at $6 for the year ended March 31, 2015 (2014 - $6).

6. ACCOUNTS RECEIVABLE

	2015	2014
Trade	$ 175	$ 182
Less: Allowance for doubtful accounts	2	1
	$ 173	$ 181

7. CASH AND CASH EQUIVALENTS, AND BANK INDEBTEDNESS

	2015	2014
Cash on hand and balances in bank less outstanding cheques	$ 37	$ (6)
Working capital advances	(147)	(127)
	$ (110)	$ (133)

Working capital advances and long term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $250 limit (2014 - $270) for working capital advances for the Agency. At March 31, 2015 the Agency has accessed working capital advances of $147 (2014 - $127).

8. EMPLOYEE FUTURE BENEFITS

	2015	2014
Severance benefits	$ 229	$ 234
Sick pay benefits	37	37
	$ 266	$ 271

Pension benefits

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA) administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Vital Statistics Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Vital Statistics Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was $144 (2014 - $125). Under this agreement, the Agency has no further pension liability.

Employee Future Benefits - continued

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. The report provides a formula to update the liability on an annual basis. The Vital Statistics Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 was $229 (2014 - $234). The actuarial loss of $88 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %
Assumed salary increase rates	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

The severance benefit liability at March 31 includes the following components:

	2015	2014
Balance, beginning of year	$ 234	$ 220
Actuarial loss	59	58
Benefits accrued	12	10
Interest on accrued benefits	18	18
Severance paid	(41)	(20)
Accrued benefit liability	282	286
Less: unamortized actuarial losses	(53)	(52)
Severance benefit liability	$ 229	$ 234

The total expenses related to severance benefits at March 31 includes the following components:

	2015	2014
Interest on obligation	$ 18	$ 18
Current period benefit cost	12	10
Amortization of actuarial gain over EARSL	6	6
Total expense related to severance benefits	$ 36	$ 34

Employee Future Benefits - continued

Sick pay benefits

Vital Statistics Agency provides sick leave benefits for employees that accumulate but do not vest. 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. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

9. TANGIBLE CAPITAL ASSETS

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	123	6	-	129
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	448	-	-	448
Office equipment	216	2	-	218
Security equipment	75	-	-	75
	5,135	8	-	5,143
Accumulated amortization				
Data conversion	2,056	98	-	2,154
Furniture and fixtures	122	2	-	124
Information system	1,358	53	-	1,411
Leasehold improvements	97	1	-	98
National Routing System	322	26	-	348
Office equipment	203	5	-	208
Security equipment	75	-	-	75
	4,233	185	-	4,418
Net book value	$ 902	$ (177)	$ -	$ 725

Tangible Capital Assets - continued

	2014			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	123	-	-	123
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	425	23	-	448
Office equipment	216	-	-	216
Security equipment	75	-	-	75
	5,112	23	-	5,135
Accumulated amortization				
Data conversion	1,931	125	-	2,056
Furniture and fixtures	121	1	-	122
Information system	1,293	65	-	1,358
Leasehold improvements	95	2	-	97
National Routing System	293	29	-	322
Office equipment	197	6	-	203
Security equipment	75	-	-	75
	4,005	228	-	4,233
Net book value	$ 1,107	$ (205)	$ -	$ 902

10. DESIGNATED ASSETS

The Agency has allocated $94 (2014 - $94) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held by an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

11. COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2016 are estimated to be $189 (2015 - $179).

12. TRANSFER OF FUNDS TO THE PROVINCE OF MANITOBA

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $200 (2014 - $380) of its surplus funds to the Province of Manitoba.

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	**2015 Actual**	2014 Actual
Accommodation	$ 198	**$ 179**	$ 197
Bad debts (recovery)	-	**1**	(3)
Central government charges	65	**43**	45
Computer information system	275	**250**	226
Office equipment support	27	**24**	22
Office supplies	27	**28**	28
Other operating expenses	90	**98**	110
Printed material supplies	150	**139**	132
Professional fees	50	**113**	55
Telecommunications	55	**55**	60
Training	14	**4**	3
Transportation and freight	200	**186**	218
	$ 1,151	**$ 1,120**	$ 1,093

États financiers de
Université de Saint-Boniface

31 mars 2015

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Rapport de l'auditeur indépendant

À l'Assemblée législative du Manitoba et
au Bureau des gouverneurs de l'Université de Saint-Boniface

Nous avons effectué l'audit des états financiers ci-joints de l'Université de Saint-Boniface, qui comprennent l'état de la situation financière au 31 mars 2015, et l'état des résultats et de l'évolution des soldes de fonds, l'état des gains de réévaluation et l'état des flux de trésorerie pour l'exercice terminé à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes comptables canadiennes pour le secteur public, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers, afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de notre audit sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de l'Université de Saint-Boniface au 31 mars 2015, ainsi que de ses activités, de ses gains de réévaluation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux Normes comptables canadiennes pour le secteur public.

Deloitte S.E.N.C.R.L./s.r.l.

Comptables agréés

Le 23 juin 2015

Winnipeg, Manitoba

Université de Saint-Boniface
État de la situation financière
au 31 mars 2015

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2015 Total	2014 Total
		$	$	$	$	$	$ (retraité) (note 1)
Actif							
À court terme							
Encaisse		438 570	—	—	—	438 570	1 331 316
Comptes à recevoir et autres actifs	3	862 004	17 118	165 000	93 180	1 137 302	1 689 520
		1 300 574	17 118	165 000	93 180	1 575 872	3 020 836
Placements	4	23 353 562	—	—	15 895 681	39 249 243	35 120 706
Immobilisations	5	—	—	26 210 617	—	26 210 617	25 882 323
Interfonds		(14 851 045)	15 107 925	(165 000)	(91 880)	—	—
		9 803 091	15 125 043	26 210 617	15 896 981	67 035 732	64 023 865
Passif							
À court terme							
Comptes à payer et frais courus		3 965 332	50 567	—	—	4 015 899	4 896 298
Revenus reportés		220 036	—	—	—	220 036	213 408
Contributions reportées	6	591 500	—	—	—	591 500	502 442
		4 776 868	50 567	—	—	4 827 435	5 612 148
Engagements	8						
Soldes de fonds							
Non grevés d'affectations		2 042 440	—	—	—	2 042 440	2 038 391
Grevés d'affectations	9	—	15 074 476	—	—	15 074 476	14 028 984
Investis en immobilisations		—	—	26 210 617	—	26 210 617	25 882 323
De dotation	10	—	—	—	13 543 982	13 543 982	12 823 440
		2 042 440	15 074 476	26 210 617	13 543 982	56 871 515	54 773 138
Gains de réévaluation cumulés		2 983 783	—	—	2 352 999	5 336 782	3 638 579
		9 803 091	15 125 043	26 210 617	15 896 981	67 035 732	64 023 865

Les notes complémentaires font partie intégrante des états financiers.

Au nom du Bureau des gouverneurs

Original document signed
_____, président

Original document signed
_____, recteur

Université de Saint-Boniface
État des résultats et de l'évolution des soldes de fonds
Exercice terminé le 31 mars 2015

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2015 Total
		$	$	$	$	$
Revenus						
Subventions						
Provinciales		16 869 064	—	76 442	—	16 945 506
Fédérales		3 813 583	475 418	165 000	—	4 454 001
Droits de scolarité		5 360 095	—	—	—	5 360 095
Autres revenus		1 661 815	16 925	—	21 315	1 700 055
Revenus de placement	4	1 327 769	—	—	806 721	2 134 490
Loyers et stationnement		856 180	—	—	—	856 180
Dons		31 375	483 131	—	435 803	950 309
		29 919 881	975 474	241 442	1 263 839	32 400 636
Dépenses						
Salaires et avantages sociaux		22 151 731	441 120	—	—	22 592 851
Matériel et autres		4 297 784	125 620	—	129 622	4 553 026
Amortissement des immobilisations		—	—	1 373 967	—	1 373 967
Déplacements et conférences		640 162	44 891	—	—	685 053
Services publics		575 372	—	—	—	575 372
Bourses et prix		48 618	92 976	—	380 396	521 990
		27 713 667	704 607	1 373 967	510 018	30 302 259
Excédent (insuffisance) des revenus sur les dépenses avant les virements		2 206 214	270 867	(1 132 525)	753 821	2 098 377
Virements						
Intérêts		(125 440)	125 440	—	—	—
Allocations pour projets futurs		(1 890 900)	1 890 900	—	—	—
Financement de projets		26 522	(26 522)	—	—	—
Reclassification de restrictions		—	33 279	—	(33 279)	—
Achats ou virements d'immobilisations		(212 347)	(1 248 472)	1 460 819	—	—
		(2 202 165)	774 625	1 460 819	(33 279)	—
Excédent des revenus sur les dépenses, déduction faite des virements		4 049	1 045 492	328 294	720 542	2 098 377
Solde de fonds au début		2 038 391	14 028 984	25 882 323	12 823 440	54 773 138
Solde de fonds à la fin		2 042 440	15 074 476	26 210 617	13 543 982	56 871 515

Université de Saint-Boniface
État des résultats et de l'évolution des soldes de fonds (suite)
Exercice terminé le 31 mars 2015

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2014 Total
		$	$	$	$	$ (retraité) (note 1)
Revenus						
Subventions						
Provinciales		16 235 857	—	—	—	16 235 857
Fédérales		3 789 573	535 037	—	—	4 324 610
Droits de scolarité		4 654 180	—	—	—	4 654 180
Autres revenus		1 379 395	86 327	25 000	5 168	1 495 890
Revenus de placement	4	932 776	—	—	572 358	1 505 134
Loyers et stationnement		759 367	—	—	—	759 367
Dons		21 025	344 815	—	890 174	1 256 014
		27 772 173	966 179	25 000	1 467 700	30 231 052
Dépenses						
Salaires et avantages sociaux		21 272 470	472 683	—	—	21 745 153
Matériel et autres		3 928 137	129 306	3 081	120 790	4 181 314
Amortissement des immobilisations		—	—	1 254 452	—	1 254 452
Déplacements et conférences		595 702	61 313	—	—	657 015
Services publics		609 291	—	—	—	609 291
Bourses et prix		66 330	34 250	—	281 654	382 234
		26 471 930	697 552	1 257 533	402 444	28 829 459
Excédent (insuffisance) des revenus sur les dépenses avant les virements		1 300 243	268 627	(1 232 533)	1 065 256	1 401 593
Virements						
Intérêts		(273 338)	273 338	—	—	—
Allocations pour projets futurs		(893 500)	893 500	—	—	—
Financement de projets		48 501	(48 501)	—	—	—
Achat ou virement d'immobilisations		(151 579)	(1 298 147)	1 449 726	—	—
		(1 269 916)	(179 810)	1 449 726	—	—
Excédent des revenus sur les dépenses, déduction faite des virements		30 327	88 817	217 193	1 065 256	1 401 593
Solde de fonds au début		2 096 127	13 384 106	25 665 130	11 758 184	52 903 547
Ajustement à la suite du changement de méthode comptable	1	(88 063)	556 061	—	—	467 998
Solde de fonds au début de l'exercice, après l'effet du changement de méthode comptable		2 008 064	13 940 167	25 665 130	11 758 184	53 371 545
Solde de fonds à la fin		2 038 391	14 028 984	25 882 323	12 823 440	54 773 138

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface
État des gains de réévaluation
Exercice terminé le 31 mars 2015

			2015	2014
	Fonds de fonctionnement général	**Fonds de dotation**	**Total**	Total
	$	**$**	**$**	$ (retraité) (note 1)
Gains de réévaluation cumulés au début	**2 002 828**	**1 635 751**	**3 638 579**	1 803 668
Gains non réalisés sur le portefeuille de placements	**1 603 341**	**1 098 197**	**2 701 538**	2 303 254
Gains réalisés sur le portefeuille de placements, reclassés aux résultats	**(622 386)**	**(380 949)**	**(1 003 335)**	(468 343)
Gains de réévaluation nets	**980 955**	**717 248**	**1 698 203**	1 834 911
Gains de réévaluation cumulés à la fin	**2 983 783**	**2 352 999**	**5 336 782**	3 638 579

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface
État des flux de trésorerie
Exercice terminé le 31 mars 2015

	2015	2014
	$	$ (retraité) (note 1)
Activités d'exploitation		
Excédent des revenus sur les dépenses avant les virements	**2 098 377**	1 401 593
Éléments hors caisse		
Amortissement des immobilisations	**1 373 967**	1 254 452
Contributions reportées comptabilisées aux revenus	**(265 942)**	(181 000)
Perte à la vente ou à la cession d'immobilisations	**—**	3 081
	3 206 402	2 478 126
Variation des éléments hors caisse du fonds de roulement de fonctionnement		
Comptes à recevoir et autres actifs	**552 218**	(702 971)
Comptes à payer et frais courus	**(880 399)**	1 256 363
Revenus reportés	**6 628**	(8 192)
	2 884 849	3 023 326
Activités de financement		
Contributions reportées – apports reçus	**355 000**	271 000
Immobilisations		
Achats d'immobilisations	**(1 702 261)**	(1 474 726)
Activités d'investissement		
Augmentation nette des placements	**(2 430 334)**	(4 121 819)
Diminution nette de l'encaisse	**(892 746)**	(2 302 219)
Encaisse au début	**1 331 316**	3 633 535
Encaisse à la fin	**438 570**	1 331 316

Les notes complémentaires font partie intégrante des états financiers.

1. Sommaire des activités et principales méthodes comptables

Autorité et objectifs

L'Université de Saint-Boniface (l'« Université ») est constituée en corporation dans la province du Manitoba depuis 1871. L'Université est régie par son Bureau des gouverneurs sous l'autorité de la *Loi sur l'Université de Saint-Boniface,* C.P.L.M. c. U150.

L'Université est un organisme de bienfaisance enregistré et elle bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu.*

Le capital de l'Université est composé des fonds suivants : fonds non grevés d'affectations; fonds grevés d'affectations; fonds investis en immobilisations et fonds de dotation. Il n'y a eu aucun changement à ce que l'Université considère être son capital depuis l'année précédente.

L'Université a pour objectifs de répondre aux besoins éducatifs de la collectivité francophone et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, elle offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

L'Université gère son capital afin de s'assurer de maintenir les ressources nécessaires pour atteindre ses objectifs. L'Université veille aussi au maintien des ressources nécessaires pour répondre à ses obligations telles que les dépenses générales et administratives, les réparations majeures et l'achat des immobilisations requises.

Comptabilité par fonds

Les états financiers de l'Université ont été préparés conformément aux Normes comptables canadiennes pour le secteur public avec l'option des normes comptables s'appliquant aux organismes sans but lucratif, comme prescrit par le Conseil sur la comptabilité dans le secteur public (chapitre SP 4200).

L'Université a adopté la méthode de la comptabilité par fonds, et a comptabilisé les apports selon la méthode de la comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

Il existe quatre fonds principaux à l'Université : le Fonds de fonctionnement général, les Fonds affectés, le Fonds des immobilisations et le Fonds de dotation.

Fonds de fonctionnement général

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et aux activités suivantes :

- secteur universitaire;
- école technique et professionnelle;
- éducation permanente;
- services internes qui comprennent, entre autres, les opérations administratives, financières et informatiques ainsi que les services aux étudiants.

1. Sommaire des activités et principales méthodes comptables (suite)

Comptabilité par fonds (suite)

Fonds affectés

Les Fonds affectés sont composés du Fonds grevé d'affectations d'origine interne, du Fonds grevé d'affectations d'origine externe ainsi que du Fonds de recherche (voir changement de méthode comptable et chiffres comparatifs). Le fonds grevé d'affectations d'origine interne représente des fonds réservés par le Bureau des gouverneurs pour divers besoins futurs. Le Fonds grevé d'affectations d'origine externe est assujetti à des restrictions d'un donateur ou d'autres tiers. Le Fonds de recherche couvre la prestation des projets et des activités affectés à la recherche.

Fonds des immobilisations

Le Fonds des immobilisations représente les actifs nets de l'Université qui ne sont pas disponibles pour d'autres fins parce qu'ils ont été investis en immobilisations.

Fonds de dotation

Le Fonds de dotation est constitué de sommes d'argent ou de valeurs mobilières obtenues par voie de legs, de dotation ou de dons, et dont le capital est maintenu intact selon les directives du testateur ou du donateur.

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Tous les autres apports affectés sont comptabilisés à titre de revenus dans le Fonds des immobilisations, dans les Fonds affectés ou dans le Fonds de dotation, selon le cas.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

Les accords de financement qui sont conclus, sous forme de billets à ordre, avec le ministère des Finances du Manitoba pour la construction ou l'acquisition d'immobilisations sont enregistrés comme des subventions d'immobilisations. Ces billets à ordre seront remboursés à partir du financement futur accordé par le ministère de l'Éducation et de l'Enseignement supérieur du Manitoba. Les subventions d'immobilisations, selon la méthode de comptabilité par fonds affectés, sont comptabilisées à titre de revenus à l'état des résultats et de l'évolution des soldes de fonds. Le financement futur reçu du Ministère en lien avec les billets à ordre pour couvrir les frais d'intérêts et les paiements du principal est exclu de l'état des résultats et de l'évolution des soldes de fonds.

Les apports destinés à la dotation sont comptabilisés à titre de revenus dans le Fonds de dotation. Quant aux revenus de placement générés par les ressources du Fonds de dotation, peu importe qu'ils aient été affectés ou non, ils sont comptabilisés à titre de revenus dans le Fonds de dotation.

Tous les autres revenus de placement qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus dans le Fonds de fonctionnement général.

1. Sommaire des activités et principales méthodes comptables (suite)

Instruments financiers

L'Université classe ses instruments financiers à la juste valeur ou au coût amorti.

Juste valeur

Cette catégorie comprend l'encaisse, les instruments dérivés ainsi que les placements dans les instruments de capitaux propres cotés sur un marché actif. L'Université a fait le choix de comptabiliser ces instruments financiers à la juste valeur.

Ils sont initialement comptabilisés au coût à l'achat puis détenus à la juste valeur. Les gains et les pertes non réalisés sur la juste valeur sont comptabilisés à l'état des gains de réévaluation, jusqu'à ce qu'ils soient réalisés. Lorsqu'ils sont réalisés, ils sont transférés et comptabilisés à l'état des résultats et de l'évolution des soldes de fonds.

Les coûts de transaction liés aux instruments financiers comptabilisés à la juste valeur sont portés aux dépenses à mesure qu'ils sont engagés.

Lorsque la diminution de la juste valeur est déterminée comme étant autre que temporaire, le montant de la perte est retiré des gains et des pertes de réévaluation cumulés et comptabilisé à l'état des résultats et de l'évolution des soldes de fonds. Lorsque l'instrument financier est vendu, le montant accumulé dans les gains et les pertes de réévaluation cumulés associés à cet instrument est retiré de l'actif net et constaté à l'état des résultats et de l'évolution des soldes de fonds.

Au cours de l'exercice, l'Université n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instruments de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

Coût amorti

Cette catégorie comprend les comptes à recevoir et autre actifs ainsi que les comptes à payer et frais courus.

Ils sont initialement comptabilisés au coût, puis détenus au coût amorti selon la méthode du taux d'intérêt effectif moins la déduction des pertes de valeur sur ces actifs financiers.

La réduction de valeur sur les instruments financiers comptabilisés au coût amorti est constatée lorsque le montant de la perte est connu avec une précision suffisante et qu'il n'y a pas de perspective réaliste de recouvrement. Les instruments financiers sont alors ajustés à leur valeur recouvrable nette, et la réduction de valeur est comptabilisée à l'état des résultats et de l'évolution des soldes de fonds.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée, car elle est jugée négligeable. L'Université n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

1. Sommaire des activités et principales méthodes comptables (suite)

Immobilisations

Les immobilisations acquises par l'Université sont comptabilisées au coût après l'amortissement cumulé, alors que celles qui sont reçues à titre de dons sont comptabilisées à leur juste valeur à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile, laquelle est établie comme suit :

Immeubles et améliorations	25-60 ans
Terrain de stationnement	20 ans
Équipement et ameublement	10 ans
Équipement informatique	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéodisques numériques, disques compacts, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations, ni amortis. Aucune évaluation de la valeur des collections n'est disponible.

Œuvres d'art

L'Université reçoit quelquefois des dons en nature (œuvres d'art) qui sont comptabilisés comme équipement et ameublement à leur juste valeur lorsque celle-ci peut faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons en nature au 31 mars 2015 est de 160 450 $ (154 600 $ au 31 mars 2014).

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités de l'Université. Les états financiers n'en rendent pas compte, car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur.

Utilisation d'estimations

Selon les Normes comptables canadiennes pour le secteur public, la préparation des états financiers exige que la direction établisse des estimations et formule des hypothèses qui affectent la valeur de l'actif et du passif en date des états financiers, et la valeur des revenus et des dépenses de l'exercice en cours. Des estimations ont notamment été faites pour déterminer la juste valeur des placements, la provision des coûts découlant des négociations d'ententes collectives, le passif relatif aux congés rémunérés, la durée de la vie utile des immobilisations ainsi que la provision pour créances douteuses. Les résultats réels pourraient différer des meilleures estimations faites par la direction, au fur et à mesure que des informations supplémentaires seront disponibles.

Régime de retraite des employés

L'Université offre à ses employés un régime de retraite à cotisations déterminées. Les cotisations que l'Université verse au régime sont passées comme dépenses l'année même des cotisations.

1. Sommaire des activités et principales méthodes comptables (suite)

Changement de méthode comptable et chiffres comparatifs

L'Université a changé la présentation du Fonds de recherche, ce qui a engendré un changement de méthode comptable. Au 31 mars 2014, l'Université présentait le Fonds de recherche avec le Fonds de fonctionnement général en utilisant la méthode du report, puisqu'il n'existait pas de fonds affecté correspondant. Pour démontrer l'impact de la recherche qui prend de l'ampleur et qui demeure une priorité de l'établissement, l'Université a décidé de constituer un fonds affecté séparé. Au 31 mars 2015, la présentation a donc été modifiée afin de présenter le Fonds de recherche avec les Fonds affectés en utilisant la méthode de la comptabilité du fonds affecté. Les états financiers antérieurs sont retraités rétroactivement.

La comptabilisation des apports affectés dans un fonds affecté exige que les apports affectés reçus soient comptabilisés en revenus de ce fonds au cours de la période durant laquelle les apports sont reçus. Par conséquent, le solde du Fonds de fonctionnement général a diminué de 88 063 $, et le solde des Fonds affectés a augmenté de 556 061 $ au 31 mars 2014. Ce changement a aussi eu comme effet une diminution de 41 938 $ de l'excédent des revenus sur les dépenses des Fonds affectés de l'exercice terminé le 31 mars 2014, ainsi que la diminution des revenus reportés de 153 420 $ et des contributions reportées de 272 640 $ à l'état de la situation financière du 31 mars 2014.

2. Marge de crédit

L'Université dispose d'une marge de crédit d'un montant autorisé de 3 000 000 $ portant intérêt au taux préférentiel de l'institution financière de 3,15 % au 31 mars 2015 (3,25 % au 31 mars 2014) majoré de 0,25 %. La marge de crédit est garantie par un contrat de sûreté général de premier rang sur les actifs de l'Université, sauf l'immobilier. L'Université n'utilisait pas sa marge de crédit en date du 31 mars 2015 ni au 31 mars 2014.

3. Comptes à recevoir et autres actifs

	2015	2014
	$	$
Gouvernement fédéral	**515 445**	1 067 378
Frais des étudiants	**82 782**	99 224
Divers	**438 986**	437 531
Provision pour créances douteuses	**(64 323)**	(50 378)
	972 890	1 553 755
Frais payés d'avance	**164 412**	135 765
	1 137 302	1 689 520

4. Placements

	2015	2014
	$	$
Encaisse et marché monétaire	**2 052 959**	2 812 157
Titres à revenus fixes	**16 147 461**	14 831 615
Actions canadiennes	**7 593 504**	8 687 059
Actions étrangères – américaines	**5 096 530**	3 632 295
Actions étrangères – autres	**7 548 704**	5 157 580
Placements alternatifs	**810 085**	—
	39 249 243	35 120 706

Les titres à revenus fixes portent intérêt à des taux variant de 1,95 % à 6,63 % (de 1,75 % à 6,63 % en 2014) et viennent à échéance entre janvier 2016 et juin 2108 (novembre 2014 et juin 2108 en 2014).

Bien que l'Université ait des placements qui viennent à échéance dans moins d'un an, la direction a l'intention de réinvestir ces fonds directement. Pour cette raison, les placements sont regroupés dans la catégorie à long terme.

Les revenus de placement sont composés des intérêts, des dividendes et des gains réalisés, comme présenté ci-dessous :

			2015	2014
	Fonds de fonctionnement général	**Fonds de dotation**	**Total**	Total
	$	**$**	**$**	$
Intérêts	**369 197**	**198 233**	**567 430**	574 606
Dividendes	**336 186**	**227 539**	**563 725**	462 185
Gains réalisés	**622 386**	**380 949**	**1 003 335**	468 343
	1 327 769	**806 721**	**2 134 490**	1 505 134

5. Immobilisations

	Terrain	Immeubles et améliorations	Terrain de stationnement	Équipement et ameublement	Équipement informatique	Total
	$	$	$	$	$	$
Coût						
Solde au début	464 505	31 681 899	952 389	6 856 628	2 304 606	42 260 027
Ajouts : achats	13 023	994 812	—	132 352	562 074	1 702 261
Solde à la fin	477 528	32 676 711	952 389	6 988 980	2 866 680	43 962 288
Amortissement cumulé						
Solde au début	—	9 352 264	231 208	5 182 351	1 611 881	16 377 704
Ajouts : amortissement	—	491 925	47 620	314 428	519 994	1 373 967
Solde à la fin	—	9 844 189	278 828	5 496 779	2 131 875	17 751 671
Valeur comptable nette au 31 mars 2015	477 528	22 832 522	673 561	1 492 201	734 805	26 210 617
Valeur comptable nette au 31 mars 2014	464 505	22 329 635	721 181	1 674 277	692 725	25 882 323

6. Contributions reportées

Les contributions reportées sont constituées des apports de subventions qui ont été reçus aux fins d'activités et de projets particuliers, mais qui n'ont pas encore été dépensés. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2015	2014
	$	$ (retraité) (note 1)
Solde au début	**502 442**	412 442
Apports reçus	**355 000**	271 000
Virements aux revenus	**(265 942)**	(181 000)
Changement net	**89 058**	90 000
Solde à la fin	**591 500**	502 442

7. Obligations relatives aux avantages sociaux, aux congés rémunérés et au régime de retraite des employés

Avantages sociaux

Les obligations relatives aux avantages sociaux futurs, sauf le régime de retraite, se rapportent à l'assurance vie et invalidité de longue durée et à l'assurance médicale et dentaire des employés. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par l'Université et ses employés.

Congés rémunérés : jours accumulés de maladie

L'Université administre son propre régime d'assurance invalidité de courte durée, dont elle assume les frais à titre de congés pour cause de maladie ou d'accident. L'Université alloue à certains groupes d'employés un nombre précis de jours chaque année, qui servent de congés rémunérés en cas de maladie ou de blessure, mais ces jours ne sont pas financièrement compensés au départ. Les employés peuvent accumuler leurs jours de maladie non utilisés durant l'année, jusqu'au maximum autorisé dans la convention collective ou le contrat de travail. Les jours de maladie accumulés peuvent être utilisés dans les années à venir dans la mesure où le temps requis par la maladie ou la blessure de l'employé ne dépasse pas l'allocation des jours de maladie accumulés par l'employé, jusqu'à un maximum de 180 jours. Les jours de congé de maladie sont payés au salaire en vigueur lorsqu'ils sont pris. L'obligation liée aux jours de maladie accumulés a été estimée par l'Université en fonction de l'utilisation historique.

Congés rémunérés : autres

Les dépenses relatives aux congés sabbatiques et aux études du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris.

Les congés annuels et administratifs des membres du personnel de l'Université sont comptabilisés lorsqu'ils sont dus.

7. Obligations relatives aux avantages sociaux, aux congés rémunérés et au régime de retraite des employés (suite)

Régime de retraite des employés

L'Université offre à ses employés un régime de retraite à cotisations déterminées (le « Régime ») auquel les employés participent. L'Université verse des cotisations patronales, ce qui constitue sa seule obligation, car elle n'endosse aucune responsabilité quant au rendement des placements effectués dans le cadre du Régime.

Le Régime est conforme à la *Loi sur les prestations de pension du Manitoba* et à la *Loi de l'impôt sur le revenu* ainsi qu'aux règlements connexes. Le comité de retraite est responsable de l'administration du Régime. Ce comité est composé d'un membre ayant droit de vote et de deux membres sans droit de vote élus par les participants au Régime ou nommés par le syndicat, selon le cas. L'Université nomme au moins quatre représentants ayant droit de vote.

Le Régime a ses propres états financiers qui ne font pas partie des états financiers de l'Université.

L'actif net disponible pour le service des prestations du Régime au 31 décembre, sa fin d'année financière, a évolué comme suit :

	Au 31 décembre	
	2014	2013
	$	$
Actif net disponible pour le service de prestations au début	**28 370 076**	24 419 395
Cotisations		
Promoteur	**1 227 793**	1 011 290
Participants	**1 227 793**	1 011 290
Autres	**34 691**	52 825
Revenus de placement nets	**2 480 399**	2 947 660
Prestations versées	**(5 541 230)**	(1 072 384)
	(570 554)	3 950 681
Actif net disponible pour le service de prestations à la fin	**27 799 522**	28 370 076

Les cotisations patronales pour l'exercice terminé le 31 mars 2015 se sont élevées à 1 285 676 $ (1 017 635 $ en 2014) et sont inscrites à titre de dépenses à l'état des résultats et de l'évolution des soldes de fonds.

8. Engagements

Location d'équipement

L'Université est locataire de pièces d'équipement et de services inhérents à ses activités. Les dates d'expiration des contrats visés s'échelonneront sur les cinq prochains exercices financiers. Les loyers ainsi exigibles s'élèvent à moins de 135 000 $ par année.

Auto-assurance

L'Université est membre du Mécanisme d'assurance réciproque pour les universités canadiennes (CURIE), une coopérative d'auto-assurance qui comprend au-delà de 60 universités et collèges canadiens. CURIE assure les biens, la responsabilité civile et les risques d'erreurs et d'omissions de ses membres. Si les primes perçues et les réserves cumulées sont insuffisantes pour couvrir les dépenses et les réclamations des membres, l'Université pourrait se voir dans l'obligation de payer des sommes additionnelles.

9. Solde des fonds affectés

a) Les soldes des fonds affectés sont composés des fonds suivants :

				2015
	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
	$	$	$	$
	(note 9 b)		(note 1)	
Revenus				
Subventions fédérales	—	—	475 418	475 418
Autres revenus	—	—	16 925	16 925
Dons	—	483 131	—	483 131
	—	483 131	492 343	975 474
Dépenses				
Salaires et avantages sociaux	—	—	441 120	441 120
Matériel et autres	—	16 977	108 643	125 620
Déplacements et conférences	—	—	44 891	44 891
Bourses et prix	—	92 976	—	92 976
	—	109 953	594 654	704 607
Excédent (insuffisance) des revenus sur les dépenses avant les virements	—	373 178	(102 311)	270 867
Virements				
Intérêts	125 440	—	—	125 440
Allocations pour projets futurs	1 890 900	—	—	1 890 900
Financement de projets	—	(26 522)	—	(26 522)
Reclassification de restrictions	—	33 279		33 279
Achats ou virements d'immobilisations	(1 242 622)	(5 850)	—	(1 248 472)
	773 718	907	—	774 625
Excédent (insuffisance) des revenus sur les dépenses, déduction faite des virements	773 718	374 085	(102 311)	1 045 492
Solde de fonds au début	13 289 448	225 413	514 123	14 028 984
Solde de fonds à la fin	14 063 166	599 498	411 812	15 074 476

9. Solde des fonds affectés (suite)

				2014
	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
	$	$	$ (note 1)	$ (retraité) (note 1)
Revenus				
Subventions fédérales	—	—	535 037	535 037
Autres revenus	—	—	86 327	86 327
Dons	—	344 815	—	344 815
	—	344 815	621 364	966 179
Dépenses				
Salaires et avantages sociaux	—	—	472 683	472 683
Matériel et autres	—	—	129 306	129 306
Déplacements et conférences	—	—	61 313	61 313
Bourses et prix	—	34 250	—	34 250
	—	34 250	663 302	697 552
Excédent (insuffisance) des revenus sur les dépenses avant les virements	—	310 565	(41 938)	268 627
Virements				
Intérêts	273 338	—	—	273 338
Allocations pour projets futurs	893 500	—	—	893 500
Financement de projets	—	(48 501)	—	(48 501)
Achats ou virements d'immobilisations	(541 500)	(756 647)	—	(1 298 147)
	625 338	(805 148)	—	(179 810)
Excédent (insuffisance) des revenus sur les dépenses, déduction faite des virements	625 338	(494 583)	(41 938)	88 817
Solde de fonds au début	12 664 110	719 996	—	13 384 106
Ajustement à la suite du changement de méthode comptable (note 1)	—	—	556 061	556 061
Solde de fonds au début, après l'effet du changement de méthode comptable	12 664 110	719 996	556 061	13 940 167
Solde de fonds à la fin	13 289 448	225 413	514 123	14 028 984

9. Solde des fonds affectés (suite)

b) Fonds grevé d'affectations d'origine interne

	Bourses et prix	Campagnes futures/ Appariement de dons	Projets stratégiques	Projets d'immo-bilisations importants	Financement de transition de programmes et de services	2015 Total	2014 Total
	$	$	$	$	$	$	$
Excédent des revenus sur les dépenses avant virements	—	—	—	—	—	—	—
Virements							
Intérêts	**25 883**	**8 687**	**12 278**	**54 113**	**24 479**	**125 440**	273 338
Allocations pour projets futurs	—	—	**50 000**	**1 840 900**	—	**1 890 900**	893 500
Achats ou virements d'immobilisations	—	—	—	**(1 242 622)**	—	**(1 242 622)**	(541 500)
Excédent des revenus sur les dépenses, déduction faite des virements	**25 883**	**8 687**	**62 278**	**652 391**	**24 479**	**773 718**	625 338
Solde au début	**2 875 903**	**965 169**	**1 314 177**	**5 414 307**	**2 719 892**	**13 289 448**	12 664 110
Solde à la fin	**2 901 786**	**973 856**	**1 376 455**	**6 066 698**	**2 744 371**	**14 063 166**	13 289 448

9. Solde des fonds affectés (suite)

Fonds grevé d'affectations d'origine interne (suite)

Le fonds grevé d'affectations d'origine interne comprend des soldes de fonds qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs. Ce fonds est issu de provisions établies pour divers besoins, situations et événements connus et imprévus.

Une politique du Bureau des gouverneurs régit la procédure relative à l'établissement, à la majoration et à la suppression de telles provisions et aux retraits qui en résultent. Selon la politique en vigueur, le fonds grevé d'affectations d'origine interne porte intérêt au taux annuel de l'indice des prix à la consommation de 0,9 % (2,1 % en 2014). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes :

Bourses et prix – Les produits financiers générés par le solde de ce fonds sont destinés à augmenter le montant annuellement disponible pour l'attribution des bourses étudiantes qui proviennent du fonds grevé d'affectations d'origine externe, du Fonds de dotation ainsi que des subventions et des dons annuels.

Campagnes futures/Appariement de dons – Ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques – Ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de réaliser des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues :

c) Recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs;

d) Bibliothèque : les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

e) Recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement : les fonds destinés à suppléer, de façon ponctuelle, aux besoins de base dans une situation où les ressources disponibles sont insuffisantes.

Projets d'immobilisations importants – Ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques de l'Université, à la contribution d'une partie des coûts en capital d'un projet ou à l'acquisition de futures immobilisations.

Financement de transition de programmes et de services – Ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

Fonds grevé d'affectations d'origine externe

Le fonds grevé d'affectations d'origine externe comprend les dons reçus qui font l'objet d'une restriction par le donateur quant à leur utilisation, mais pour lesquels le capital n'est pas maintenu à perpétuité. Ce fonds comptabilise les dons reçus pour des projets d'infrastructure, des projets de recherche ou autres objectifs définis.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

9. Solde des fonds affectés (suite)

Fonds de recherche

Le Fonds de recherche comprend des subventions destinées ou réservées aux activités de recherche. Les subventions proviennent surtout du gouvernement fédéral, mais aussi d'autres sources publiques.

Conformément aux conditions prévues dans les ententes de financement, l'Université s'assure que toutes les subventions assujetties à des restrictions sont utilisées aux fins pour lesquelles elles ont été reçues.

10. Fonds de dotation

Le Fonds de dotation comprend, entre autres, les fonds de familles, de fondations et de corporations. Il comprend les dons assujettis à des restrictions des donateurs et dont le capital est maintenu à perpétuité. Le revenu de placement généré par ces fonds doit être utilisé en accord avec les diverses intentions exprimées par les donateurs, par exemple pour les bourses et les prix accordés aux étudiants. L'Université a établi une politique visant à préserver la valeur réelle de ces fonds. Le montant du revenu pouvant être dépensé est limité et un montant est ajouté pour la préservation du capital. Le montant ajouté pour la préservation du capital peut varier d'année en année selon la variabilité des rendements annuels du capital investi, mais à long terme, ce montant viendra compenser l'effet cumulatif de l'inflation.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

11. Instruments financiers

	Juste valeur	**Coût amorti**	**2015**	2014
	$	**$**	**$**	$
Encaisse	**438 570**	—	**438 570**	1 331 316
Comptes à recevoir	—	**972 890**	**972 890**	1 553 755
Placements	**39 249 243**	—	**39 249 243**	35 120 706
Comptes à payer et frais courus	—	**(4 015 899)**	**(4 015 899)**	(4 896 298)
	39 687 813	**(3 043 009)**	**36 644 804**	33 109 479

Hiérarchie de la juste valeur

Le tableau suivant fournit une analyse des instruments financiers qui sont évalués après leur comptabilisation initiale à la juste valeur en fonction de la manière dont la juste valeur est observable :

Niveau 1 : Les prix (non rajustés) cotés sur des marchés actifs pour des actifs ou des passifs identiques;

Niveau 2 : Les données autres que les prix cotés visés au niveau 1, qui sont observables pour l'actif ou le passif, directement (à savoir des prix) ou indirectement (à savoir des dérivés de prix);

Niveau 3 : Les données relatives à l'actif ou au passif qui ne sont pas fondées sur des données de marché observables (données non observables).

11. Instruments financiers (suite)

Hiérarchie de la juste valeur (suite)

La hiérarchie de la juste valeur exige l'utilisation de données observables sur le marché chaque fois que de telles données existent. Un instrument financier est classé au niveau le plus bas de la hiérarchie pour lequel une donnée importante a été prise en compte dans la mesure de la juste valeur.

Les tableaux suivants présentent les instruments financiers comptabilisés à la juste valeur dans l'état de la situation financière, classés selon la hiérarchie de la juste valeur décrite ci-dessus :

				2015
	Niveau 1	**Niveau 2**	**Niveau 3**	**Total**
	$	**$**	**$**	**$**
Encaisse	**438 570**	—	—	**438 570**
Placements	**22 695 637**	**16 553 606**	—	**39 249 243**
	23 134 207	**16 553 606**	—	**39 687 813**

				2014
	Niveau 1	Niveau 2	Niveau 3	Total
	$	$	$	$
Encaisse	1 331 316	—	—	1 331 316
Placements	20 840 355	14 280 351	—	35 120 706
	22 171 671	14 280 351	—	36 452 022

Politique de placement

L'Université, dans le cours normal de ses activités, est exposée à différents risques, notamment le risque de crédit, le risque du marché et le risque de change. L'objectif de l'Université en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble de ses activités.

Risque de crédit

Le risque de crédit est le risque de perte couru par l'Université lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. L'Université est exposée principalement au risque de crédit en ce qui concerne l'encaisse, les comptes à recevoir et les placements. La valeur comptable des actifs financiers à l'état de la situation financière représente le risque de crédit maximal à la date de l'état de la situation financière.

Le risque de crédit lié à l'encaisse est considéré comme négligeable puisque les contreparties sont des institutions financières reconnues dont la notation externe de crédit est bonne.

Le risque de crédit lié aux comptes à recevoir – subventions est considéré comme négligeable puisque les sommes sont recevables des gouvernements provinciaux et fédéral.

11. Instruments financiers (suite)

Risque de crédit (suite)

Le risque de crédit lié aux comptes à recevoir – droits de scolarité et autres est limité, puisque les sommes viennent d'une grande base de clients et que le paiement est typiquement entièrement acquitté lorsqu'il est dû. L'Université a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant les conditions de marché courantes, l'analyse des clients et les tendances historiques de paiement.

Il y a concentration du risque en ce qui a trait aux placements lorsqu'une portion importante du portefeuille est constituée de placements dont les valeurs présentent des caractéristiques semblables ou sensibles aux mêmes facteurs économiques, politiques ou autres. Les énoncés de la politique et les procédures de placement de l'Université, qui sont revus chaque année, spécifient les placements admissibles ainsi que les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque. L'Université veille à la santé financière de ses placements de manière continue avec l'aide de son comité de finances et d'audit, de son sous-comité de placements et de ses conseillers en placement.

Au 31 mars, le classement par échéances des comptes à recevoir est le suivant :

	2015	2014
	$	$
Courant	**590 573**	592 391
De 30 à 59 jours	**8 967**	5 903
De 60 à 89 jours	**256 036**	382 573
90 jours et plus	**181 637**	623 266
	1 037 213	1 604 133

Risque du marché

Le risque du marché correspond au risque de variation de la juste valeur d'instruments financiers découlant d'une fluctuation des paramètres affectant cette valeur, notamment les taux d'intérêt, les taux de change et leur volatilité.

Risque de taux d'intérêt

Le risque de taux d'intérêt découle de la possibilité que les variations des taux d'intérêt aient une incidence sur les flux de trésorerie ou la juste valeur des instruments financiers. L'Université est exposée à ce risque lorsqu'elle investit dans des instruments financiers portant un taux d'intérêt. Les placements sont alors exposés au risque que leur juste valeur fluctue en raison de changements dans les taux d'intérêt du marché.

Les tableaux ci-dessous présentent l'exposition de l'Université au risque de taux d'intérêt lié aux placements comptabilisés à la juste valeur, classés par échéances :

	2015	2014
	$	$
Moins de 90 jours	**1 737 411**	—
90 jours à un an	**310 573**	—
Plus de un an à 5 ans	**3 761 542**	4 585 582
Plus de 5 ans à 10 ans	**4 523 003**	4 196 454
Plus de 10 ans	**5 412 871**	5 498 315
Sans échéance	**402 061**	—
	16 147 461	14 280 351

11. Instruments financiers (suite)

Risque de taux d'intérêt (suite)

	2015	2014
	$	$
Placements associés à un taux d'intérêt	**16 147 461**	14 280 351
Placements non associés à un taux d'intérêt	**23 101 782**	20 840 355
	39 249 243	35 120 706

Au 31 mars 2015, une fluctuation de 0,50 % des taux d'intérêt, avec toutes les autres variables étant restées constantes, aurait un impact estimé sur la juste valeur des instruments à revenu fixe de 550 000 $ (460 000 $ au 31 mars 2014).

Risque de change

Les fluctuations de la valeur du dollar canadien par rapport aux devises étrangères se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par l'Université. Au 31 mars 2015, l'Université est exposée au risque de change en raison de l'encaisse libellée en dollars américains, ainsi que des placements en dollars américains (voir la note 4 pour le détail des placements). Si le dollar canadien s'était apprécié ou déprécié de 1 % par rapport au dollar américain et que toutes les autres variables étaient demeurées constantes, la juste valeur des actifs aurait diminué ou augmenté, respectivement, d'environ 87 612 $ (64 290 $ au 31 mars 2014). Dans les faits, les résultats seront différents de cette analyse de sensibilité.

Risque de prix autre

Le risque de prix autre représente la perte potentielle qui peut être causée par une variation de la juste valeur de l'instrument financier. Les placements de l'Université sont soumis aux fluctuations normales de marché et aux risques inhérents à l'investissement dans les marchés.

L'Université est exposée au risque de prix autre en raison des titres dans son portefeuille de placements, étant donné que des variations de prix du marché auraient pour effet d'entraîner des variations de la juste valeur de ces instruments.

La majorité des placements sont maintenus à long terme pour soutenir le Fonds de fonctionnement général et le Fonds de dotation. Ces placements sont principalement des actions, des obligations ainsi que des titres du marché monétaire et sont donc exposés au risque de prix autre de par leur nature.

L'Université gère le risque de prix autre au moyen de sa politique de placement, qui précise les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque tout en obtenant des rendements d'investissement à long terme qui répondent à ses besoins.

Risque de liquidité

Le risque de liquidité est le risque que l'Université ne soit pas en mesure d'honorer ses obligations de flux de trésorerie lorsqu'elles sont dues. L'Université réduit ce risque grâce à la gestion de ses activités en surveillant les sorties de trésorerie attendues au moyen de son processus de budgétisation, et le maintien de placements qui peuvent être convertis en espèces lorsqu'un flux de trésorerie inattendu survient.

11. Instruments financiers (suite)

Risque de liquidité (suite)

Le tableau suivant présente l'échéance des obligations contractuelles non actualisées des flux de trésorerie liés aux passifs financiers :

	2015	2014
	$	$
De 0 à 12 mois	**3 170 316**	3 922 816
De un an à 5 ans	**845 583**	973 482
Plus de 5 ans	**—**	—
	4 015 899	4 896 298

12. Chiffres comparatifs

Certains chiffres de l'année précédente ont été modifiés afin de refléter les changements apportés à la présentation de l'année courante.

FINANCIAL STATEMENTS

March 31, 2015

P.O. BOX 3000
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UNIVERSITY COLLEGE OF THE NORTH

University College of the North

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March 31, 2015

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STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of University College of the North and have been prepared 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.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Governing Council of University College of the North met with management and external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The Office of the Auditor General as University College of the North's appointed external auditors, have audited the financial statements. The Auditors report is addressed to the Lieutenant Governor in Council, the Legislative Assembly of Manitoba and the Governing Council of the University College of the North and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of University College of the North in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards.

Original document signed

Dwight Botting
Chair, UCN Governing Council

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Independent Auditor's Report

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the accompanying financial statements of the University College of the North, 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 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 University College of the North 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
Winnipeg, Manitoba
August 27, 2015

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

MARCH 31

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	MARCH 31, 2015	MARCH 31, 2014
ASSETS						
CURRENT						
Cash and cash equivalents	$ 9,340,593	$ 167,433	$ 114,486	$	$ 9,622,512	$ 6,425,675
Short-term investments *(Note 4)*				761,627	761,627	760,054
Accounts receivable *(Note 5)*	3,170,596	136	2,796	50,000	3,223,528	3,448,626
Due from General Fund				50,000	50,000	
Due from Province of Manitoba *(Note 7)*	752,589				752,589	752,589
Inventory	203,207				203,207	194,958
Prepaid expenses	708,370				708,370	580,174
	14,175,355	167,569	117,282	861,627	15,321,833	12,162,076
LONG TERM						
Prepaid expenses	663,470				663,470	735,915
Capital assets *(Note 6)*	19,246,754				19,246,754	19,781,508
Due from Province of Manitoba *(Note 7)*	793,500				793,500	793,500
	20,703,724				20,703,724	21,310,923
	$ 34,879,079	$ 167,569	$ 117,282	$ 861,627	$ 36,025,557	$ 33,472,999
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities *(Note 8)*	$ 3,037,725	$	$ 1,625	$	$ 3,039,350	$ 3,868,363
Due to Endowment Fund	50,000				50,000	
Deferred revenue	687,322				687,322	311,337
Deferred contributions *(Note 9)*	4,542,618				4,542,618	2,515,760
Accrued vacation benefits	2,995,065				2,995,065	2,888,145
Current portion on long term debt *(Note 10)*	53,620				53,620	51,650
	11,366,350		1,625		11,367,975	9,635,255
LONG TERM						
Deferred revenue	663,470				663,470	735,915
Deferred contributions related to capital assets *(Note 11)*	9,290,082				9,290,082	9,561,785
Accrued severance benefits *(Note 12)*	2,853,883				2,853,883	2,460,839
Long term debt *(Note 10)*	1,197,055				1,197,055	1,250,675
	14,004,490				14,004,490	14,009,214
FUND BALANCES						
NET ASSETS INVESTED IN CAPITAL ASSETS	8,732,668				8,732,668	8,934,597
NET ASSETS RESTRICTED FOR FUND PURPOSES		167,569	115,657	861,627	1,144,853	1,046,097
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	2,041,491				2,041,491	1,902,023
UNRESTRICTED NET ASSETS	(1,265,920)				(1,265,920)	(2,054,187)
	9,508,239	167,569	115,657	861,627	10,653,092	9,828,530
	$ 34,879,079	$ 167,569	$ 117,282	$ 861,627	$ 36,025,557	$ 33,472,999

Approved by the Governing Council

Original document signed

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UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	March 31, 2015	March 31, 2014
REVENUES						
Grants						
Advanced Learning Division	$ 33,619,187	$	$	$	$ 33,619,187	$ 33,640,174
Other Province of Manitoba	586,459				586,459	726,273
Government of Canada	364,715				364,715	388,806
Amortization of deferred contributions related to capital assets	922,601				922,601	884,299
Ancillary sales and services	2,680,713				2,680,713	2,185,818
Donations		15,313	159,445	51,481	226,239	374,728
Investment income	107,546		8,858	92	116,496	80,715
Contract training	727,729				727,729	916,464
Tuition and student fees	3,866,851				3,866,851	3,636,049
Other revenue	866,368				866,368	1,821,917
Gain on disposal of capital assets	9,474				9,474	
	43,751,643	15,313	168,303	51,573	43,986,832	44,655,243
EXPENSES						
Advertising and public relations	523,863				523,863	538,902
Amortization of capital assets	1,185,654				1,185,654	1,053,999
Bad debt (recovery)	387,187				387,187	(52,323)
Cost of goods sold	1,204,826				1,204,826	1,047,188
Facility costs	1,996,996				1,996,996	1,625,431
Furniture and minor equipment	886,271				886,271	1,484,997
Insurance	106,984				106,984	131,263
Interest on long term debt	47,955				47,955	49,854
Library acquisitions	197,050				197,050	149,786
Loss on disposal of capital assets						830
Maintenance and repairs	122,005				122,005	123,363
Operational supplies and services	4,204,812				4,204,812	4,222,484
Property taxes	703,216				703,216	699,640
Rentals and leases	633,509				633,509	622,308
Salaries and employee benefits	28,309,587				28,309,587	28,359,312
Scholarships and bursaries			186,433		186,433	309,069
Telephone and communication	630,619				630,619	627,501
Travel	1,434,144				1,434,144	1,377,519
Utilities	401,159				401,159	405,947
	42,975,837		186,433		43,162,270	42,777,070
EXCESS REVENUES	$ 775,806	$ 15,313	$ (18,130)	$ 51,573	$ 824,562	$ 1,878,173

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total March 31, 2015	Total March 31, 2014
FUND SURPLUS, *beginning of year*	$ 8,782,433	$ 152,256	$ 133,787	$ 760,054	$ 9,828,530	$ 7,950,357
EXCESS REVENUES	775,806	15,313	(18,130)	51,573	824,562	1,878,173
INTERFUND TRANSFERS	(50,000)			50,000		
FUND SURPLUS, *end of year*	$ 9,508,239	$ 167,569	$ 115,657	$ 861,627	$ 10,653,092	$ 9,828,530

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

	MARCH 31, 2015	MARCH 31, 2014
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
General Fund	$ 775,806	$ 2,265,887
Capital Campaign Fund	15,313	(440,044)
Student Award Fund	(18,130)	(50,124)
Endowment Fund	51,573	102,454
	824,562	1,878,173
Add (deduct) items not affecting cash:		
Loss (gain) on disposal of capital assets	(9,474)	830
Amortization of capital assets	1,185,654	1,053,999
Amortization of deferred contributions related to capital assets	(922,601)	(884,299)
	1,078,141	2,048,703
Add (deduct) changes in non-cash working capital components related to operating activities:		
Accounts receivable	225,098	2,087,948
Inventory	(8,249)	12,922
Prepaid expenses	(55,751)	4,168
Accounts payable and accrued liabilities	(829,013)	701,529
Deferred revenue	303,540	(771,309)
Deferred contributions	2,026,858	368,093
Accrued vacation benefits	106,920	42,273
Accrued severance benefits	393,044	188,610
	3,240,588	4,682,937
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	650,898	1,191,548
Repayment of long term debt	(51,650)	(49,752)
	599,248	1,141,796
CAPITAL ACTIVITIES		
Purchase of capital assets	(650,900)	(2,037,617)
Proceeds from disposal of capital assets	9,474	500
	(641,426)	(2,037,117)
INVESTING ACTIVITY		
Increases in short-term investments	(1,573)	(202,454)
	(1,573)	(202,454)
NET INCREASE IN CASH FLOWS DURING THE YEAR	3,196,837	3,585,162
CASH AND CASH EQUIVALENTS, *beginning of year*	6,425,675	2,840,513
CASH AND CASH EQUIVALENTS, *end of year*	$ 9,622,512	$ 6,425,675
Supplemental Cash Flow Information:		
Interest Received	$ 116,193	$ 80,583
Interest Paid	$ 47,955	$ 49,854

UNIVERSITY COLLEGE OF THE NORTH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31

1. NATURE OF OPERATIONS

The University College of the North (UCN) operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of UCN is to provide post-secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

UCN has a tax-exempt status as a registered charity under *The Income Tax Act.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UCN have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations (GNFPO), including the PS 4200 series of standards, as issued by the Public Sector Accounting Board. UCN follows the restricted fund method of accounting for contributions.

a) Funds

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

General Funds

1. UCN Fund

The UCN Fund consists of transactions related to educational and ancillary activities of UCN.

(i) Capital Assets

The Capital Assets Fund consists of capital asset acquisitions, net of amounts financed through deferred contributions.

(ii) Internally Restricted

The Internally Restricted Fund consists of transactions related to appropriations made from (to) the Unrestricted Fund.

(iii) Unrestricted

The Unrestricted Fund consists of all other transactions related to educational and ancillary activities of UCN.

2. Inter-Universities Services Fund (IUS)

The IUS Fund consists of transactions related to the educational programs of the Inter-Universities Services Program which is administered by UCN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Campaign Fund

The Capital Campaign Fund consists of transactions related to donations received towards the development and capital needs of UCN.

Student Award Fund

The Student Award Fund consists of transactions related to donations for student scholarships and bursaries.

Endowment Fund

The Endowment Fund consists of transactions related to endowments for student scholarships and bursaries.

b) Financial Instruments

The financial instruments at UCN consist of cash and cash equivalents, short-term investments, accounts receivable, due from Province of Manitoba - vacation and severance benefits, accounts payable and accrued liabilities, accrued vacation benefits and long-term debt.

UCN classifies its financial instruments as either fair value or amortized cost. UCN's accounting policy for each category is as follows:

Fair Value

These financial instruments are initially and subsequently carried at fair value. 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. Transactions costs are expensed as incurred.

When a decline in fair value occurs which is determined by UCN to be other than of a temporary nature, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

UCN does not have any remeasurement gains or losses and therefore no statement of remeasurement gains and losses is required.

Amortized Cost

Financial instruments in this category are initially measured at fair value and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs are added to the carrying value of the financial instrument.

If an impairment loss is determined by UCN 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 operations.

c) Revenue Recognition

Tuition and student fees are recognized as revenue in the semester or term earned.

Revenue from Contract Training contracts is recognized during the period at a rate approximating the delivery of the contracted programs and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment income is recognized as revenue when earned.

Contributions:

UCN follows the restricted fund method of accounting for contributions.

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions for which a corresponding restricted fund is not present are recognized as revenue in the period in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with maturity dates of less than 90 days when purchased.

e) Inventory

Inventory is recorded at the lower of cost or net realizable value. Cost of goods sold on the Statement of Operations includes inventory expensed during the period.

f) Capital Assets

Amortization of capitalized assets is recorded on a straight line basis, using the half year rule, commencing in the year of acquisition over the following periods:

Automotive equipment	5 years
Computer equipment	5 years
Other equipment	10 years
Buildings	40 years
Building Improvements	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisition.

Construction in progress is not amortized until construction is complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management 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. Significant estimates included in the financial statements include allowance for doubtful accounts, net realizable value of inventory, amortization and accrued severance benefits costs.

h) Severance Benefits

UCN accrues its obligation for employee future benefits relating to severance. The cost of severance benefits earned by employees is actuarially determined using the accrued benefits cost method.

Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

3. FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments are classified as follows:

	2015		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 9,622,512	$	$ 9,622,512
Short-term investments	761,627		761,627
Accounts receivable		3,223,528	3,223,528
Due from Province of Manitoba		1,546,089	1,546,089
Accounts payable and accrued liabilities		3,039,350	3,039,350
Accrued vacation benefits		2,995,065	2,995,065
Long term debt		1,250,675	1,250,675
	$ 10,384,139	$ 12,054,707	$ 22,438,846

Fair Value Hierarchy

PS 3450 – Financial Instruments – requires the disclosure of a three-level hierarchy for the fair value measurements based upon the transparency of inputs to the valuation of financial instruments carried on the Statement of Financial Position at fair value.

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy of all financial instruments measured at fair value on the statement of financial position are level one. There were no transfers between levels for the years ended March 31, 2015 and 2014.

4. SHORT-TERM INVESTMENTS

Short-term investments mature bewteen April 9, 2015 and November 20, 2015 and bear interest between .55% and 1.01%.

5. ACCOUNTS RECEIVABLE

	2015	2014
UCN Fund		
Students	$ 1,606,324	$ 1,224,865
Contract Training	658,393	725,279
Due from Advanced Learning Division	169,968	149,131
Other	835,754	1,370,341
	3,270,439	3,469,616
Less: Allowance for doubtful accounts	(324,579)	(138,172)
	$ 2,945,860	$ 3,331,444
Inter-Universities Services Fund		
Students	$ 243,760	$ 118,397
Other	225	2,830
	243,985	121,227
Less: Allowance for doubtful accounts	(19,249)	(7,050)
	$ 224,736	$ 114,177
General Fund	$ 3,170,596	$ 3,445,621
Capital Campaign Fund	136	142
Student Award Fund	2,796	2,863
Endowment Fund	50,000	
	$ 3,223,528	$ 3,448,626

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2015
UCN Fund			
Automotive equipment	$ 1,044,907	$ 845,214	$ 199,693
Computer equipment	1,639,372	1,197,721	441,651
Other equipment	4,381,094	2,043,419	2,337,675
Buildings/improvements	16,573,870	1,696,637	14,877,233
Construction in progress	190,005		190,005
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 24,989,476	$ 5,782,991	$ 19,206,485
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 75,227	$ 8,904
Computer equipment	60,174	60,174	
Other equipment	62,457	31,092	31,365
	$ 206,762	$ 166,493	$ 40,269
TOTALS FOR 2015	$ 25,196,238	$ 5,949,484	$ 19,246,754

	Cost	Accumulated Amortization	Net Book Value 2014
UCN Fund			
Automotive equipment	$ 1,066,810	$ 763,883	$ 302,927
Computer equipment	1,440,911	1,026,355	414,556
Other equipment	4,211,618	1,743,707	2,467,911
Buildings/improvements	16,365,849	1,157,496	15,208,353
Construction in progress	172,903		172,903
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 24,418,319	$ 4,691,441	$ 19,726,878
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 66,567	$ 17,564
Computer equipment	60,174	60,174	
Other equipment	62,457	25,391	37,066
	$ 206,762	$ 152,132	$ 54,630
TOTALS FOR 2014	$ 24,625,081	$ 4,843,573	$ 19,781,508

7. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to UCN for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

The amount recorded as due from Province of Manitoba – vacation benefits was initially based on the estimated value of the corresponding liability as at April 1, 1998. Subsequent to April 1, 1998, the Province has included in its ongoing annual funding to UCN, an amount equal to the current period's expense for vacation pay entitlements.

The amount recorded as due from Province of Manitoba – severance benefits is the value of the corresponding actuarial liability for severance benefits as at April 1, 1998. There has been no change to the value subsequent to April 1, 1998 because the Province has provided, in its ongoing annual funding to UCN, an amount equivalent to the change in the post employment liability 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 severance benefits.

	2015	2014
Accrued vacation benefits	$ 752,589	$ 752,589
Accrued severance benefits	$ 793,500	$ 793,500

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
UCN Fund		
Accrued liabilities	$ 634,074	$ 1,082,312
Wages and benefits payable	1,091,143	1,103,235
Trade accounts payable	1,187,157	1,543,441
Due to Student Associations	27,846	16,566
	$ 2,940,220	$ 3,745,554
Inter-Universities Services Fund		
Trade Accounts Payable	97,505	122,309
General Fund	$ 3,037,725	$ 3,867,863
Student Award Fund	1,625	500
	$ 3,039,350	$ 3,868,363

9. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current period that are related to expenditures of a subsequent period. Changes in deferred contributions during the period are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 2,515,760	$ 3,312,575	$ 1,285,717	$ 4,542,618

10. LONG TERM DEBT

	2015	2014
Mortgage payable to the Province of Manitoba bearing interest at 3.75%, due March 31, 2032, repayable in monthly blended installments of $8,300.	$ 1,250,675	$ 1,302,325
Less: Current portion	(53,620)	(51,650)
	$ 1,197,055	$ 1,250,675

Principal repayments in each of the next five years are estimated as follows:

2016	$ 53,620
2017	55,666
2018	57,790
2019	59,994
2020	62,283
	$ 289,353

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 9,507,153	$ 650,898	$ 908,240	$ 9,249,811
Inter-Universities Services Fund	54,632		14,361	40,271
	$ 9,561,785	$ 650,898	$ 922,601	$ 9,290,082

12. ACCRUED SEVERANCE BENEFITS

	2015	2014
Severance Benefit Liability:		
UCN Fund		
Balance, beginning of period	$ 2,829,433	$ 2,585,531
Actuarial loss (gain)	(167,244)	121,636
Benefits accrued	231,890	232,858
Interest on accrued benefits	159,731	175,966
Severance paid	(77,718)	(286,558)
Balance, end of period	$ 2,976,092	$ 2,829,433
Net unamortized actuarial loss	(270,821)	(498,315)
Severance liability	$ 2,705,271	$ 2,331,118
Inter-Universities Services Fund		
Balance, beginning of period	$ 160,437	$ 138,866
Actuarial loss (gain)	(8,802)	6,402
Benefits accrued	6,060	5,726
Interest on accrued benefits	9,098	9,443
Balance, end of period	$ 166,793	$ 160,437
Net unamortized actuarial loss	(18,181)	(30,716)
Severance liability	$ 148,612	$ 129,721
	$ 2,853,883	$ 2,460,839
Severance Benefit Expense:		
UCN Fund		
Interest on accrued benefits	$ 159,731	$ 175,966
Employer service cost	231,890	232,858
Amortization of net actuarial loss over EARSL	60,248	48,084
Total expense related to severance benefit	$ 451,869	$ 456,908
Inter-Universities Services Fund		
Interest on accrued benefits	$ 9,098	$ 9,443
Employer service cost	6,060	5,726
Amortization of net actuarial loss over EARSL	3,732	3,091
Total expense related to severance benefit	$ 18,890	$ 18,260
	$ 470,759	$ 475,168

12. ACCRUED SEVERANCE BENEFITS *(continued)*

An actuarial valuation of the severance obligations as at December 31, 2013 was conducted by Ellement & Ellement Consulting Actuaries. The key actuarial assumptions were updated as at March 31, 2014 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 6.0% (2014 - 6.5%), 2.0% inflation (2014 - 2.0%), salary rate increases of 3.75% (2014 - 3.75%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2015 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2015.

During the year UCN experienced an actuarial gain of $176,046 (2014 - actuarial loss of $128,038). The amortization on the actuarial net loss in 2015 is $63,980 (UCN $60,248; IUS $3,732) and in 2014 is $51,175 (UCN $48,084; IUS $3,091).

13. PENSION COSTS AND OBLIGATIONS

UCN's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity Fund defined benefit pension plans. Until March 31, 2009, the accumulated superannuation liabilities were funded directly by the Province of Manitoba, rather than UCN itself for all employees hired prior to October 1, 2002. Employees hired on or after October 1, 2002 were funded directly by UCN. Commencing April 1, 2009, UCN was required to match all their employees' current pension contributions.

The total contributions for the year ending March 31, 2015 was $1,558,202 (2014 - $1,523,271). These contributions represent the total pension obligations of UCN. UCN is not required under present legislation to make any further contributions with respect to any actuarial deficiencies of the plan.

14. CONTRACTUAL OBLIGATIONS

UCN has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next five years are as follows:

2016	$620,021
2017	144,634
2018	15,181
2019	646
2020	

15. NET ASSETS INTERNALLY RESTRICTED

Appropriations from the Unrestricted Fund are made to provide for future funding for fiscal stabilization, innovations funds, conferences and the establishment of a science lab.

	Opening Balance	Increases	Decreases	Ending Balance
UCN Fund				
Fiscal Stabilization	$ 277,227	$ 70,759	$	$ 347,986
Total	$ 277,227	$ 70,759	$	$ 347,986
Inter-Universities Services Fund				
Innovations Fund	$ 1,474,796	$ 68,709	$	$ 1,543,505
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 1,624,796	$ 68,709	$	$ 1,693,505
	$ 1,902,023	$ 139,468	$	$ 2,041,491

16. RELATED PARTY TRANSACTIONS

UCN is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. UCN enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount. The amount of $1,996,996 (2014 - $1,625,431) in facility costs was paid to Manitoba Infrastructure and Transportation for the rental of buildings in The Pas. The additon of the new Thompson campus was funded by the Province of Manitoba and opened in May 2014. UCN will pay facility costs for both The Pas campus and the new Thompson campus. Funds available for short-term investments are invested with the Province of Manitoba. At March 31, 2015 $8,047,128 (2014 - $4,378,451), included in both cash and cash equivalents and short-term investments, was invested with the Province of Manitoba.

17. RISK MANAGEMENT

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

1. 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 carrying amount of financial assets represents that maximum credit exposure. The maximum exposure to credit risk was:

	Carrying Amount 2015	2014
Cash and cash equivalents	$ 9,622,512	$ 6,425,675
Short-term investments	761,627	760,054
Accounts receivable	3,223,528	3,448,626
Due from Province of Manitoba - vacation and severance benefits	1,546,089	1,546,089
Totals	$ 15,153,756	$ 12,180,444

17. RISK MANAGEMENT *(continued)*

The investments of UCN are purchases made with excess cash intended to be for short periods of time. The investments held by UCN are not exposed to significant credit risk as they are held by the Province of Manitoba.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students, contract training and from government agencies. Credit risk from student receivables is managed through registration cancellation and by maintaining standard collection procedures. Credit risk for contract training is managed through standard collection procedures. Amounts due from the the Province of Manitoba are typically collected when due.

UCN 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.

	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Student receivables	$ 294,396	$ 315,347	$ 738,241	$ 1,010,395	$ 2,358,379
Government receivables	287,437	-		-	287,437
Other receivables	413,008	100,197	42,884	365,451	921,540
Gross receivables	994,841	415,544	781,125	1,375,846	3,567,356
Less: Allowance for doubtful accounts		(20,778)	(39,056)	(283,994)	(343,828)
Net receivables	$ 994,841	$ 394,766	$ 742,069	$ 1,091,852	$ 3,223,528

Due from Province of Manitoba – vacation benefits are based on the estimated value of the corresponding liability as at April 1, 1998 when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

Due from Province of Manitoba – severance benefits are based on the corresponding actuarial liability for severance benefits as at April 1, 1998. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related vacation and severance benefits.

2. Liquidity Risk

Liquidity risk is the risk that UCN 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 funds of UCN are invested so that maturity dates coincide with cash requirements. Term investments can be withdrawn prior to the maturity date if needed.

The following table sets out the contractual maturities of financial liabilities;

	2015			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	$ 2,636,849	$ 402,501	$	$
Accrued vacation benefits	1,966,759	1,028,306		
Long term debt	26,559	27,061	300,393	896,662
	$ 4,630,167	$ 1,457,868	$ 300,393	$ 896,662

17. RISK MANAGEMENT *(continued)*

3. Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect UCN's income or the fair values of its financial instruments.

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. UCN is exposed to limited interest risk as all investments held are short-term in nature and are held by the Province of Manitoba and the long term debt is fixed rate.

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 rate. UCN is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in a foreign currency.

18. CAPITAL MANAGEMENT

UCN's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets.

Unrestricted Funds
UCN's objective in managing its operating capital is to maintain sufficient capital to cover its costs of operations. UCN manages its operating capital through an operating budget which is approved by the Governing Council and the Advanced Learning Division.

Restricted Funds
UCN also maintains externally and internally restricted funds and an endowment fund.

The restricted funds are managed with the objective to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditure and commitment of the fund.

Funds Invested in Capital Assets
Funds invested in capital assets are managed with the long term objective of acquiring and maintaining the capital assets required to facilitate UCN's operations.

As at March 31, 2015, UCN has met its objectives with respect to its capital requirements. There have been no significant changes to UCN's capital management objective, policies and processes in the period.

19. INTER-FUND TRANSFERS

	Unrestricted		Internally Restricted		Student Award Fund	Endowment Fund
	UCN Fund	IUS Fund	UCN Fund	IUS Fund		
Fiscal Stabilization	$ (120,759)	$	$ 70,759	$	$	$ 50,000
Innovations		(68,709)		68,709		
March 31, 2015	$ (120,759)	$ (68,709)	$ 70,759	$ 68,709	$	$ 50,000
March 31, 2014	$ (50,566)	$ (274,647)	$ 50,556	$ 274,647	$	$

20. KNOWLEDGE INFRASTRUCTURE PROGRAM FUNDING

UCN entered into a two-year $8.0 million contribution agreement with the Canada-Manitoba Knowledge Infrastructure Program (KIP) to fund repairs and maintenance and infrastructure projects at eight Regional Centres located throughout Northern Manitoba. These centres will be funded using capital grants. Regional Centres located on First Nations land will be managed, owned and operated by UCN during construction either directly or through contracts with the First Nation. Upon completion, ownership and facility management may transfer to local First Nations governments in accordance with KIP terms and conditions. UCN has deferred the funding and capitalized the expenditures to Construction in Progress until the assets are completed. At which time, the asset is classified as building and amortized accordingly. If transferred to the First Nation communities, a loss will be recorded for the deficiency between the funded amounts and the total amounts capitalized. As at March 31, 2015, construction on the eight Regional Centres has been completed at a cost of $10,523,630 (2014 - $10,523,630). These costs were reclassified from Construction in progress to Buildings/improvements in 2014.

21. CONTINGENCIES

UCN is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of UCN, or the outcomes are not determinable. UCN believes they have made adequate provision in the financial statements in respect of these claims, as of March 31, 2015.

22. LINE OF CREDIT

UCN has an approved borrowing limit of $2,000,000 at an interest rate of 2.55% and is secured by a guarantee from the Province of Manitoba with no fixed terms of repayment. At March 31, 2015 the balance was nil (March 2014 - nil).

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A

STATEMENT OF FINANCIAL POSITION - GENERAL

MARCH 31

	UCN FUND	IUS FUND	MARCH 31, 2015	MARCH 31, 2014
ASSETS				
CURRENT				
Cash and cash equivalents	$ 7,168,220	$ 2,172,373	$ 9,340,593	$ 6,142,137
Accounts receivable *(Note 5)*	2,945,860	224,736	3,170,596	3,445,621
Due to/from other funds	327,008	(327,008)		
Due from Province of Manitoba *(Note 7)*	752,589		752,589	752,589
Inventory	203,207		203,207	194,958
Prepaid expenses	707,114	1,256	708,370	580,174
	12,103,998	2,071,357	14,175,355	11,115,479
LONG TERM				
Prepaid expenses	663,470		663,470	735,915
Capital assets *(Note 6)*	19,206,485	40,269	19,246,754	19,781,508
Due from Province of Manitoba *(Note 7)*	788,490	5,010	793,500	793,500
	20,658,445	45,279	20,703,724	21,310,923
	$ 32,762,443	$ 2,116,636	$ 34,879,079	$ 32,426,402
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities *(Note 8)*	$ 2,940,220	$ 97,505	$ 3,037,725	$ 3,867,863
Due to Endowment Fund	50,000		50,000	
Deferred revenue	687,322		687,322	311,337
Deferred contributions *(Note 9)*	4,542,618		4,542,618	2,515,760
Accrued vacations benefits	2,858,322	136,743	2,995,065	2,888,145
Current portion long term debt *(Note 10)*	53,620		53,620	51,650
	11,132,102	234,248	11,366,350	9,634,755
LONG TERM				
Deferred revenue	663,470		663,470	735,915
Deferred contributions related to capital assets *(Note 11)*	9,249,811	40,271	9,290,082	9,561,785
Accrued severance benefits *(Note 12)*	2,705,271	148,612	2,853,883	2,460,839
Long term debt *(Note 10)*	1,197,055		1,197,055	1,250,675
	13,815,607	188,883	14,004,490	14,009,214
FUND BALANCES				
NET ASSETS INVESTED IN CAPITAL ASSETS	8,732,668		8,732,668	8,934,597
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	347,986	1,693,505	2,041,491	1,902,023
UNRESTRICTED NET ASSETS	(1,265,920)		(1,265,920)	(2,054,187)
	7,814,734	1,693,505	9,508,239	8,782,433
	$ 32,762,443	$ 2,116,636	$ 34,879,079	$ 32,426,402

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2A

STATEMENT OF OPERATIONS - GENERAL

YEAR ENDED MARCH 31

	UCN FUND	IUS FUND	MARCH 31, 2015	MARCH 31, 2014
REVENUES				
Grants				
Advanced Learning Division	$ 32,612,187	$ 1,007,000	$ 33,619,187	$ 33,640,174
Other Province of Manitoba	586,459		586,459	726,273
Government of Canada	364,715		364,715	388,806
Amortization of deferred contributions related to capital assets	908,240	14,361	922,601	884,299
Ancillary sales and services	2,680,713		2,680,713	2,185,818
Investment income	104,187	3,359	107,546	72,360
Contract training	727,729		727,729	916,464
Tuition and student fees	3,308,866	557,985	3,866,851	3,636,049
Other revenue	861,285	5,083	866,368	1,821,917
Gain on disposal of capital assets	9,474		9,474	
	42,163,855	1,587,788	43,751,643	44,272,160
EXPENSES				
Advertising and public relations	515,023	8,840	523,863	538,902
Amortization of capital assets	1,171,293	14,361	1,185,654	1,053,999
Bad debt (recovery)	366,047	21,140	387,187	(52,323)
Cost of goods sold	1,204,826		1,204,826	1,047,188
Facility costs	1,996,996		1,996,996	1,625,431
Furniture and minor equipment	856,786	29,485	886,271	1,484,997
Insurance	100,882	6,102	106,984	131,263
Interest on long term debt	47,955		47,955	49,854
Library acquisitions	197,050		197,050	149,786
Loss on dipsosal of capital assets				830
Maintenance and repairs	108,780	13,225	122,005	123,363
Operational supplies and services	4,102,383	102,429	4,204,812	3,760,756
Property taxes	703,216		703,216	699,640
Rentals and leases	619,327	14,182	633,509	622,308
Salaries and employee benefits	27,246,679	1,062,908	28,309,587	28,359,312
Telephone and communication	626,040	4,579	630,619	627,501
Travel	1,192,316	241,828	1,434,144	1,377,519
Utilities	401,159		401,159	405,947
	41,456,758	1,519,079	42,975,837	42,006,273
EXCESS REVENUES	$ 707,097	$ 68,709	$ 775,806	$ 2,265,887

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3A

STATEMENT OF CHANGES IN FUND BALANCES - GENERAL

YEAR ENDED MARCH 31

	Unrestricted			Internally Restricted			Net Assets	Total	
	UCN Fund	IUS Fund	Total	UCN Fund	IUS Fund	Total	Invested in Capital Assets	March 31, 2015	March 31, 2014
FUND SURPLUS, *beginning of year*	$ (2,054,187)	$	$ (2,054,187)	$ 277,227	$ 1,624,796	$ 1,902,023	$ 8,934,597	$ 8,782,433	$ 6,516,546
EXCESS REVENUES	707,097	68,709	775,806					775,806	2,265,887
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS									
Amortization of capital assets	1,171,293	14,361	1,185,654				(1,185,654)		
Amortization of deferred contributions related to capital assets	(908,240)	(14,361)	(922,601)				922,601		
Purchase of capital assets	(650,898)		(650,898)				650,898		
Deferred contributions related to capital assets	650,898		650,898				(650,898)		
Loss on disposal of capital assets	(9,474)		(9,474)				9,474		
Long term debt on capital assets	(51,650)		(51,650)				51,650		
INTER-FUND TRANSFERS *(Note 19)*	(120,759)	(68,709)	(189,468)	70,759	68,709	139,468		(50,000)	
FUND SURPLUS, *end of year*	$ (1,265,920)	$	$ (1,265,920)	$ 347,986	$ 1,693,505	$ 2,041,491	$ 8,732,668	$ 9,508,239	$ 8,782,433

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE
(UNAUDITED)

	MARCH 31, 2015	MARCH 31, 2014
Province of Manitoba		
Aboriginal and Northern Affairs	$ 2,161	$
Adult Learning Centre - Manitoba Advanced Education and Literacy	437,000	445,000
Education and Advanced Learning	320	
Jobs and The Economy	47,060	7,475
Labour and Immigration		20,065
Manitoba Hydro		72,444
Manitoba Infrastructure and Transportation		81,471
Public Library Services	59,918	59,818
Summer Enrichment - Manitoba Education	40,000	40,000
	$ 586,459	$ 726,273

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES
(UNAUDITED)

	MARCH 31, 2015	MARCH 31, 2014
Bookstore	$ 1,223,884	$ 1,159,748
Cafeteria	562,161	324,126
Residence	894,668	701,944
	$ 2,680,713	$ 2,185,818

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES
(UNAUDITED)

	MARCH 31, 2015	MARCH 31, 2014
Apprenticeship	$ 905,600	$ 983,791
Core-funded programs	2,341,724	2,098,817
Continuing Education	61,542	65,951
	$ 3,308,866	$ 3,148,559

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

STATEMENT OF UCN EXPENDITURES BY FUNCTION

(UNAUDITED)

	SALARIES AND BENEFITS	OTHER	TOTAL MARCH 31, 2015	TOTAL MARCH 31, 2014
Academic	$ 13,400,746	$ 2,176,098	**$ 15,576,844**	$ 16,314,549
Administration	4,791,482	3,925,347	**8,716,829**	8,328,651
Ancillary Sales and Services	1,069,165	1,838,486	**2,907,651**	2,319,597
Continuing Education	184,050	15,701	**199,751**	185,239
Library	836,980	494,645	**1,331,625**	1,187,954
Contract Training	817,177	205,974	**1,023,151**	1,368,901
Insurance Claims		38,753	**38,753**	
Information Technology	870,472	812,800	**1,683,272**	1,694,764
Plant	914,521	3,663,140	**4,577,661**	3,933,388
Program Support	4,261,337	1,139,884	**5,401,221**	5,423,701
	$ 27,145,930	$ 14,310,828	**$ 41,456,758**	$ 40,756,744

UNIVERSITY OF MANITOBA
FINANCIAL STATEMENTS
2015

FINANCIAL STATEMENTS

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the University of Manitoba, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in fund balances, 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 the University of Manitoba as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original document signed

June 23, 2015
Winnipeg, Manitoba

Norm Ricard, CA
Auditor General

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UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

(in thousands of dollars)

	2015	2014
Assets		
Current Assets		
Cash and Cash Equivalents	$ 145,869	$ 111,763
Accounts Receivable *(Note 3)*	57,964	69,672
Inventories	3,447	3,452
Prepaid Expenses	940	1,103
Current Portion Loan Receivable *(Note 4)*	1,436	
	209,656	**185,990**
Long Term Assets		
Loan Receivable *(Note 4)*	186,722	178,447
Investments *(Note 5)*	793,847	736,981
Capital Assets, Net of Accumulated Amortization *(Note 7)*	1,062,857	1,006,522
	2,043,426	1,921,950
	$ 2,253,082	**$ 2,107,940**
Liabilities		
Current Liabilities		
Accounts Payable	$ 62,442	$ 57,823
Unearned Revenue	9,133	8,809
Vacation and Sick Leave Liability	14,134	13,766
Loan		11,000
Current Portion of Capital Lease Obligations *(Note 8)*	6	70
Current Portion of Long Term Debt *(Note 9)*	5,713	4,818
	91,428	**96,286**
Long Term Liabilities		
Other Long Term Liabilities *(Note 10)*	6,633	4,573
Capital Lease Obligations *(Note 8)*		6
Long Term Debt *(Note 9)*	385,840	358,583
Employee Future Benefits *(Note 11)*	76,519	70,002
Pension Liability *(Note 15)*	31,087	33,881
	500,079	**467,045**
Fund Balances *(Note 16)*		
Unrestricted	(72,445)	(75,930)
Restricted	398,383	363,462
Invested in Capital Assets	939,971	915,149
Endowed	395,666	341,928
	1,661,575	**1,544,609**
	$ 2,253,082	**$ 2,107,940**

Contractual Obligations and Contingencies *(Note 20)*

Original document signed

Patricia Bovey – Chair

Original document signed

Michael Robertson – Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2015

(in thousands of dollars)

	General Funds *(Note 2D)*	Restricted Funds *(Note 2E)*	Endowment Fund *(Note 2F)*	2015 Total Funds	2014 Total Funds
Revenue:					
Tuition and Related Fees	$ 148,768	$	$	$ 148,768	$ 142,879
Donations	1,728	11,556	9,785	23,069	20,210
Non-Government Grants	3,212	56,098		59,310	44,354
Net Investment Income *(Note 17)*	4,400	51,751		56,151	50,198
Miscellaneous Income	7,271	8,875		16,146	23,724
Government Grants:					
Education and Advanced Learning	337,276	7,136		344,412	336,773
Other Province of Manitoba	20,512	48,043		68,555	70,440
Government of Canada	10,745	68,517		79,262	88,106
City of Winnipeg	51			51	2,551
Sales of Goods and Services	31,378	907		32,285	34,360
Ancillary Services	36,985			36,985	37,182
	602,326	252,883	9,785	864,994	850,777
Expense:					
Salaries	342,967	38,938		381,905	371,922
Staff Benefits and Pay Levy	68,961	7,558		76,519	91,839
Materials, Supplies and Services	53,585	52,275		105,860	95,654
Amortization of Capital Assets		54,075		54,075	52,546
Student Assistance	12,954	38,392		51,346	49,378
Professional Consulting and Externally Contracted Services	15,009	23,306		38,315	35,105
Travel and Conferences	12,261	11,772		24,033	24,033
Utilities, Municipal Taxes, and Insurance	20,253	36		20,289	22,744
Interest		18,682		18,682	18,120
Maintenance and Repairs	7,978	579		8,557	10,292
	533,968	245,613		779,581	771,633
Net Revenue from Operating Activities	68,358	7,270	9,785	85,413	79,144
Inter-Fund Transfers *(Note 13)*	(43,860)	42,052	1,808		
Net Increase to Fund Balances from Operating Activities	24,498	49,322	11,593	85,413	79,144
Fund Balances from Operating Activities Beginning of the Year	1,074	1,171,989	270,107	1,443,170	1,364,026
Fund Balances from Operating Activities End of the Year	25,572	1,221,311	281,700	1,528,583	1,443,170
Accumulated Remeasurement Gains End of Year	957	18,069	113,966	132,992	101,439
Fund Balances End of Year *(Note 16)*	**$ 26,529**	**$ 1,239,380**	**$ 395,666**	**$1,661,575**	**$ 1,544,609**

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED MARCH 31, 2015

(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2015 Total Funds	2014 Total Funds
Accumulated Remeasurement Gains Beginning of Year	$ 34	$ 29,584	$ 71,821	$ 101,439	$ 46,246
Unrealized Gains (Losses) Attributed to:					
Derivatives		(2,060)		(2,060)	1,391
Foreign Exchange	957	1,171		2,128	511
Portfolio Investments		18,251	42,145	60,396	79,551
Amounts Reclassified to the Statement of Operations and Changes in Fund Balances					
Foreign Exchange	(34)	(516)		(550)	
Portfolio Investments		(28,361)		(28,361)	(26,260)
Net Remeasurement Gains (Losses) for the Year	923	(11,515)	42,145	31,553	55,193
Accumulated Remeasurement Gains End of Year	**$ 957**	**$ 18,069**	**$ 113,966**	**$ 132,992**	**$ 101,439**

(The accompanying Notes form an integral part of the Financial Statements)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2015 Total Funds	2014 Total Funds
Operating Activities:					
Net Revenue	$ 68,358	$ 7,270	$ 9,785	$ 85,413	$ 79,144
Amortization of Capital Assets		54,075		54,075	52,546
	68,358	61,345	9,785	139,488	131,690
Net Change in Non-Cash Working Capital Items	(62,229)	66,980		4,751	4,817
Net Change in Other Long Term Liabilities		2,060		2,060	(1,391)
Net Change in Pension Obligation	(2,794)			(2,794)	34
Net Change in Employee Future Benefits	52	6,465		6,517	6,930
Net Cash generated through Operating Activities	3,387	136,850	9,785	150,022	142,080
Investing Activities:					
Increase in Loan Receivable		(8,275)		(8,275)	(7,909)
Net Remeasurement Gains (Losses)	923	(11,515)	42,145	31,553	55,193
Increase in Long Term Investments	24,064	(27,192)	(53,738)	(56,866)	(100,107)
Net Cash generated through (used in) Investing Activities	24,987	(46,982)	(11,593)	(33,588)	(52,823)
Capital Activities:					
Purchase of Capital Assets		(110,410)		(110,410)	(98,314)
Net Cash used in Capital Activities		(110,410)		(110,410)	(98,314)
Financing Activities:					
Proceeds from Long Term Debt		25,000		25,000	
Contractual Interest Added to Loan Principal		8,275		8,275	7,909
Principal Repayment on Capital Lease Obligations		(70)		(70)	(124)
Principal Repayment on Long Term Debt		(5,123)		(5,123)	(4,568)
Net Cash generated through Financing Activities		28,082		28,082	3,217
Net Increase (Decrease) in Cash	28,374	7,540	(1,808)	34,106	(5,840)
Inter-Fund Transfers	(43,860)	42,052	1,808		
Cash Beginning of Year	26,195	85,568		111,763	117,603
Cash End of Year	**$ 10,709**	**$ 135,160**	**$**	**$ 145,869**	**$ 111,763**
Cash is defined as:					
Cash and Cash Equivalents	$ 10,709	$ 135,160	$	$ 145,869	$ 111,763
Supplementary cash flow information:					
Interest Received	$ 4,400	$ 11,417	$	$ 15,817	$ 15,929
Interest Paid	$	$ 10,405	$	$ 10,405	$ 10,207

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of *The University of Manitoba Act*, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of *The Income Tax Act*.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service, the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada, including the standards for government not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

The University controls Partners for Health and Development in Africa (PHDA), but does not consolidate the accounts of PHDA (Note 19).

B. FUND ACCOUNTING

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, categories: General, Restricted Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowed funds of the University.

C. ACCOUNTING ESTIMATES

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

D. GENERAL FUNDS

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services, such as the telephone system in the units' expenses, and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences, Pharmacy/Post Office, and Smartpark are classified as Ancillary Services and are budgeted on a break even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:

The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:

Expenses Funded from Future Revenues records the amount of non-vesting sick leave benefits and unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension liability.

E. RESTRICTED FUNDS

Capital Asset Fund:

The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through Education and Advancement Learning (EAL) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from EAL over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:

The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both Federal and Provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:

The Staff Benefits Fund is divided into Fund Accounts for the Pension Reserve, and for the Self-Insured Plans, which are the Long Term Disability Income Plan and the Dental Plan, the revenues of which are restricted.

Trust Fund:

The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

F. ENDOWMENT FUND

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded in the Statement of Remeasurement Gains and Losses.

G. REVENUE RECOGNITION

Restricted 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.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Trust Fund depending on the restrictions imposed by the original donor.

Investment income, including realized gains or losses, is recorded in the Statement of Operations and Changes in Fund Balances. Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

The change in fair value (unrealized gains or losses) of investments is recorded in the Statement of Remeasurement Gains and Losses until the investments are sold.

H. CONTRIBUTED MATERIALS AND SERVICES

Gifts-in-kind are recorded in the financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services is not recognized in the financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events, all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the financial statements, are critical to the successful functioning of the University.

I. INVESTMENTS

The University invests in equity and fixed income financial instruments and a pooled real estate fund. Investments held in restricted funds are carried at fair value except for those held in research and special funds, which are carried at modified equity. Fair value of investments is determined based on year end quoted market prices.

J. PLEDGES RECEIVABLE

The University does not record pledges receivable in its financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectability is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

K. INVENTORIES

Inventories have been valued at the lower of cost and net realizable value.

L. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

M. COLLECTIONS

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections. The University policy is to use proceeds generated from deaccessioned works of art to augment the University art collection.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

N. PENSION COSTS

The University sponsors three pension plans for its employees and retirees: The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method, pro-rated on service and management's best estimate expectations of the discount rate for liabilities, the expected return on assets, 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 the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

The funded position of the 1993 plan is disclosed in Note 15.

O. FINANCIAL INSTRUMENTS

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, loan receivable, investments, accounts payable, vacation and sick leave liability, loans, other long term liabilities, and long term debt.

All financial instruments are recognized at cost or amortized cost, or fair value. Financial instruments recognized at fair value include derivatives, portfolio investments in equity instruments that are quoted in an active market, and financial instruments designated to the fair value category.

Cash and cash equivalents are recognized at cost. Accounts receivable, loan receivable, fixed income investments held in the general funds, accounts payable, loans, vacation and sick leave liability, other long term liabilities (excluding derivative financial instruments), and long term debt are recognized at amortized cost.

The University's investments include portfolio investments in equity instruments that are quoted in an active market and are recognized at fair value. Pooled funds are valued by the fund managers. The University has designated all other investments except for those held in the General funds and Research and Special Funds to the fair value category based on the evaluation and management of the portfolio. Derivative financial liabilities are also recognized at fair value. Unrealized gains and losses from the change in fair value of these financial instruments are reflected in the Statement of Remeasurement Gains and Losses until disposition.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Changes in Fund Balances. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured at cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

P. OTHER EMPLOYEE FUTURE BENEFITS

The University accrues its obligations for other employee future benefit plans relating to health, dental, sick leave, long term disability, and group life insurance. The cost of non-vesting sick leave benefits has been determined using management's best estimates. The cost of the long term disability plan for employees and the cost of non-pension and post-retirement benefits for retired employees are actuarially determined using the projected benefit method pro-rated on service, management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends. For current active employees, the cost of other employee future benefit plans relating to health, dental, and group life insurance is the premiums charged under the plans to the University.

The University also accrues its obligations relating to post retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post retirement pension adjustments is actuarially determined using the accrued benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains and losses on post retirement adjustments are amortized on a straight-line basis over the life expectancy of the group, commencing in the year following the year the respective annual actuarial gains or losses arise.

Actuarial gains and losses of other benefit plans are amortized on a straight-line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

Q. FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities and investments at fair value, denominated in foreign currencies, are translated at the year-end exchange rate. The unrealized foreign currency translation gains or losses of these financial instruments are reflected in the Statement of Remeasurement Gains and Losses. Revenues and expenses are translated at exchange rates on the transaction dates. Realized gains or losses arising from these translations are included in the Statement of Operations and Changes in Fund Balances.

R. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Derivatives are recorded at fair value and in determining the fair value, the credit risk of both counterparties is considered.

3. ACCOUNTS RECEIVABLE

	2015	2014
Business, Industry and Foundations	$ 19,227	$ 20,493
Federal Government	10,414	17,097
Other	11,347	10,346
Provincial Government	14,294	18,813
Students	2,682	2,923
	$ 57,964	$ 69,672

4. LOAN RECEIVABLE

The University has a loan agreement with Triple B Stadium Inc. (Triple B) related to the construction of a stadium at the Fort Garry campus. The loan agreement is divided into a first phase and a second phase for a combined amount not to exceed $160 million. The first phase is not to exceed $75 million while the second phase is not to exceed $85 million. The interest rate on the first phase of the loan is 4.65% and the first phase of the loan receivable is due and payable in full on June 1, 2038. The interest rate on the second phase is 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

Any amounts received by Triple B in the form of insurance proceeds entitled to be retained by Triple B by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease, shall be paid to the University and be applied to the repayment of the loan, firstly to the accrued interest and secondly to principal outstanding, for both phases of the loan, on a pro-rata basis.

Payment terms of the first phase and second phase of the loan receivable are as follows:

FIRST PHASE:
Triple B is required to make payments to the University equivalent to the aggregate of:

- Any amounts received by Triple B in respect of the stadium development from the City of Winnipeg pursuant to *The Community Revitalization Tax Increment Financing Act*.
- Any amounts received by Triple B from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the first phase of the loan and compounded annually.

SECOND PHASE:
Interest will be calculated annually, and unpaid interest until December 15, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 15, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts determined by Triple B, on or before each of:

i) December 15, 2015;

ii) December 15, 2016; and

iii) December 15, 2017

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 15 of each calendar year commencing on December 15, 2018 based on the amortization of the loan following the December 15, 2017 payment.

INVESTORS GROUP FIELD LOAN:
The University has a loan receivable from Triple B of $1.425 million. The interest rate on the loan is 3% and the loan is due and payable in full on March 31, 2016. The Province of Manitoba has guaranteed the repayment of the loan, including interest, up to $1.5 million. The guarantee expires April 30, 2016.

	2015	2014
First Phase interest and principal outstanding	$ 101,722	$ 93,447
Second Phase principal outstanding	85,000	85,000
Loan Receivable	1,436	
	188,158	178,447
Less Current Portion	(1,436)	
	$ 186,722	$ 178,447

The First and Second Phase loans have an equal long term debt loan payable to the Province of Manitoba (Note 9).

5. INVESTMENTS

	2015	2014
General Funds at Amortized Cost		
Corporate Bonds and Other Fixed Income Securities	$ 93,505	$ 133,505
Preferred Shares	15,936	
	109,441	133,505
Trust & Endowment at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	20,599	33,415
Bonds and Other Fixed Income Securities:		
Government of Canada	22,610	26,152
Province of Manitoba	2,599	3,804
Other Provincial	29,025	23,808
Corporate	659	1,668
Other	28	37
Municipal	8,893	6,320
	63,814	61,789
Equities:		
Canadian Equities	171,315	159,495
US Equities	159,902	124,245
International Equities	94,844	82,473
	426,061	366,213
Pooled Real Estate Fund	80,686	66,690
	591,160	528,107
Capital at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	39,084	28,472
Staff Benefits at Fair Value		
Money Market Funds and Cash	3,150	45,188
Bonds	10,094	
Equities:		
Canadian Equities	15,161	
US Equities	6,515	
International Equities	6,018	
	27,694	
Pooled Real Estate Fund	5,059	
Mortgage Fund	6,562	
	52,559	45,188
Research & Special at Modified Equity		
Other Investments	1,603	1,709
Total Investments	**$ 793,847**	**$ 736,981**

The University's investment in real estate consists of units of a pooled real estate investment in the Great-West Life Assurance Company Canadian Real Estate Investment Fund No. 1.

The fair value of investments held for General Funds is $110,946 (2014, $135,355).

6. RISK EXPOSURE AND MANAGEMENT

The University uses a disciplined, fundamental approach in its investment selection and management, which consists of an intensive and ongoing research process of investment opportunities across a broad range of investment vehicles in various types of issuers (government, corporate or financial). As a result, the University is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The University, through the work of its investment committees and treasury office, has formal policies and procedures in place governing asset mix, permitted investments, diversification, and minimum credit quality. The most important risks relate to market risk: other price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks and the related risk management practices employed by the University are detailed below.

OTHER PRICE RISK

Other price risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The University's investments are subject to normal market fluctuations and the risks inherent in investment in the capital markets. Investments held to meet short term obligations focus on credit quality and liquidity to minimize the effect of other price risk on fair value, however the majority of investments are held for the long term to support the endowment fund. These investments are primarily equities, bonds, and pooled funds, and are subject to other price risk given their nature and the long term holding periods. Other price risk is managed through diversification provided by the endowment's asset allocation strategy, which emphasizes the importance of managing other price risk by maintaining appropriate levels of risk required to achieve consistent long term investment returns that meet the objectives of the endowment fund.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The University is subjected to this risk when it invests in interest-bearing financial instruments, or when it borrows funds using derivative financial instruments. Both investments and financial derivatives are exposed to the risk that their fair value will fluctuate due to changes in the prevailing levels of market interest rates.

The tables below summarize the University's exposure to interest rate risk related to the financial instruments recorded at fair value, categorized by maturity dates.

INTEREST RATE EXPOSURE AS AT MARCH 31, 2015

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	12.6%	18.9%	49.3%	14.7%	4.5%	100%
Financial Derivatives			29.1%	70.9%		100%

INTEREST RATE EXPOSURE AS AT MARCH 31, 2014

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	42.5%	13.8%	30.0%	11.3%	2.4%	100%
Financial Derivatives			24.2%	75.8%		100%

	March 31, 2015		March 31, 2014	
	Interest bearing instruments	Non-interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Investments	$ 143,275	$ 539,500	$ 123,639	$ 432,903
Financial Derivatives	$ 6,287	$	$ 4,227	$

As at March 31, 2015, a 0.5% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income instruments of $3,076 (2014, $4,750) and the interest rate swaps of $1,258 (2014, $1,234).

FOREIGN CURRENCY RISK

The University has receivables and payables denominated in foreign currencies and holds investments in foreign currency equity markets in both the trust and endowment funds, and the staff benefits fund. The income from these investments is used to meet financial liabilities denominated in Canadian dollars. The University does not actively manage foreign exchange risk.

The University's exposure in cash and investments to foreign currencies reported in Canadian dollars is shown below:

	2015		2014	
	$	%	$	%
Canadian	$ 668,410	71.13	$ 645,433	76.04
US Dollar	171,138	18.21	125,488	14.78
Euro	33,165	3.53	26,746	3.15
Japanese Yen	27,246	2.90	19,612	2.31
British Pound Sterling	15,600	1.66	15,076	1.78
Swiss Franc	11,569	1.23	8,800	1.04
Other	12,588	1.34	7,629	0.90
Total	$ 939,716	100.00	$ 848,784	100.00

CREDIT RISK

Credit risk represents the potential loss that the University would incur if its counterparties failed to perform in accordance with the terms of their obligations. The University invests in financial assets that have an investment grade as rated primarily by DBRS. Should DBRS not rate an issuer, the University may use Standards & Poor's, followed by the Moody's equivalent. Ratings for securities which subject the University to credit risk are noted below:

	% of Total Interest Bearing Investments	
Investment Rating	**March 31, 2015**	**March 31, 2014**
R-1High	16.4%	35.9%
R-1Mid	0.7%	0.8%
R-1Low	7.9%	0.3%
AAA	12.0%	9.8%
AA	46.4%	48.2%
A	15.1%	5.0%
BBB	1.4%	
BB	0.1%	
Total	100.0%	100.0%

The University manages credit risk related to fixed income investments by focusing on high credit quality. General Fund investments are held by counterparties with a minimum rating of R-1High (cash equivalents) and AA (bonds). Cash is held in Canadian Chartered banks. Trust and Endowment and Capital Fund investments are held in diverse portfolios of investments with counterparties considered to be of high quality.

The University also has credit risk related to accounts receivable and loan receivable. A significant portion of the University's accounts receivable is related to Restricted Funds and is from the federal and provincial governments, not-for-profit organizations, corporations, the US government, and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks. The credit risk related to the loan receivable is offset by a loan payable to the Province of Manitoba with matching terms of repayment.

LIQUIDITY RISK

The University aims to retain sufficient cash and cash equivalents to maintain liquidity and meet short term obligations. Most of the University's investments are considered readily realizable and liquid, thus liquidity risk is considered minimal. Investments that are not as liquid, such as the investment in the real estate pooled fund, are considered to be held for long term periods in conjunction with the investment objectives, risk tolerance and time horizon of the endowment fund.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2015		2014	
	Accumulated Cost	Accumulated Amortization	Cost	Amortization
Assets Under Capital Lease	$ 3,060	$ 3,060	$ 3,286	$ 3,286
Buildings and Major Renovations	1,061,996	262,607	994,709	240,852
Computer Hardware, Software and Electronics	102,828	92,059	101,155	88,924
Construction in Progress	76,593		62,569	
Furniture and Equipment	265,111	188,035	255,558	174,863
Land	30,593		30,496	
Library Books	201,434	149,985	192,574	142,115
Parking Lots	9,666	3,960	9,359	3,485
Rare Books and Manuscripts	6,434		6,280	
Vehicles	8,606	7,308	8,519	7,169
Works of Art	3,550		2,711	
	1,769,871	707,014	1,667,216	660,694
Less Accumulated Amortization	707,014		660,694	
Net Book Value	$ 1,062,857		$ 1,006,522	

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments, which include principal and interest under the capital lease obligations, are as follows:

2016	$ 6
Less: Current Portion	(6)
	$

9. LONG TERM DEBT

	2015	2014
Province of Manitoba:		
Promissory Note, 5.23% blended monthly payments $413 due March 1, 2035	$ 61,425	$ 63,123
Promissory Note, 5.55% blended monthly payments $428 due April 1, 2036	63,774	65,326
Promissory Note, 3.75% blended monthly payments $129 due September 30, 2039	24,695	
Promissory Note, 5.35% blended monthly payments $173 due February 1, 2040	28,560	29,093
Loan, First Phase, 4.65% due June 1, 2038	101,722	93,447
Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	85,000	85,000
	365,176	335,989

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Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):

Multi Tenant Facility, due February 28, 2019	7,904	8,118
Multi Tenant Facility, due November 30, 2022	6,322	6,576
Arthur V. Mauro Student Residence, due October 1, 2023	12,151	12,718
	26,377	27,412
	391,553	363,401
Total Stadium Long Term Debt	186,722	178,447
Total Other Long Term Debt	204,831	184,954
	391,553	363,401
Less Current Portion:		
Province of Manitoba	(4,619)	(3,783)
Term Loans	(1,094)	(1,035)
	(5,713)	(4,818)
	$ 385,840	$ 358,583

The effective interest rate on each of the term loans is the fixed interest rate based on an interest rate swap agreement plus a stamping fee (Note 10).

Interest expense on long term debt was $18,523 (2014, $17,944).

The University entered into a loan agreement with the Province of Manitoba related to the construction of Investors Group Field. Any amounts received by the University in the form of insurance proceeds received and entitled to be retained by the University by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease are also to be applied to the repayment of the loan, firstly to the accrued interest and secondly to the principal outstanding, for both phases of the loan, on a pro-rata basis.

Additional terms of repayment of the loan are as follows:

LOAN, FIRST PHASE:

The amount of the annual payment of principal and interest on the loan is equivalent to the aggregate of:

- any amounts paid by Triple B Stadium Inc. (Triple B) to the University in respect of the Triple B loan receivable;
- any amounts received by the University in respect of the stadium development from The City of Winnipeg pursuant to *The Community Revitalization Tax Increment Financing Act*; and
- any amounts received by the University from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the First Phase of the loan and compounded annually. Any accrued interest and principal outstanding on the First Phase of the loan as at June 1, 2038 is due and payable in full, subject to receipt of the accrued interest and principal outstanding from Triple B, unless the parties agree otherwise in writing.

LOAN, SECOND PHASE:

Interest will be calculated annually and unpaid interest until December 31, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 31, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts as received from Triple B, on or before each of:

i) December 31, 2015;

ii) December 31, 2016; and

iii) December 31, 2017.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 31 of each calendar year commencing on December 31, 2018, based on the amortization of the loan following the December 31, 2017 payment. Payments are applied firstly to accrued interest after December 31, 2017 and secondly to principal outstanding.

Any accrued interest and principal outstanding on the second phase of the loan as at November 24, 2058 is due and payable in full, subject to receipt of accrued interest and principal outstanding from Triple B, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

	2015	2014
Loan, First Phase	$ 75,000	$ 75,000
Loan, First Phase Accrued Interest	14,801	10,467
Loan, Second Phase Accrued Interest	11,921	7,980
	101,722	93,447
Loan, Second Phase	85,000	85,000
	$ 186,722	$ 178,447

Principal repayments on long term debt payable over the next five years are as follows:

	Province of Manitoba	Term Loans	Total
2016	$ 4,619	$ 1,094	$ 5,713
2017	4,863	1,152	6,015
2018	5,120	1,217	6,337
2019	5,391	1,282	6,673
2020	5,676	1,355	7,031
Thereafter	339,507	20,277	359,784
	$ 365,176	$ 26,377	$ 391,553

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are as follows:

	2015	2014
Refundable Deposit	$ 346	$ 346
Fair Value of Financial Derivatives	6,287	4,227
	$ 6,633	$ 4,573

DERIVATIVE FINANCIAL LIABILITIES

The University has entered into separate interest rate swap agreements for three term loans. Each loan has a stamping fee and a floating interest rate based on Bankers' Acceptance rates. The floating interest rate has been swapped to a fixed rate as follows:

The interest rate swap agreement for the loan for the Arthur V. Mauro Student Residence has a fixed interest rate of 5.62% that is committed until September 1, 2028. The notional principal underlying this swap agreement was $12,151 as at March 31, 2015 (2014, $12,718).

The interest rate swap agreement for the loan for the development of the multi-tenant facility at 150 Innovation Drive has a fixed interest rate of 4.07% that is committed until February 13, 2032. The notional principal underlying this swap agreement as at March 31, 2015 was $6,322 (2014, $6,576).

The interest rate swap agreement for the loan for the addition to the multi-tenant facility at 900 – One Research Road has a fixed interest rate of 4.4%, that is committed until August 5, 2035. The notional principal underlying this swap agreement was $7,904 as at March 31, 2015 (2014, $8,118).

Under the terms of the agreements, the respective monthly interest and principal repayments are required similar to a conventional amortizing loan over a 25 year period.

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees who have met the eligibility criteria and long term disability benefits for current employees. Post retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and retired employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University.

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post retirement pension adjustments as of March 31. A firm of consulting actuaries prepared an actuarial valuation for the post-retirement adjustments plan as at March 31, 2015. They also prepared extrapolations to March 31, 2015 of the 2014 actuarial valuations for the non-pension benefit plans. The actuarial gains and losses are amortized over nine years commencing in the year following the year the respective annual actuarial gains or losses arise.

The Accrued Benefit Obligations for the non-pension benefit plans and the post retirement adjustments are reported in the University's Statement of Financial Position under Long Term Liabilities.

Information about the University's non-pension benefit plans and post-retirement adjustments as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	Total
	2015	2014	2015	2014	2015	2014
Accrued Benefit Obligations	$ 67,962	$ 64,573	$ 2,615	$ 2,927	$ 70,577	$ 67,500
Unamortized Actuarial (Losses) Gains	5,770	2,396	172	106	5,942	2,502
Employee Future Benefits Liability	$ 73,732	$ 66,969	$ 2,787	$ 3,033	$ 76,519	$ 70,002
Benefit Cost	$ 4,866	$ 5,458	$ 86	$ 105	$ 4,952	$ 5,563
Plan Assets	47,405	39,022	1,084	1,186	48,489	40,208
Employer Contribution	6,486	6,220			6,486	6,220
Employees' Contributions	4,425	4,107			4,425	4,107
Benefits Paid	7,077	7,539	460	506	7,537	8,045

Plan assets consist of:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2015	2014	2015	2014
Money Market Funds and Cash	6%	100%	6%	100%
Equities	53%		53%	
Fixed Income	19%		19%	
Pooled Real Estate	10%		10%	
Mortgage Fund	12%		12%	
Total	100%	100%	100%	100%

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2015	2014	2015	2014
Accrued benefit obligation at March 31:				
Discount rate	6.00%	6.00%	6.00%	6.00%
Benefit Cost for year ended March 31:				
Discount rate	6.00%	5.75%	6.00%	5.75%
Expected rate of return on assets	6.00%	5.75%	6.00%	5.75%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.00%	8.00%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2024	2024		
Dental Care Cost Trend Rates at March 31:	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

As at March 31, 2015, the General Funds owed the Restricted Funds $2,611 (2014, $64,338).

13. INTER-FUND TRANSFERS

Inter-Fund Transfers for the years ended March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Total General Fund	Total Restricted Fund	Endowment Fund
Funding of Capital Asset Additions:						
Current Year Acquisitions	(21,079)			(21,079)	21,079	
Other Funded Projects	(14,329)			(14,329)	14,329	
Faculty and Unit Funded Projects	(5,241)	1,307		(3,934)	3,934	
Total Funding of Capital Asset Additions	(40,649)	1,307		(39,342)	39,342	
Debt Funding						
Ancillary Services	(4,793)			(4,793)	4,793	
Faculties	(257)			(257)	257	
Unit Capital Development Assessment	(5,087)			(5,087)	5,087	
Student Contributions for Technology	(3,232)			(3,232)	3,232	
Other	(805)			(805)	805	
Total Debt Funding	(14,174)			(14,174)	14,174	

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Scholarships, Bursaries & Prizes						
Faculty and Unit Funded	(1,263)	(52)		(1,315)	1,215	100
Centrally Funded	(5,937)			(5,937)	5,885	52
Total Scholarships, Bursaries & Prizes	(7,200)	(52)		(7,252)	7,100	152
Transfers to Provisions for Specific Projects						
Faculty and Unit Funded	(12,754)	12,754				
Centrally Funded	(11,934)	13,934		2,000	(2,000)	
Total Transfers to Provisions for Specific Projects	(24,688)	26,688		2,000	(2,000)	
Benefit Premiums Net of Employer Contributions for Staff Benefits	(2,967)			(2,967)	2,967	
Student Contribution to University Development Fund	(1,043)			(1,043)	199	844
Overhead Recoveries	5,558			5,558	(5,558)	
Funding of General Operating Expenses	23,202	(12,806)		10,396	(10,396)	
Net Change in Unit Carryover	(6,800)	6,800				
Funding of Research Projects	(3,526)			(3,526)	3,526	
Employee Future Benefits	6,517		(52)	6,465	(6,465)	
Pension Liability	(2,794)		2,794			
Vacation and Sick Leave Liability	190		(190)			
Other Net Transfers	25			25	(837)	812
March 31, 2015	$ (68,349)	$ 21,937	$ 2,552	$ (43,860)	$ 42,052	$ 1,808
March 31, 2014	**$ (43,294)**	**$ (5,659)**	**$ (510)**	**$ (49,463)**	**$ 45,714**	**$ 3,749**

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $2,170 (2014, $1,089).

15. PENSION PLANS

The University is the sponsor of three pension plans, The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986), and The University of Manitoba Pension Plan (1993).

The University has separate Pension Committees to act as Plan Administrator for each of the 1993 and 1986 Plans. The University is the Plan Administrator for the 1970 Plan.

Each of the 1993 Pension Committee and 1986 Pension Committee has the following responsibilities for their respective plans:

- monitor the operation of the plan;
- take responsibility for the plan's administration;
- ensure that the plan is in compliance with all applicable legislation; and
- act in an advisory capacity to the University Board of Governors, making recommendations as required.

All three pension plans issue their own financial statements, none of which form part of the University's financial statements. The University's pension liability for the 1993 Plan is the net of pension obligations less plan assets and adjusted for any unamortized actuarial gains or losses. For the 1986 Plan, the University has no pension liability as pension obligations equal plan assets. The University has no pension liability for the 1970 Plan.

1993 PLAN

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. The following is a summary of the Plan:

Staff members of the University of Manitoba, other than those eligible for membership in The University of Manitoba GFT Pension Plan (1986), are eligible for membership in The University of Manitoba Pension Plan (1993). The Plan members contributed at the rate of 9.0% of salary less an adjustment for the Canada Pension Plan during 2014. The University matches these contributions. If an actuarial valuation reveals a deficiency in the fund, *The Pension Benefits Act* of the Province of Manitoba requires that the University make additional contributions to fund the deficiency.

The Plan provides for full and immediate vesting on termination of employment, subject to the provisions of *The Pension Benefits Act* of the Province of Manitoba.

At retirement, the Plan provides that the Member's Contribution Account and University Contribution Account are applied to establish retirement income known as a plan annuity. This annuity is determined using a pension factor established by the Actuary and is paid from the Plan. The Plan provides that if the defined benefit pension based on a formula involving the member's years of service and highest average earnings exceeds the plan annuity, the difference (known as a supplementary pension) is paid from the Plan.

The Plan provides for retirement benefits paid from the Plan to be increased using an excess interest approach, provided such increase can be afforded by the Plan as confirmed by the Actuary.

At the December 31, 2014 valuation of the Plan, there were 5,192 active member accounts with an average salary weighted age of 51.8 for academic staff, 47.0 for support staff, and 1,241 annuitant and other recipients.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2013 and extrapolated to December 31, 2014.

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

Accrued Benefit Obligations	**2014**	**2013**
Actuarial present value of accrued pension benefits, at the beginning of year	$ 1,077,300	$ 1,045,489
Interest accrued on defined benefits	23,827	24,896
Interest accrued on member accounts	56,227	80,971
Benefits accrued	53,212	54,461
Benefits paid	(89,337)	(87,645)
Plan amendment	1,521	
Actuarial gains	(1,404)	(16,284)
Change in actuarial assumptions	(11,121)	(24,588)
Actuarial present value of accrued pension benefits, at end of year	$ 1,110,225	$ 1,077,300
Plan Assets		
Fair value, at beginning of year	$ 1,031,244	$ 922,963
Actual return on plan assets	91,154	128,835
Employer contributions calendar year	33,303	42,890
Employee contributions	24,747	23,731
Transfer from other plans	321	470
Benefits paid	(89,337)	(87,645)
Fair value, at end of year	$ 1,091,432	$ 1,031,244

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Reconciliation of Pension Liability		
Accrued benefit obligation	$ 1,110,225	$ 1,077,300
Plan assets	(1,091,432)	(1,031,244)
Plan deficit	18,793	46,056
Contributions during fiscal year in excess of calendar year	(7,327)	(10,848)
Adjusted plan deficit	11,466	35,208
Unamortized net actuarial gains (losses)	19,621	(1,327)
Pension liability	$ 31,087	$ 33,881
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 28,144	$ 30,260
Interest costs at discount rate	64,722	59,092
Expected return on plan assets	(66,025)	(54,761)
Amortization of net actuarial losses	(1,374)	8,687
Prior period cost	1,521	
Net benefit plan expense	$ 26,988	$ 43,278
Reconciliation of Unamortized Gains/(Losses)		
Expected average remaining service life	9.00	9.00
Net unamortized gain (loss), beginning of year	$ (1,327)	$ (78,185)
New net gain (loss) for current year	22,322	68,171
Amortization for current year	147	8,687
Immediate recognition to offset prior period cost	(1,521)	
Net unamortized gain (loss), end of year	$ 19,621	$ (1,327)
The Plan assets measured at fair value consist of:		
Cash and Other	$ 27,272	$ 28,356
Bonds and debentures	352,563	395,952
Canadian equities	398,837	381,834
Mortgages	61,758	
Foreign equities	251,002	225,102
	$ 1,091,432	$ 1,031,244
Significant Long-term Actuarial Assumptions		
Discount rate	6.00%	6.00%
Expected rate of return on assets	6.5%	6.5%
Rate of general salary increase	2.0% to 2018, 3% thereafter	3.5%
Interest assumption for converting member accumulations to annuities	4.25%	4.5%
Mortality	Canadian Pensioners' Mortality 2014 Public Sector Table, adjusted for plan experience.	Uninsured Pensioner 1994, projected to 2015 with Improvement Scale AA adjusted for plan experience.
Mortality improvements	Projected generationally from 2014 with CPM Improvement Scale B.	Projected generationally from 2003 using CPM Improvement Scale B.

Pension Fund Assets are valued at market values. The expected rate of return on plan assets net of expenses is 6.5%. The actual return on pension funds assets in 2014 was 8.97%.

In 2009, the Manitoba Pension Commission advised that the University was required to begin to make additional payments with respect to current service costs in excess of matching contributions of active members and the University. The additional annual current service cost payments required are based on a percentage (changes annually) of employee contributions. This total payment for fiscal 2015 was $2.6 million (2014, $6.8 million).

The unamortized net actuarial gains/(losses) shown above, which were determined on the basis of the 2013 actuarial valuation and the 2014 extrapolation for accounting purposes, are being amortized over a period of nine years (expected average remaining service life) starting in the year following the year the respective annual actuarial gains or losses arise. However, cash funding for the pension plan is based on the going concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, is being funded under *The Pension Benefits Act* over the maximum of 15 years. The payments are $5.1 million annually until the going concern deficit is eliminated, based on the December 2013 funding valuation. This total payment for fiscal 2015 was $3.3 million (2014, $12.4 million).

In 2009, as permitted under the University Pension Plans Exemption Regulation, the University filed an election for an exemption to the solvency deficiency funding requirements under *The Pension Benefits Act* for the 1993 Plan. However, the Plan will continue to be subject to the going concern funding provisions of the *The Pension Benefits Act* and the funding deficit payments are being paid by the University over the maximum of 15 years as indicated above.

1986 PLAN

For the 1986 Plan, which is a money purchase plan for active members, the University recorded contributions of $2,018 (2014, $1,938) and this is included in the Statement of Operations and Changes in Fund Balances as an expense.

1970 PLAN

There were no university employees earning pension entitlements in 2015 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

16. FUND BALANCE

	Internally Restricted	Externally Restricted	Total Restricted	Endowed	Invested in Capital Assets	Unrestricted	2015 Total
General Funds							
General Operating	$	$	$	$	$	$ 3,239	$ 3,239
Specific Provisions	98,974		98,974				98,974
Expenses Funded from Future Revenues						(75,684)	(75,684)
	98,974		98,974			(72,445)	26,529
Restricted Funds							
Capital Asset					939,971		939,971
Research and Special	8,438	93,630	102,068				102,068
Staff Benefits	2,284	3,469	5,753				5,753
Trust	54,674	136,914	191,588				191,588
	65,396	234,013	299,409		939,971		1,239,380
Endowment Fund				395,666			395,666
Total 2015	$ 164,370	$ 234,013	$ 398,383	$ 395,666	$ 939,971	$ (72,445)	$ 1,661,575
Total 2014	$ 137,887	$ 225,575	$ 363,462	$ 341,928	$ 915,149	$ (75,930)	$ 1,544,609

17. NET INVESTMENT INCOME

	General Funds	Restricted Funds	Total 2015	Total 2014
Net Investment Income:				
Interest	$ 4,400	$ 11,417	$ 15,817	$ 15,929
Dividends		11,973	11,973	8,009
Net gains on sale of investments		28,361	28,361	26,260
Total	$ 4,400	$ 51,751	$ 56,151	$ 50,198

18. INTEREST IN RELATED ENTITIES

THE UNIVERSITY OF MANITOBA FOUNDATION U.S.A. INC.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. (the Foundation) which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Subsection 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many entities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

TRIUMF

The University has a 9.09% interest in TRIUMF, a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

Available financial information in respect of TRIUMF is disclosed below:

Statement of Financial Position:	March 31, 2014	U of M's Proportionate Share	March 31, 2013	U of M's Proportionate Share
Statement of Financial Position:				
Assets	$ 25,501	$ 2,318	$ 28,601	$ 2,600
Liabilities	7,868	715	9,806	891
Net Assets	**$ 17,633**	**$ 1,603**	**$ 18,795**	**$ 1,709**
Statement of Operations:				
Revenue	$ 81,032	$ 7,366	$ 87,856	$ 7,986
Expenses	82,195	$ 7,472	88,150	8,013
Surplus (deficit) for the year	**$ (1,163)**	**$ (106)**	**$ (294)**	**$ (27)**
Statement Cash Flows:				
Cash Provided by (used in):				
Operating Activities	$ (2,988)	$ (272)	$ 2,942	$ 267
Investing Activities	(132)	$ (12)	$ (10,284)	(934)
Decrease in Cash	**$ (3,120)**	**$ (284)**	**$ (7,342)**	**$ (667)**

TRIUMF's financial statements have been prepared in accordance with section 11B of the TRIUMF joint venture agreement. TRIUMF has adopted Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF and related decommissioning costs (if any) are expensed in the period in which the costs are incurred. The financial statements for the year ended March 31, 2015 are not available.

TRIUMF follows the restricted fund method of accounting for contributions.

19. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in Triple B Stadium Inc. (Triple B). Triple B is a not-for-profit corporation established to develop, own and operate a stadium as a venue for professional and university football and community athletics. The sole members of Triple B are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of Triple B are managed by the directors comprised of the University, City of Winnipeg, Province of Manitoba and the Winnipeg Football Club. The University has an economic interest in Triple B related to the use of the stadium for university football games and events at nil charge.

As at March 31, 2015 and for year then ended, the related party transactions pertaining to Investors Group Field, with Triple B and the Province of Manitoba are as follows:

	2015	2014
Current Loan Receivable	$ 1,436	
Loans Receivable, including accrued interest	$ 186,722	$ 178,447
Loan Payable, including accrued interest	$ 186,722	$ 178,447
Loan Guarantee from the Province of Manitoba	$ 1,436	
Revenue and Expenses:		
Investment Income	$ 8,286	$ 7,909
Interest Expense	$ 8,275	$ 7,909

The Province of Manitoba also provided $4.8 million to the University in fiscal 2015 to provide capital funding to Triple B. These amounts have been included in Research and Special Fund revenue and expenses.

All transactions with Triple B and the Province of Manitoba are recorded at exchange amounts.

The University controls Partners for Health and Development in Africa (PHDA), a non profit, non-governmental organization registered in Kenya. PHDA has a March 31 year end. Its main purpose is to promote health and economic development in Kenya and Africa, including promotion of health and economic services in HIV/AIDS and population and reproductive health. There were no transactions in PHDA prior to 2014-15. PHDA follows International Public Sector Accounting Standards (IPSAS).

The University funds the operations of PHDA by the transfer of research grants. PHDA is not permitted under local government restrictions to transfer any assets back to the University. Total transfers to PHDA in 2015 were $3,644.

20. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to $23,094 (2014, $51,176). The contractual obligations relating to service contracts is $16,383 (2014, $10,000).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2015.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $44.2 million as of November 2011, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at March 31, 2014, is estimated at $3.1 million. The March 31, 2015 figures are not available. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

21. FAIR VALUE DISCLOSURES

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, dealing at arm's length and motivated by normal business considerations. Financial instruments are classified using a fair value hierarchy that reflects the significance of inputs to valuation techniques used to measure fair value. The fair value hierarchy used has the following levels:

Level 1 – Inputs that reflect unadjusted publicly quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 – Inputs other than publicly quoted prices that are either directly or indirectly observable for the asset or liability.

Level 3 – Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The following fair value hierarchy table presents information about the University's financial instruments measured at fair value at March 31:

Financial Assets at fair value as at March 31, 2015

	Level 1	Level 2	Level 3	Total
Investments 2015				
Bankers Acceptances, Guaranteed Investment Certificates and Cash		62,833		62,833
Canadian Equities	171,315			171,315
US Equities	159,902			159,902
Pooled Bond Fund		10,094		10,094
Pooled Canadian Equities Fund		15,161		15,161
Pooled US Equities Fund		6,515		6,515
Pooled International Equities Fund		100,862		100,862
Pooled Real Estate Fund		85,745		85,745
Pooled Mortgage Fund		6,562		6,562
Bonds and Other Fixed Income Securities		63,786		63,786
Total	$ 331,217	$ 351,558		$ 682,775

Investments 2014			
Bankers Acceptances, Guaranteed Investment Certificates and Cash		107,075	107,075
Canadian Equities	159,495		159,495
US Equities	124,245		124,245
Pooled International Equities Fund		82,473	82,473
Pooled Real Estate Fund		66,690	66,690
Bonds and Other Fixed Income Securities		61,752	61,752
Total	$ 283,740	$ 317,990	$ 601,730

Financial Liabilities at fair value as at March 31, 2015

	Level 1	Level 2	Level 3	Total
Financial Derivatives 2015	$	$	$ 6,287	$ 6,287
Financial Derivatives 2014	$	$	$ 4,227	$ 4,227

	2015	2014
Fair value of Financial Derivatives beginning of year	$ 4,227	$ 5,618
Unrealized gain (loss) reported in the Statement of Remeasurement Gains and Losses	2,060	(1,391)
Fair Value of Financial Derivatives end of year	$ 6,287	$ 4,227

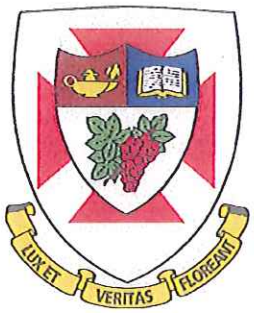
As of March 31, 2015 and March 31, 2014 there were no transfers of investments between levels 1, 2 or 3.

22. EXPENSE BY FUNCTION

	General Funds	Restricted Funds	2015 Total Funds	2014 Total Funds
Expense:				
Instruction	$ 330,020	$ 118,021	$ 448,041	$ 445,351
Amortization		54,075	54,075	52,546
Student Support	12,954	38,392	51,346	49,378
Plant Maintenance	47,405	13	47,418	48,008
Administration & General	30,003	11,773	41,776	37,623
Ancillary Services	28,007		28,007	28,762
Computing and Communications	25,609		25,609	24,704
Other Academic & Research Support	15,717	4,649	20,366	17,763
Student Services	19,818		19,818	20,666
Interest		18,682	18,682	18,120
Libraries	17,159	8	17,167	17,678
External Relations	11,607		11,607	11,612
Actuarially Determined Employee Future Benefits	6,517		6,517	6,930
Change in Pension Liability	(2,794)		(2,794)	34
Staff Benefits Contra	(8,054)		(8,054)	(7,542)
Total	$ 533,968	$ 245,613	$ 779,581	$ 771,633

23. COMPARATIVE FIGURES

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



THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

THE UNIVERSITY OF WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

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THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and 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.

The University's Board of Regents is responsible for overseeing the business affairs of the University including approving the consolidated financial statements. The Board has delegated the responsibility for reviewing these annual consolidated financial statements and meeting with management and the external auditor on matters relating to the financial reporting to its Audit and Risk Committee. The external auditor has full access to the Audit and Risk Committee with or without the presence of management. The Board of Regents has reviewed and approved these annual consolidated financial statements.

In management's opinion, these annual consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded. The integrity of internal controls is reviewed on an on-going basis by the University's Audit Services.

The external auditor, KPMG LLP, is responsible for auditing these annual consolidated financial statements and for issuing a report thereon. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Associate Vice-President Finance & Operations

Winnipeg, Manitoba
June 22, 2015

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of the University of Winnipeg

We have audited the accompanying consolidated financial statements of the University of Winnipeg, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the University of Winnipeg 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 consolidated financial statements of the University of Winnipeg as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 23, 2014.

Signed "KPMG LLP"

Chartered Accountants

June 22, 2015

Winnipeg, Canada

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2015, with comparative figures for March 31, 2014
Amounts in Thousands

Statement I

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Notes 3, 7)	$ 19,823	$ 20,396
Short Term Investments (Note 3)	1,082	881
Accounts Receivable (Note 15)	5,678	4,974
Current Portion of Long Term Receivables (Note 5)	37	35
Due from Related Parties (Note 20)	3,700	366
Prepaid Expenses and other assets	1,581	1,753
	31,901	28,405
Long Term Investments (Note 4)	1,996	1,963
Long Term Receivables (Note 5)	4,450	4,458
Capital Assets (Note 6)	201,567	198,585
	$ 239,914	$ 233,411
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 10,730	$ 12,675
Deferred Revenue	6,430	5,488
Deferred Contributions (Note 9)	10,979	9,392
Accrued Vacation Pay	2,398	2,177
Current Portion of Obligations Under Capital Leases (Note 10)	147	103
Current Portion of Long Term Debt (Note 12)	1,670	1,490
Due to Related Parties (Note 20)	641	806
	32,995	32,131
Obligations under Capital Leases (Note 10)	372	382
Long Term Liabilities (Note 12)	67,338	58,873
Deferred Capital Contributions (Note 11)	128,632	129,206
Obligations for Compensated Absences (Note 8)	383	467
Pension Obligation (Note 16)	12,106	12,188
	241,826	233,247
Net Assets:		
Unrestricted Net Deficiency	(30,786)	(28,414)
Internally Restricted (Note 13)	2,163	2,075
Externally Restricted (Note 14)	3,868	3,547
Investment in Capital Assets	22,843	22,956
	(1,912)	164
	$ 239,914	$ 233,411

Special Purpose and Trust Assets (Notes 3, 13)
Contractual Obligations (Notes 10, 17, 18, 19)
Contingencies (Note 22)

Approved by the Board of Regents

(Original signed by Eric Johnstone)
Chair, Board of Regents

(Original signed by Annette Trimbee)
President & Vice Chancellor

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For The Year Ended March 31, 2015
Amounts in Thousands

Statement II

	2015	2014
REVENUE		
Government Grants:		
Education and Advanced Learning	$ 65,993	$ 64,210
Province of Manitoba, other	1,111	1,205
Government of Canada	5,627	6,133
Student Academic Fees	39,472	39,695
Gifts, Grants and Bequests	4,390	4,832
Interest Income	547	534
Sales of Services & Products	1,529	1,462
Other Revenues	8,853	9,232
Amortization of Deferred Capital Contributions (Note 11)	4,107	3,897
	131,629	131,200
EXPENSES		
Salaries and Benefits	85,514	84,855
Supplies, Services and Other Expenses	19,485	19,042
Cost of Sales	225	324
Building, Utilities and Related Expenses	13,486	13,011
Interest	2,755	2,430
Provincial and Municipal Taxes	1,712	1,709
Scholarships and Awards	3,964	4,097
Gifts to Related Party (Note 20)	1,031	1,078
Amortization of Capital Assets	6,519	6,020
	134,691	132,566
Deficiency of Revenue over Expenses from Operations	$ (3,062)	$ (1,366)
Gain on sale of Capital Assets	$ 665	$ -
Deficiency of Revenue over Expenses	$ (2,397)	$ (1,366)

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2015
Amounts in Thousands

Statement III

	2015				
	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	$ (28,414)	$ 2,075	$ 3,547	$ 22,956	$ 164
Deficiency of Revenue over Expenses	(2,397)	-	-	-	(2,397)
Endowment Contributions	-	-	327	-	327
Endowment Custodial/Management Fees	-	-	(6)	-	(6)
Transfers:					
Internally Funded:					
Capital Asset Additions	(2,237)	-	-	2,237	0
Amortization of Deferred Capital Contributions	(4,107)	-	-	4,107	0
Amortization of Capital Assets	6,519	-	-	(6,519)	0
Disposal of Capital Assets	757	-	-	(757)	0
Repayment of Long Term Debt	(819)	-	-	819	0
Internally Restricted Net Assets	97	(97)	-	-	0
Strategic Provisions - Reductions (Note 13)	34	(34)	-	-	0
Strategic Provisions - Additions (Note 13)	(219)	219	-	-	0
NET CHANGE FOR THE YEAR	(2,372)	88	321	(113)	(2,076)
BALANCE, END OF YEAR	$ (30,786)	$ 2,163	$ 3,868	$ 22,843	$ (1,912)

	2014				
	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	$ (25,506)	$ 1,638	$ 3,359	$ 21,851	$ 1,342
Deficiency of Revenue over Expenses	(1,366)	-	-	-	(1,366)
Endowment Contributions	-	-	200	-	200
Endowment Custodial/Management Fees	-	-	(12)	-	(12)
Transfers:					
Internally Funded:					
Capital Asset Additions	(2,409)	-	-	2,409	0
Amortization of Deferred Capital Contributions	(3,897)	-	-	3,897	0
Amortization of Capital Assets	6,020	-	-	(6,020)	0
Disposal of Capital Assets	1	-	-	(1)	0
Repayment of Long Term Debt	(820)	-	-	820	0
Internally Restricted Net Assets	(187)	187	-	-	0
Strategic Provisions - Reductions (Note 13)	-	-	-	-	0
Strategic Provisions - Additions (Note 13)	(250)	250	-	-	0
NET CHANGE FOR THE YEAR	(2,908)	437	188	1,105	(1,178)
BALANCE, END OF YEAR	$ (28,414)	$ 2,075	$ 3,547	$ 22,956	$ 164

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2015
Amounts in Thousands

Statement IV

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$ 72,952	$ 70,292
Student Academic Fees	40,813	40,019
Gifts, Grants and Bequests	5,138	5,445
Interest Income	540	531
Sales of Services and Products	1,484	1,472
Other Revenues	10,436	9,218
Cash Paid for:		
Salaries and Benefits	(85,707)	(83,273)
Supplies, Services and Other Expenses	(19,828)	(19,103)
Cost of Sales	(245)	(312)
Building, Utilities and Related Expenses	(15,835)	(10,411)
Interest Paid	(2,748)	(2,447)
Provincial and Municipal Taxes	(1,724)	(1,706)
Scholarships and Awards	(3,965)	(4,097)
Gifts to Related Party	(1,168)	(900)
	143	4,728
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of Capital Assets	(12,051)	(28,416)
Disposal of Capital Assets	765	-
	(11,286)	(28,416)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Long Term Investments	(575)	(204)
Proceeds on Maturity of Long Term Investments	542	480
Collections of Long Term Receivables	8	129
Advances to 7049651 Manitoba Association Inc.	(1,714)	-
	(1,739)	405
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment and Retirement of Long Term Debt	(1,855)	(2,450)
Long Term Debt Proceeds	10,500	12,800
Deferred Capital Contributions	3,538	17,726
Contributions Received for Endowment	327	200
	12,510	28,276
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(372)	4,993
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	21,277	16,284
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 20,905	$ 21,277
Cash and Short Term Investments consist of:		
Cash and Cash Equivalents	19,823	20,396
Short Term Investments	1,082	881
	$ 20,905	$ 21,277

Excluded from Investing and Financing Activities are equipment acquired under Capital Leases and the related obligations under Capital Leases totalling $170 (2014 - $305).

A Statement of Remeasurement Gains and Losses has been excluded as there have been no remeasurement gains or losses.

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

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post-secondary education, research and services. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada)

2. Summary of Significant Accounting Policies

A) Basis of Accounting and Principles of Consolidation

The consolidated 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. The consolidated financial statements of the University include the University's investment in the 460 Portage Avenue Joint Venture, (Note 21) a government partnership, which is accounted for using the proportional consolidated method. The University of Winnipeg Foundation (the Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC), both controlled entities, are not consolidated in these financial statements, but details of their consolidated financial results are included in the notes to the consolidated financial statements (Notes 18 and 19 respectively).

B) Revenue Recognition

The University follows the deferral method of accounting for contributions such that the restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions have external stipulations imposed that specify how resources must be used.

Operating grants are recognized as revenue in the period received or receivable. Tuition fees and sales of goods and services are recognized as revenue in the period in which the services are rendered or goods are received.

Externally restricted non-capital and non-endowment contributions are recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recorded as direct increases in net assets in the period in which they are received.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Promissory notes payable to the Manitoba Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Manitoba Provincial Government through Education and Advanced Learning (EAL) are, in substance, capital grants. These capital grants are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The interest expense and the related funding from EAL over the terms of the promissory notes are both excluded from the statement of operations and changes in fund balances.

C) Cash and Cash Equivalents

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

D) Long Term Receivables

Long term receivables are carried at amortized cost using the effective interest rate method. Long term receivables are due from a related joint venture with a non-related partner and are secured by the 460 Portage Avenue property.

E) Tangible Capital Assets

Purchased capital assets and collections of the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Collections which include art work and rare books are recorded at fair value derived by independent appraisal at the time of acquisition or donation. Land, collections of rare books and works of art are not amortized.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building, additions and improvements	60 years
Leasehold improvements	Term of lease
Library acquisitions	10 years
Furnishings and equipment	10 years
Major system computer software	10 years
Computer equipment	5 years
Vehicles	5 years
Equipment under capital lease	Term of lease

F) Accrued Vacation Pay

The University recognizes vacation pay as an expense on the accrual basis.

G) Other Employee Benefits

The University provides health benefits and pension plan contributions to eligible employees in receipt of long term disability benefits. The costs are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are recorded in the financial statements in the year they occur.

University employees appointed to a position expected to last one year or more are entitled to 180 days of sick leave that is non-vesting, non-accumulating and event driven. The benefit expense and liabilities are recorded when the triggering event occurs.

H) Financial Instruments

All currently held financial instruments are reported at cost or amortized cost. The effective interest rate method is used to recognize interest income or expense. Transaction expenses related to all financial instruments are expensed as incurred.

I) Trusteed Pension Plan

The University contributes to the University of Winnipeg Trusteed Pension Plan for University employees. The Plan has both defined benefit and defined contribution components. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method which incorporates management's best estimates of investment performance, salary escalation, retirement ages of employees and members mortality. Consistent with PS 3250 the University has amortized actuarial gains and losses over the estimated average remaining service life (EARSL) of active members of the defined benefit plan. The amortization amount for a year is determined by dividing the unamortized balance at the end of the previous year by the EARSL.

The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

J) Loan Guarantees

The University guarantees a condition of a loan on the land and building situated at 491 Portage Avenue (the Property) as part of its relationship with UWCRC. The University takes responsibility for ensuring that the debt service coverage ratio on the Property does not go below 1.0:1.0. In the event the Property falls below that ratio, the University would be required to lease space in the Property at normal commercial rents, or ensure that another tenant is obtained to bring the ratio back to 1.0:1.0 or higher. The unrelated owners in the Property have indemnified the University for a share of the guarantee on the basis of their ownership (75%) in the Property.

K) Use of Judgments

The preparation of the University's financial statements in conformity with PSAS for GNFPOs requires management to make judgments, apart from those involving estimations, in applying accounting policies that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenue and expenses during the reporting period. Items requiring the use of judgments include the selection of cut-off dates used to determine when to end the processing of transactions received after March 31, the decision to record reconciling and correcting items or not (application of materiality) and the assessment of outstanding legal issues and the need to disclose a resulting contingent liability.

L) Use of Estimates

The preparation of the University's financial statements in conformity with PSAS for GNFPOs 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 revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, allowance for doubtful accounts, and the actuarial estimation of compensated absences liabilities and pension obligation. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

	2015	2014
Operating Funds	$ 7,015	$ 8,451
Sponsored Research and Designated Funds	5,125	3,662
	12,140	12,113
Special Purpose and Trust Funds	6,892	7,580
Externally Restricted (Endowments)	791	703
	$ 19,823	$ 20,396

Short term investments - $1,082 (2014 - $881) consist of fixed income investments.

4. Long Term Investments

	2015	2014
Fixed Income Instruments	$ 1,333	$ 1,239
Equity Investment in properties	663	724
	$ 1,996	$ 1,963

5. Long Term Receivables

	2015	2014
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave (Interest Rate 5.6%, due December 31,2050)	$ 8,442	$ 8,514
460 Portage Ave (Interest Rate 3.8%, due October 31, 2052)	2,765	2,797
	11,207	11,311
Less: University of Winnipeg component	(7,471)	(7,541)
	3,736	3,770
Receivable from Plug-in ICA		
460 Portage Ave. (Interest Rate 4.65%, due December 31, 2020)	751	723
	4,487	4,493
Less: Current Portion	(37)	(35)
	$ 4,450	$ 4,458

Annual principal payments receivable on the notes during the next five years and thereafter are: 2016 - $37, 2017 - $39, 2018 - $41, 2019 - $43, 2020 - $45, thereafter - $4,282 .

These notes are carried at amortized cost using the effective interest rate method.

6. Capital Assets

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 10,606	$ -	$ 10,606	$ -
Buildings, Additions and Improvements	212,030	35,290	174,063	31,965
Library Acquisitions	13,860	12,675	13,681	12,378
Furnishings and Equipment	41,556	33,480	40,065	29,414
Collections	1,542	-	1,542	-
Major System Computer Software	3,776	2,746	3,275	2,558
Buildings Under Construction	52	-	31,133	-
Equipment Under Capital Leases	2,336	-	2,166	1,631
	285,758	$ 84,191	276,531	$ 77,946
Less: Accumulated Amortization	(84,191)		(77,946)	
Net Book Value	$ 201,567		$ 198,585	

Furnishings and Equipment include Vehicles and Computer Equipment.

7. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $1,500. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2015 or March 31, 2014.

8. Obligations for Compensated Absences

The University provides health benefits and pension plan contributions to employees receiving long term disability (LTD) benefits.

Health benefit premiums are paid by the University until the earlier of recovery and return to work, death, or attainment of the normal pension commencement date. For health benefits the liability for each current recipient is the actuarial present value of future premiums for each employee based on the current monthly premium, future assumed inflation for health benefits premiums, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date. The following assumptions were made in determining the actuarial present value of future premiums:

- A discount rate of 5.9% (2014 - 6.00%)
- Health benefit premium inflation of 5% per year.
- LTD recovery rates from the 1987 Commissioner's Group Disability Table
- Canada Pension Plan earnings base increase at 3% per year

The University pays the required pension contribution on behalf of employees receiving LTD benefits, into the University of Winnipeg Trusteed Pension Plan in accordance with the provisions of the pension plan (see note 16). Contributions are calculated based on the salary rate at the time of disability and the current yearly maximum pensionable earnings (YMPE). The liability for each member is the actuarial present value of future contributions based on the salary at disability, the projected future YMPE and yearly maximum contributory earnings (YMCE), the applicable contribution formula, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date.

9. Deferred Contributions

Deferred contributions represent unspent externally restricted funding received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting primarily of scholarships and bursaries, library acquisitions and lecture funds.

	2015	2014
Balance, Beginning of Year	$ 9,392	$ 10,106
Contributions Received	13,181	13,601
Contributions Expensed	(10,563)	(13,237)
Transferred to Foundation (Note 20)	(1,031)	(1,078)
Balance, End of Year	$ 10,979	$ 9,392
Balance Consists of:		
Sponsored Research and Designated Funds	$ 5,317	$ 4,724
Special Purpose Trust	5,435	4,384
Operating Funds	227	284
	$ 10,979	$ 9,392

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between April 30, 2015 and September 30, 2019 together with the balances of the obligations under capital leases:

2015/16	$ 162
2016/17	162
2017/18	162
2018/19	65
2019/20	-
Total minimum lease payments	551
Less: Amount representing interest at approximately 2.5%	(32)
Balance of Obligations under Capital Leases	519
Less: Current Portion of Obligations under Capital Leases	(147)
Obligations under Capital Leases	$ 372

Interest expense for the current year on the lease obligations amounted to $22 (2014 - $18).

11. Deferred Capital Contributions

	2015	2014
Balance, Beginning of Year	$ 129,206	$ 119,241
Contributions Received	2,580	12,871
Contributions from the Foundation	953	991
Less: Amortization of Deferred Capital Contributions	(4,107)	(3,897)
Balance, End of Year	$ 128,632	$ 129,206

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

12. Long Term Liabilities

	2015	2014
Promissory Notes	$ 68,588	$ 59,950
Supplementary Pensions Payable	420	413
	69,008	60,363
Less: Current Portion of Long Term Liabilities	(1,670)	(1,490)
	$ 67,338	$ 58,873

	2015	2014
Province of Manitoba Promissory Notes Secured by:		
509 Ellice & 433 Young (Interest rate 4.45%, due April 15, 2015)	$ 8	$ 106
Duckworth Expansion (Interest rate 5.55%, due October 31, 2047)	1,876	1,895
McFeetors Hall:		
Interest rate 5.25%, due October 31, 2049	10,446	10,550
460 Portage Avenue		
Interest rate 4.65%, due December 31, 2020	1,735	1,992
Interest rate 5.60%, due December 31, 2050	8,926	9,002
Interest rate 2.625%, due October 31, 2016	718	1,157
Interest rate 3.80%, due October 31, 2052	2,765	2,797
366 Spence & 336 Young (Interest rate 4.95%, due March 31, 2051)	675	682
Richardson College for the Environment & Science Complex		
Interest rate 4.95%, due March 31, 2051 (Parking Lot)	3,763	3,800
Interest rate 2.35%, due January 31, 2020	1,253	1,495
Variable interest rate of prime less 0.75%, due January 31, 2020	152	491
United RecPlex		
Interest rate 4.10%, due October 31, 2054	19,220	12,800
Variable interest rate of prime less 0.75%	2,000	-
	53,537	46,767
Province of Manitoba Unsecured Notes:		
491 Portage Annex (Interest rate 5.40%, due July 31, 2050)	2,695	2,720
Pension Settlement (Interest rate 5.35%, due January 31, 2050)	8,402	8,483
Pension Plan Special Payments (Interest rate 4.15%, due May 31, 2053)	1,959	1,980
Pension Plan Special Payments (Interest rate 4.10%, due Dec. 1, 2054)	1,995	-
	15,051	13,183
	$ 68,588	$ 59,950

Annual principal payments on the notes during the next five years and thereafter are: 2016 - $1,618; 2017 - $1,477; 2018 - $1,262, 2019 - $1,317; 2020 - $1,328, thereafter - $61,586.

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2015 is $52 (2014 - $52).

Interest expense during the year on long term liabilities totalled $2,915 (2014 - $2,516) of which $191 (2014 - $122) was capitalized during the year.

The University received capital funding from the Provincial Government as a contribution towards the Richardson College for the Environment and Science Complex building and deferred maintenance expenditures on campus. The funding was financed by promissory notes payable to the Province of Manitoba bearing interest at rates ranging from 3.75% to 5.95%. The notes are repayable over a term of 40 years, due between February 2047 and January 2055. Repayment is funded by dedicated grants from the Province of Manitoba. This funding has been treated as a restricted grant and recorded as deferred capital contributions where it paid for an asset which was capitalized, or recognized as revenue in the period expended, if the expenditure did not meet the definition of a capital asset. The loan payments, off-setting revenues and debt outstanding are not recorded in the University's financial statements. The balance of debt outstanding at March 31, 2015 is $70,422 (2014 - $68,981).

13. Internally Restricted Net Assets

	March 31, 2014	Reductions	Additions	March 31, 2015
Unrestricted Trust Income	$ 1,246	$ (97)	$ -	$ 1,149
Strategic Provisions:				
Infrastructure Capital Reserve	350	-	-	350
Strategic Development Project Development	479	(34)	219	664
	829	(34)	219	1,014
	$ 2,075	$ (131)	$ 219	$ 2,163

The cumulative net unrestricted trust income is available to fund Board of Regents Scholarships.

Strategic provisions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenses related to strategic provisions are charged to operations and are covered with a corresponding transfer of funds from internally restricted net assets (See Statement III).

14. Externally Restricted Net Assets (Endowments)

	2015	2014
Cash and Short Term Investments	$ 1,872	$ 1,584
Long Term Investments (Note 4)	1,996	1,963
	$ 3,868	$ 3,547

Endowments of $2,418 (2014 - $2,297) are held in trust in accordance with the terms of a designated bequest. In 2015, the University has a 10% share in the income distribution from this trust (2014 - 10% share). The majority of the University's Endowment Fund was transferred to the Foundation in 2004 (Note 18).

15. Financial Instrument Risk Management

The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Statement of Operations. The University manages its financial assets in accordance with the Board of Regents Financial Oversight and Budgeting Policy.

Credit Risk

Credit risk is the risk of financial loss to the University if a counterparty to a financial instrument fails to discharge an obligation.

Accounts receivable are due, for the most part, from various levels of government and students. The carrying amount of accounts receivable has been reduced through the use of an impairment allowance, set up based on the University's historical experience regarding collections.

The aging of accounts receivable at March 31 is as follows:

	2015	2014
Accounts Receivable, gross		
Current	$ 3,785	$ 3,894
Past Due	2,347	1,470
	6,132	5,364
Less: Allowance for Doubtful Accounts	(454)	(390)
Accounts Receivable, net	$ 5,678	$ 4,974

The credit risk on cash and cash equivalents and short and long term fixed income investments is considered low as the counterparties are highly rated financial institutions. The credit risk regarding the equity investment in properties is considered low as the underlying assets are quality commercial properties. The credit risk on long term receivables is considered low as the receivable is from an established not-for-profit organization and secured by the 460 Portage Avenue property therefore no allowance has been provided for.

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.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The University is exposed to this risk through its cash equivalents and long-term liabilities. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates. Long-term liabilities are primarily at fixed interest rates and terms and are measured at amortized cost using the effective interest rate method; therefore have no exposure to risk associated with changes in interest rates.

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.

Liquidity Risk

Liquidity risk is the risk that the University will not be able to meet all cash outflow obligations as they come due. The University mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

Current liabilities include deferred revenue and accrued vacation pay which will not be settled directly with cash. The sum of remaining liabilities is less than the value of current assets as at March 31,2015.

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.

16. University of Winnipeg Trusteed Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan effective September 1, 1972 and covers substantially all employees of the University, except those who are members of the United Church of Canada Pension Plan. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). The defined benefit segment of the Plan was closed to new members effective January 1, 2001. New plan members effective January 1, 2001 join the defined contribution segment of the Plan.

Prior to July 2008, the University was responsible for the administration of the Plan. An independent Board of Trustees is now responsible for the administration of the Plan and is the trustee of the pension fund. The pension fund assets are invested on the advice of professional investment managers and are held under a Trust Agreement by a trust company.

Contributions are made by the University based on the salary of each active member in accordance with the provisions of the Plan. Members do not contribute if they are in receipt of benefits from the University's LTD plan.

Defined Contribution Obligation

Members of the defined contribution segment contribute 6.2% of their salary not in excess of $105,111 plus 30% of the Canada Pension Plans Year's Maximum Pensionable Earnings (YMPE) to the Plan. The University contributions match member contributions.

The activity in the defined contribution segment of the Plan in the period was:

	Dec. 31, 2014	Dec. 31, 2013
Balance, Beginning of Year	$ 41,889	$ 32,997
Contributions	5,602	5,243
Benefits and Refunds Paid	(690)	(1,451)
Net Investment Return	4,972	5,100
Balance, End of Year	$ 51,773	$ 41,889
Expense recognized for the period ending December 31	$ 2,768	$ 2,549

Defined Benefit Obligation

Pensions are provided on the basis of final average earnings and service. The maximum pension per year of service is $1,722.22. Inflation protection is provided based on the four year average net investment earnings of the pension fund in excess of 6%, limited to the increase in the CPI. At the December 31, 2013 valuation of the defined benefit segment of the Plan, there were 181 active members with an average age of 57.9. There were 47 former employees entitled to deferred pension benefits and 259 retirees and survivors receiving pension benefits.

Members contribute 8.0% of salary up to the Canada Pension Plan Year's Basic Exemption (YBE), 6.2% between the YBE and YMPE and 8.0% in excess of the YMPE. Members contribute only on salary not in excess of $86,111 plus 30% of the YMPE.

The University contribution formula rates are 100 basis points higher than the member contribution formula rates. The University also contributes any additional amounts required under the Pension Benefits Act.

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every three years. Valuations may be required more frequently depending on the financial position of the Plan. As the Plan is currently under 90% funded on a solvency basis, annual valuations are required.

Actuarial valuations are performed by Eckler Ltd. (Eckler) using the projected benefit method. The latest actuarial valuation of the Plan was prepared and filed with the Manitoba Pension Commission as at December 31, 2013, and the results were extrapolated to December 31, 2014. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service of the employee group (7.9 years).

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and mortality. The assumptions used reflect the University's best estimates. At December 31, 2014, the expected future inflation rate is 2.00%. Salaries are assumed to increase 3.00% per year, plus a promotion and merit increase for academic members only. Pensions are assumed to increase by 0.75% per year. The discount rate used to determine the accrued benefit obligation and current service cost is 5.90% (2013 - 6.00%).

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.90%. The actual return on pension fund assets in 2014 was 9.35%.

Change in Accrued Benefit Obligation - Calendar Year Ending December 31

	2014	2013
Accrued Benefit Obligation, Beginning of Year	$ 144,639	$ 140,614
Current Service Cost	2,080	2,196
Interest Cost	8,335	8,054
Benefits and Refunds Paid	(13,537)	(8,087)
Actuarial gain (loss)	1,217	1,862
Accrued Benefit Obligation, End of Year	$ 142,734	$ 144,639

Change in Market Value of Plan Assets - Calendar Year Ending December 31

	2014	2013
Market Value of Plan Assets, Beginning of Year	$ 126,416	$ 113,822
University Contributions	3,486	4,211
Member Contributions	894	959
Benefit Payments	(13,537)	(8,087)
Actual Return on Plan Assets	11,386	15,761
Plan Expenses	(144)	(250)
Market Value of Plan Assets, End of Year	128,501	126,416
Expected market value of assets at end of year	124,421	117,221
Gain (loss) on plan assets	$ 4,080	$ 9,195

The plan assets for the Calendar Year Ending December 31 consist of:

	2014	2013
Domestic fixed income	$ 44,537	$ 37,814
Canadian equity	21,511	31,746
U.S. equity	18,900	15,377
International equity	28,235	18,794
Real Estate	13,424	-
Cash and cash equivalents	1,901	22,720
Net accruals	(7)	(35)
	$ 128,501	$ 126,416

Asset allocation is determined and monitored by the independent Board of Trustees.

Reconciliation of Unamortized Gains/(Losses) - Fiscal Year Ending March 31

	2015	2014
Expected average remaining service life	7.9	7.9
Net unamortized gain (loss), Beginning of year	$ (4,725)	$ (13,687)
New net gain (loss) for current year	2,863	7,333
Amortization for current year	598	1,629
Net unamortized gain (loss), End of year	$ (1,264)	$ (4,725)

Pension Expense - Fiscal Year Ending March 31

	2015	2014
University service cost	$ 1,186	$ 1,237
Interest cost	8,335	8,054
Expected return on Plan Assets	(7,306)	(6,566)
Amortization of net actuarial gains/(losses)	598	1,629
Plan expenses	144	250
Net pension expense	$ 2,957	$ 4,604

Reconciliation of Surplus/(Deficit) to Accrued Liability, End of Fiscal Year

	2015	2014
Surplus (deficit), end of year	$ (14,233)	$ (18,223)
University contributions after the measurement date	863	1,310
Net unamortized amounts	1,264	4,725
Accrued benefit asset (liability), end of year	(12,106)	(12,188)
Valuation allowance, end of year	-	-
Accrued benefit asset (liability), net of valuation allowance, end of year	$ (12,106)	$ (12,188)

Significant Actuarial Assumptions used in the determination of the Pension Expense are:

		%	%
Discount rate		6.00	5.85
Post-retirement indexing		0.75	0.50
Rate of salary increase	2009	3.00	3.00
	Thereafter	3.00	3.00
Expected rate of return on plan assets		6.00	5.85

Significant Actuarial Assumptions used in the determination of the defined benefit obligation at December 31 are:

	%	%
Discount rate	5.90	6.00
Post-retirement indexing	0.75	0.75
Rate of salary increase	3.00	3.00

Funding Obligation

In the event that the actuarial valuation of the Plan for funding purposes determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba.*

The actuarial valuation at December 31, 2013 confirms that the defined benefit segment of the Plan has a solvency deficiency of $31,254 and a solvency ratio of 0.758 (2012 - 0.634).

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's Exemption Regulation (Regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

The going-concern deficiency at December 31, 2013 was $17,551 and the annual deficiency funding payments are $2,003, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2013, the University is also required to make an additional contribution in 2014 of $399 (2013 - $280) in order to fully fund the cost of accruing benefits and administration expenses.

17. Contractual Obligations

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including March 1, 2030. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above obligations require annual payments over the next five years and thereafter as follows:

	Lease	Contractual Obligations	Total
2015/16	$ 3,199	$ 35	$ 3,234
2016/17	2,143	-	2,143
2017/18	1,336	-	1,336
2018/19	985	-	985
2019/20	921	-	921
Thereafter	8,589	-	8,589
	$ 17,173	$ 35	$ 17,208

18. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long term income stream. The Foundation is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation. Endowment Fund agreements formalize management of the Endowment Fund including the annual income allocation to the University from the Endowment Fund and payment of an administration fee from the Endowment Fund to the Foundation. The Coordination, Cooperation and Fund Agreement and the Occupancy and Support Agreement outline support services provided by the University to the Foundation and provide for an operating grant from the University to the Foundation. Details of resulting amounts are shown in the Related Parties Note 20.

As the Foundation is a controlled entity of the University, their financial statements have been prepared in accordance with PSAS for GNFPOs, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31, which includes the University of Winnipeg Foundation USA Inc., a controlled entity, is summarized as follows:

	2015	2014
Statement of Financial Position		
Assets	$ 61,320	$ 52,979
Liabilities	$ 803	$ 766
Fund Balances:		
Operating Fund	582	467
Unrestricted Fund	57	21
Investment in Capital Assets	29	21
Building and Program Fund	608	577
Funds held pending Terms of Reference	19	19
Endowment Fund	48,583	44,330
Accumulated Remeasurement Gains	10,639	6,778
	60,517	52,213
	$ 61,320	$ 52,979

Statement of Operations:	2015	2014
Source of Funds:		
Transfer from University of Winnipeg	$ 1,031	$ 1,078
Investment Income	4,731	3,262
University of Winnipeg support funding	340	385
Endowment administration fee	1,022	867
Annual donations	4,949	4,271
	12,073	9,863
Use of Funds:		
Endowment - gifts to the University	1,628	1,349
Gifts to other charities	5	5
Endowment - administration fee	1,022	867
Endowment - administration expenses	175	161
Operations	1,398	1,257
Donations gifted to the University	3,402	3,295
	7,630	6,934
Increase in funds	$ 4,443	$ 2,929

Statement of Cash Flows:	2015	2014
Operating activities:		
Increase in funds	$ 4,443	$ 2,929
Items not involving a current outlay of cash	(330)	3
Change in non-cash working capital balances	(8)	(14)
Increase in funds from operations	4,105	2,918
Capital activities	(13)	(12)
Investing activities	(4,107)	(2,845)
Financing activities	175	(695)
(Decrease) increase in cash	160	(634)
Cash, beginning of year	960	1,594
Cash, end of year	$ 1,120	$ 960

19. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation (UWCRC) was incorporated on April 6, 2005 as a corporation without share capital. UWCRC is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*. UWCRC holds ownership interests in for-profit subsidiary entities that are taxable.

UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. UWCRC will manage, as part of its mandate, projects on behalf of the University. This will involve the development of a comprehensive Campus and Community Development Plan, assessment of particular development projects and the development of partnerships with community, private and public sector organizations. Details of resulting amounts are shown in the Related Parties Note 20.

As UWCRC is a controlled entity of the University, their financial statements have been prepared in accordance with PS 4200 series of standards, as issued by the Public Sector Accounting Board.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. The Property is a commercial complex comprising an office building, retail stores and a parkade adjacent to the University's main campus. The University is leasing office space in the Property.

The Property is pledged as security for an $18,000 mortgage bearing interest at 5.49% maturing March 2031 and an

advance bearing interest of 7.039% maturing June 2029 with Manulife Financial Inc. The funds were advanced to the 491 Portage Avenue Joint Venture. The principal outstanding at March 31, 2015 is $12,555 (2014 - $13,029). The mortgage and advance are secured by an $18,000 debenture registered against the title of the property, share pledge agreements, and the postponement of claims by the joint venturers to a total of $3,000.

UWCRC records its 25% investment in the Property on a modified equity basis as a result of significant influence.

The financial position of UWCRC at March 31 is summarized as follows:

	2015	2014
Statement of Financial Position:		
Assets		
Cash	$ 997	$ 350
Accounts receivable	73	419
Due from related parties (Note 20)	215	-
Capital assets	599	597
Investments, at equity	5,204	5,111
	$ 7,088	$ 6,477
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 41	$ 65
Current portion of long term debt	28	28
Due to University of Winnipeg (Note 20)	49	24
Long term debt	801	113
Deferred capital contributions	295	302
Net assets	5,874	5,945
	$ 7,088	$ 6,477
Statement of Operations and Changes in Net Assets		
Revenue		
Share of equity income	$ 98	$ 253
Consulting	1,489	1,403
Other	74	69
	1,661	1,725
Expenses		
Salaries and benefits	1,070	1,065
Consulting and professional fees	75	119
Supplies, services and other expenses	587	268
	1,732	1,452
Excess (deficiency) of revenue over expenses	(71)	273
Net assets, beginning of year	5,945	5,672
Net assets, end of year	$ 5,874	$ 5,945
Statement of Cash Flows		
Increase (decrease) in funds from operations	$ 148	$ (26)
Investing activities	1	-
Financing activities	498	3
Increase in cash	647	(23)
Cash, beginning of year	350	373
Cash, end of year	$ 997	$ 350

20. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trusteed Pension Plan, the 460 Portage Avenue Joint Venture and Diversity Food Services (Diversity) are also related parties. Diversity, an unincorporated joint venture, is related to the University by way of UWCRC owning 100% of the issued share capital of a numbered company which jointly controls Diversity.

During the year ending March 31, the University incurred transactions as follows:

	2015	2014
From the University to the Foundation:		
i) Operating grant	$ 160	$ 200
ii) Gifts of residuals for endowment	$ 448	$ 358
iii) Gifts of matching funds for endowment	$ 583	$ 720
iv) Occupancy and Support Agreement	$ 180	$ 185
From the Foundation to the University:		
i) Transfer of annual donations	$ 3,402	$ 3,295
ii) Income allocation	$ 1,628	$ 1,349
iii) Occupancy and Support Agreement	$ 180	$ 185
From the University to UWCRC:		
i) Consulting fees (excluding GST)	$ 965	$ 1,165
From UWCRC to the University:		
i) Management fees	$ 244	$ 167
From the University to the Joint Venture:		
i) Lease expense	$ 714	$ 701
From the Joint Venture to the University:		
i) Service fees	$ 94	$ 92
From the University to Diversity:		
i) Food services	$ 883	$ 858
From Diversity to the University:		
i) Rental revenue	$ 70	$ 70

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties. The University's share of the Joint Venture related party transactions has been eliminated upon consolidation of the Joint Venture.

At the end of the year, the amounts due to and from related parties are as follows:

	2015	2014
Due from related parties:		
Foundation	$ 280	$ 245
7049651 Manitoba Association Inc.	3,357	121
UWCRC	63	-
	3,700	366
Due from 460 Portage Avenue Joint Venture:		
Notes receivable (Note 5)	11,207	11,311
Due to related parties:		
Foundation	583	720
UWCRC	-	79
460 Portage Joint Venture	58	7
	$ 641	$ 806

In addition to those related transactions disclosed elsewhere in these financial statements, the University is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

21. 460 Portage Avenue Joint Venture

The University entered into an unincorporated Joint Venture Agreement with the Plug-In Institute of Contemporary Art (Plug-in) in July 2009. The purpose of the joint venture is to construct and operate a building primarily intended to provide space for the operations of the University and Plug-In on a break-even basis. The terms of the operation of the joint venture are defined in the Joint Venture Agreement. Both the University and Plug-In are registered charities, exempt from income taxes under the *Income Tax Act (Canada)*.

The joint venture consists of the bottom three floors of the building known as 460 Portage Avenue as well as the parking lot directly behind the building. Plug-In has one third ownership of the joint venture, with the University owning the remainder. The Joint Venture Agreement provides each party with a veto over significant decisions related to the building. The operations of the joint venture are managed by the University as a trustee of the joint venture. Operating expenses for the entire building are included in the joint venture. Recoveries for expenses related to the 4th floor which is entirely owned by the University are included as recoveries from the University. Details of resulting amounts are shown in the Related Parties Note 20.

The joint venture financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The following is a summary of the University's proportionate share of the financial position, results of operations and cash flows of the joint venture included in the consolidated financial statements for the year ended March 31. There are no significant differences in accounting policies from those followed by the University.

Statement of Financial Position	2015	2014
Assets:		
Accounts receivable and prepaid expenses	$ 218	$ 263
Capital assets	7,927	8,072
Intangible asset	1,192	1,225
	9,337	9,560
Liabilities and Venturer's Equity:		
Accounts payable and accrued liabilities	$ 5	$ 5
Due to the University of Winnipeg	7,352	7,526
Deferred capital contributions	401	409
Venturer's equity	1,515	1,572
Capital Reserve	64	48
	$ 9,337	$ 9,560

Statement of Operations	2015	2014
Revenues:		
Rental revenue	$ 115	$ 104
Amortization of deferred capital contributions	7	7
Expense recovery from Venturers	588	577
	710	688
Expenses:		
Building operating	216	204
Interest	387	391
Amortization	119	119
Amortization of intangible asset	33	33
	$ 755	$ 747
Net loss	$ (45)	$ (59)

Statement of Cash Flows	2015	2014
Cash receipts from tenants and Venturers	$ 673	$ 681
Cash paid to suppliers	(140)	(135)
Interest paid	(387)	(391)
Cash flows from (used by) operating activities	146	155
Repayment of long term debt	(70)	(66)
Other financing activities	(102)	(58)
Cash flows from financing activities	(172)	(124)
Cash flows used in investing activities - purchase of capital assets	26	(31)
Net change in cash position	$ -	$ -

Some of these balances were netted against balances on the University's accounts on consolidation.

The intangible asset included in the joint venture represents the University's ability to obtain long-term financing and is valued at the amount agreed to in the Joint Venture Agreement. The University's portion of the intangible asset as well as certain other balances were eliminated in the University's accounts on consolidated.

Construction of the building resulted in a number of deficiencies which had to be rectified upon possession. The cost of remedial action is included in the cost of the building. The Joint Venture was able to recover some of these costs from the design team and the issue is now settled.

22. Contingencies

The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims.

The University, acting as trustee for the 460 Portage Avenue Joint Venture has entered into an agreement with an unrelated third party to purchase the land known as 460 Portage Avenue. The agreement calls for a final payment equal to the difference between $2,000 and the appraised value of the said land based on vacant unimproved land as at December 31, 2017. No provision has been made in the financial statements for this contingent future payment.

23. Reclassification of Comparative Figures

Certain 2014 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2015.

Venture Manitoba Tours Ltd.

Financial Statements

March 31, 2015

Management's Responsibility

To the Shareholder of Venture Manitoba Tours Ltd.:

The accompanying financial statements of Venture Manitoba Tours Ltd. are the responsibility of management and have been approved by the Board of Directors.

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 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 is composed primarily of Directors who are neither management nor employees of the Company. The Board 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 Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors 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 Board and management to discuss their audit findings.

Original document signed

General Manager/Chief Executive Officer

MNP

Independent Auditors' Report

To the Shareholder of Venture Manitoba Tours Ltd.:

We have audited the accompanying financial statements of Venture Manitoba Tours Ltd., which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes 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.

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 Venture Manitoba Tours Ltd. as at March 31, 2015 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.

Winnipeg, Manitoba

July 3, 2015

MNP LLP
Chartered Accountants

Venture Manitoba Tours Ltd.
Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash *(Note 3)*	**207,708**	268,257
Accounts receivable	**10,460**	9,975
Inventory *(Note 4)*	**40,635**	46,446
	258,803	324,678
Liabilities		
Accounts payable and accruals	**102,562**	90,785
Customer deposits	**10,225**	5,394
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
Capital lease obligations *(Note 6)*	**52,800**	103,985
	415,587	450,164
Net debt	**(156,784)**	(125,486)
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**538,212**	669,265
Prepaid expenses and deposits	**39,217**	31,524
	577,429	700,789
Accumulated surplus *(Note 7)*	**420,645**	575,303

Approved on behalf of the Board

Original document signed — **Director**

Original document signed — **Director**

The accompanying notes are an integral part of these financial statements

MNP

Venture Manitoba Tours Ltd.
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2015

	Budget	*2015*	*2014*
Sales	**1,450,000**	**1,052,711**	1,263,399
Cost of sales	**1,036,118**	**888,212**	911,318
Gross margin	**413,882**	**164,499**	352,081
Operating expenses *(Schedule 2)*	**197,401**	**188,104**	188,948
Surplus (deficit) from operations	**216,481**	**(23,605)**	163,133
Other income (expense)			
Amortization	**(172,176)**	**(131,053)**	(146,324)
Gain on disposal of assets	**-**	**-**	3,250
	(172,176)	**(131,053)**	(143,074)
Annual surplus (deficit)	**44,305**	**(154,658)**	20,059
Accumulated surplus, beginning of year	**575,303**	**575,303**	555,244
Accumulated surplus, end of year	**619,608**	**420,645**	575,303

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Change in Net Debt
For the year ended March 31, 2015

	Budget	*2015*	*2014*
Annual surplus (deficit)	**44,305**	**(154,658)**	20,059
Purchases of tangible capital assets	**-**	**-**	(63,510)
Amortization of tangible capital assets	**172,176**	**131,053**	146,324
	172,176	**131,053**	102,873
Use of prepaid expenses	**-**	**(7,693)**	(6,715)
Decrease (increase) in net debt	**216,481**	**(31,298)**	96,158
Net debt, beginning of year	**(125,486)**	**(125,486)**	(221,644)
Net debt, end of year	**90,995**	**(156,784)**	(125,486)

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Cash Flows
For the year ended March 31, 2015

	2015	*2014*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**1,056,599**	1,256,885
Cash paid to suppliers and employees	**(1,060,334)**	(1,089,345)
Interest received	**456**	128
Interest paid	**(6,085)**	(9,250)
	(9,364)	158,418
Financing activities		
Repayments of capital lease obligations	**(51,185)**	(48,020)
Investing activities		
Purchases of tangible capital assets	**-**	(63,510)
Proceeds on disposal of tangible capital assets	**-**	3,250
	-	(60,260)
Increase (decrease) in cash resources	**(60,549)**	50,138
Cash resources, beginning of year	**268,257**	218,119
Cash resources, end of year	**207,708**	268,257

The accompanying notes are an integral part of these financial statements

1. Operations

Venture Manitoba Tours Ltd. (the "Company") was incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area, and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is exempt from paying income tax under subsection 149(1)(d) of the Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Cash

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Amortization is provided using the straight-line method at rates intended to amortize the cost of tangible capital assets over their estimated useful lives.

	Rate
Staff quarters	10 to 25 years
Automotive	3 years
Computer equipment	3 years
Golf course improvements	10 to 40 years
Equipment under capital lease	5 years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

Revenue recognition

Revenues from the golf course, clubhouse and games area are recognized when services are provided and collection is reasonably assured.

2. **Significant accounting policies** *(Continued from previous page)*

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 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. The Company currently has no allowance for doubtful accounts. Amortization is based on the estimated useful lives of tangible capital assets. Inventory is valued net of slow moving or obsolete inventory based on an estimate using historical sales of slow moving inventory.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in deficit in the periods in which they become known.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized using the declining balance method, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is only made in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

Net financial assets

The Company's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Company is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position which is accumulated surplus.

Non-financial assets

The Company's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Company unless they are sold.

2. Significant accounting policies *(Continued from previous page)*

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company 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 surplus (deficit) for the year.

Financial instruments

Amortized cost

The Company has classified the following financial assets in the amortized cost category: cash, accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Cash and accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The Company has classified the following liabilities in the amortized cost category: accounts payable and accruals, advances from the Province of Manitoba and capital lease obligations. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts payable and accruals, advances from the Province of Manitoba and capital lease obligations are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount.

3. Cash

The Company has an operating line of credit with a limit of $250,000 (2014 - $250,000), bearing interest at Royal Bank of Canada's prime interest rate of 2.85% (2014 – 3%) and secured by the Province of Manitoba. No amount was drawn on the operating line of credit at year-end.

4. Inventory

The cost of inventories recognized as an expense and included in cost of sales amount to $54,274 (2014 - $72,208).

5. Advances from the Province of Manitoba

The Advances from the Province of Manitoba are unsecured, non-interest bearing and due on demand. These advances are related by virtue of the Province being the sole shareholder of the Company.

6. Capital lease obligations

	2015	*2014*
Golf cart lease payable in monthly instalments of $9,545 from May to October per year, including interest at 6.4%, plus applicable taxes, due October 2015.	**52,800**	103,985

Minimum lease payments related to the obligations under capital lease are as follows:

2016	55,511
Less: imputed interest	(2,711)
	52,800

7. Accumulated surplus

	2015	*2014*
Equity in tangible capital assets	**485,412**	565,280
Deficit	**(3,708,267)**	(3,633,477)
Share capital (Note 8)	**3,643,500**	3,643,500
	420,645	575,303

8. Share capital

		2015	*2014*
Authorized			
Unlimited Common shares			
Issued			
3,643,500	Common shares	**3,643,500**	3,643,500

9. Commitments

The Company operates the Falcon Lake Golf Course, Games Area and the Restaurant/Lounge under lease agreements with the Province of Manitoba for an annual amount of $114,700 (2014 - $114,700). This amount is included in cost of sales for the year. The nature of this related party is described in Note 5.

10. Government reporting entity - related parties

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2015, the Company had the following balances with entities in the Government Reporting Entity:

	2015	*2014*
Payable to (receivable from):		
Manitoba Hydro	**958**	705
Manitoba Liquor and Lotteries	**300**	**-**
	1,258	705

During the year, the Company had the following transactions with entities in the Government Reporting Entity:

	2015	*2014*
Expenses paid to:		
Department of Conservation	**114,700**	114,700
Manitoba Hydro	**17,189**	14,935
Manitoba Liquor and Lotteries	**10,322**	16,469
Manitoba Public Insurance	**1,981**	1,902
	144,192	148,006

These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established by the related parties.

11. Financial instruments

The Company, as part of its operations, carried a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is not exposed to significant interest rate risk.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Venture Manitoba Tours Ltd.
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	Staff quarters	*Automotive*	*Computer equipment*	*Golf course improvements*	*Equipment under capital lease*	*2015*	*2014*
Cost							
Balance, beginning of year	**102,395**	**1,122,050**	**68,175**	**677,085**	**256,400**	**2,226,105**	2,207,227
Acquisition of tangible capital assets	**-**	**-**	**-**	**-**	**-**	**-**	63,510
Disposal of tangible capital assets	**-**	**-**	**-**	**-**	**-**	**-**	(44,632)
Balance, end of year	**102,395**	**1,122,050**	**68,175**	**677,085**	**256,400**	**2,226,105**	2,226,105
Accumulated amortization							
Balance, beginning of year	**69,609**	**1,030,519**	**68,175**	**234,697**	**153,840**	**1,556,840**	1,455,148
Annual amortization	**4,096**	**56,780**	**-**	**18,897**	**51,280**	**131,053**	146,324
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	(44,632)
Balance, end of year	**73,705**	**1,087,299**	**68,175**	**253,594**	**205,120**	**1,687,893**	1,556,840
Net book value of tangible capital assets	**28,690**	**34,751**	**-**	**423,491**	**51,280**	**538,212**	669,265
Net book value of tangible capital assets	32,786	91,531	-	442,388	102,560	669,265	

	Budget	*2015*	*2014*
Computer software	**1,000**	**1,013**	1,013
Credit card discount	**23,000**	**19,933**	21,428
Directors' fees	**12,000**	**8,381**	8,470
Insurance and leases	**12,100**	**9,604**	10,115
Interest and bank charges	**2,000**	**2,559**	1,437
Membership fees	**360**	**360**	360
Miscellaneous (recovery)	**-**	**(323)**	(27)
Office	**2,500**	**1,169**	1,676
Printing and stationery	**1,500**	**1,077**	1,810
Professional fees	**12,000**	**12,000**	12,000
Repairs and maintenance	**9,000**	**8,384**	5,107
Restaurant expenses	**10,000**	**10,889**	15,592
Salaries, wages and benefits	**79,741**	**82,521**	80,524
Sales office rent	**6,600**	**6,372**	6,646
Tee reservations	**2,400**	**2,324**	2,321
Telephone and postage	**4,800**	**4,713**	4,362
Training and education	**6,400**	**7,302**	7,286
Transportation	**8,000**	**4,579**	5,652
Utilities	**4,000**	**5,247**	3,176
	197,401	**188,104**	188,948

GOVERNMENT ENTERPRISES

Management's Responsibility

Management of the Deposit Guarantee Corporation of Manitoba (DGCM) is responsible for the integrity and fair presentation of the consolidated financial statements included in the annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

In discharging its responsibility, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, proper records are maintained, and assets safeguarded.

The Board of Directors of DGCM oversees management's responsibilities for the financial reporting procedures and internal control systems. The Board reviews the consolidated financial statements in detail prior to approving the statements for publication.

The Board's Finance & Audit Committee recommends the appointment of the external auditor and reviews the terms of the external audit engagement, annual fees, audit plans and scope, and management letter recommendations.

Original document signed

Vernon MacNeill, MBA
Chief Executive Officer

Original document signed

S. Joe Nowicky, CMA
Chief Financial Officer



Source: Canadian Museum for Human Rights

Deloitte LLP

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Independent Auditor's Report

To the Board of Directors of Deposit Guarantee Corporation of Manitoba

We have audited the accompanying consolidated financial statements of the Deposit Guarantee Corporation of Manitoba, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2014, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Deposit Guarantee Corporation of Manitoba as at December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2014 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
February 27, 2015
Winnipeg, Manitoba

Consolidated Statement of Financial Position

(in Canadian dollars)

As at December 31	2014	2013
ASSETS		
Cash (Note 5)	$ 1,014,932	$ 732,739
Marketable securities (Note 6)	245,553,973	216,382,357
Assessments receivable (Note 7)	5,272,172	5,546,307
Current tax receivable (Note 11)	–	84,975
Prepaid expenses and other assets (Note 8)	45,339	49,091
Other investments (Note 9)	72,260	72,260
Property and equipment (Note 10)	412,096	540,625
Deferred tax assets (Note 11)	43,000	854,000
	$ 252,413,772	$ 224,262,354
LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	$ 302,160	$ 287,623
Defined benefit plan obligation (Note 13)	421,940	321,020
Current tax payable (Note 11)	85,382	–
Deferred tax liability (Note 11)	11,000	–
Total liabilities	820,482	608,643
Contingent liabilities (Note 14)		
CORPORATION EQUITY		
Retained earnings	251,507,029	230,309,467
Accumulated other comprehensive income (loss)	86,261	(6,655,756)
Total corporation equity	251,593,290	223,653,711
	$ 252,413,772	$ 224,262,354

Approved by the Board February 27, 2015

Original document signed

Bryan Rempel, Director

Original document signed

Paul Gilmore, Director



Consolidated Statement of Comprehensive Income

(in Canadian dollars)

Year Ended December 31	2014	2013
Revenues		
Regular assessments (Note 15)	$ 20,603,410	$ 21,649,037
Investment revenue (Note 15)	5,576,018	4,458,251
	26,179,428	26,107,288
Expenses		
Operating expense (Note 16)	4,906,718	4,586,072
Credit union merger expense (Note 16)	1,766	2,084
	4,908,484	4,588,156
INCOME BEFORE INCOME TAXES	21,270,944	21,519,132
Income tax expense (recovery) (Note 11)	73,382	(86,975)
NET INCOME	21,197,562	21,606,107
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to profit and loss		
Unrealized gains (losses) on available-for-sale assets	8,759,849	(7,215,658)
Income tax (expense) benefit	(963,583)	787,574
Realized (gains) losses on available-for-sale assets	(1,184,550)	209,943
Income tax benefit (expense)	130,301	(23,094)
Total items that may be reclassified	6,742,017	(6,241,235)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX	6,742,017	(6,241,235)
COMPREHENSIVE INCOME	$ 27,939,579	$ 15,364,872

Consolidated Statement of Changes in Equity

(in Canadian dollars)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss) [Unrealized Gains (Losses) Available-For-Sale Financial Assets]	Total
Balance at January 1, 2013	$ 208,703,360	$ (414,521)	$ 208,288,839
Net income	21,606,107	–	21,606,107
Other comprehensive loss	–	(6,241,235)	(6,241,235)
Total comprehensive income (loss)	21,606,107	(6,241,235)	15,364,872
Balance at December 31, 2013	$ 230,309,467	$ (6,655,756)	$ 223,653,711
Balance at January 1, 2014	$ 230,309,467	$ (6,655,756)	$ 223,653,711
Net Income	21,197,562	–	21,197,562
Other comprehensive income	–	6,742,017	6,742,017
Total comprehensive income	21,197,562	6,742,017	27,939,579
Balance at December 31, 2014	$ 251,507,029	$ 86,261	$ 251,593,290

Consolidated Statement of Cash Flows

(in Canadian dollars)

Year Ended December 31	2014	2013
OPERATING ACTIVITIES		
Net income	$ 21,197,562	$ 21,606,107
Non-cash expense (recovery) – deferred income taxes	822,000	(766,480)
Non-cash expense – depreciation	192,825	190,533
Net decrease (increase) in assessments receivable	274,135	(349,606)
Net decrease in prepaid expenses and other assets	3,752	85,929
Net increase (decrease) in tax receivable and payable	170,357	(840,834)
Net increase (decrease) in accounts payable and accrued liabilities	14,537	(35,299)
Net increase in defined benefit obligation	100,920	22,800
Cash flows generated by operating activities	22,776,088	19,913,150
INVESTING ACTIVITIES		
Net increase in marketable securities, net of deferred tax liability	(22,429,599)	(20,788,799)
Purchase of property and equipment, net of disposal proceeds	(64,296)	(272,542)
Cash flows used in investing activities	(22,493,895)	(21,061,341)
INCREASE (DECREASE) IN CASH	282,193	(1,148,191)
CASH, BEGINNING OF YEAR	732,739	1,880,930
CASH, END OF YEAR	$ 1,014,932	$ 732,739
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ –	$ –

Notes to Consolidated Financial Statements

(in Canadian dollars, unless otherwise noted)

1.0 Nature of organization

The Deposit Guarantee Corporation of Manitoba (DGCM) is a deposit guarantee corporation established under *The Credit Unions and Caisses Populaires Act of Manitoba (The Act).* All of the operational activities of DGCM are focused on achieving its legislated objectives:

- Guarantee deposits in Manitoba credit unions and caisses populaires (thereafter credit unions)
- Promote credit union development of sound business practices to protect them from financial losses
- Ensure the credit unions operate under sound business practices

Without limiting the generality of the foregoing, DGCM shall do such things as are necessary to enable a credit union assigned to it to satisfy the claims of the members of the credit union for withdrawals of deposits. The registered address of DGCM is 390-200 Graham Avenue, Winnipeg, Manitoba, Canada.

2.0 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
The consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2015.

3.0 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements in accordance with IFRS.

3.1 Basis of consolidation

The consolidated financial statements include the accounts of T.S.F. Holdings Limited, a wholly-owned subsidiary, which was incorporated for the purpose of purchasing and collecting loans guaranteed by DGCM under merger and liquidation agreements.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value in the statement of financial position.

3.3 Cash

Cash consists of cash on hand, and chequing and demand balances with Credit Union Central of Manitoba (CUCM) and chartered banks.



3.4 Property and equipment

Property and equipment are stated in the statement of financial position at historical cost, less accumulated depreciation and accumulated impairment losses.

Cost includes the expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have materially different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation and impairment are recognized in net income. Depreciation has been calculated on the following basis:

Automobiles	30% declining-balance
Furniture and equipment	20% declining-balance
Computer hardware	2½ years straight-line
Leasehold improvements	Term of lease straight-line

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and are recognized within depreciation of operating expenses.

3.5 Regular assessments, special assessments, and financial assistance repayments

Regular assessments, special assessments, and financial assistance repayments are measured at the fair value of the consideration received or receivable.

Credit union regular assessments, special assessments, and financial assistance repayments are recognized as follows:

- Credit union regular assessments are recognized when earned. Regular assessments are determined quarterly, and accrued for monthly. Credit union payments are received quarterly.
- Special assessments are recognized when earned. Special assessments are only charged if, in the opinion of DGCM's Board, the Guarantee Fund is, or is about to be, impaired.
- Financial assistance repayments are recognized when received.

3.6 Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at FVTPL', 'available-for-sale' (AFS) financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.6.1 Classification

Cash	Loans and receivables
Marketable securities	Available-for-sale
Assessments receivable	Loans and receivables
Other investments	Available-for-sale

3.6.2 Fair value through profit and loss (FVTPL)

FVTPL financial assets are those classified as held-for-trading or are designated as such upon initial recognition. Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal, and unrealized gains and losses are included in income. DGCM does not hold any financial assets classified as FVTPL.

3.6.3 Available-for-sale (AFS)

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, AFS financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to income.

AFS financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method and recorded in investment revenue.

3.6.4 Loans and receivables

Cash, prepaid expenses and other assets, and assessments receivables with fixed or determinable payments are classified as loans and receivables. Loans and receivables are accounted for at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.6.5 Impairment of financial assets

Financial assets, other than those designated as FVTPL, are regularly assessed on an individual basis for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include but is not limited to:

- significant financial difficulty of the issuer or counterparty
- default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or financial re-organization

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to net income in the period. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.



3.6.6 Derecognition of financial assets

DGCM derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If DGCM neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, DGCM recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If DGCM retains substantially all the risks and rewards of ownership of a transferred financial asset, DGCM continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

3.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

3.7.1 Classification

Accounts payable and accrued liabilities	Other financial liabilities

3.7.2 Liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or it is designated as at FVTPL. DGCM has not designated any non-derivative financial liabilities as held-for-trading or FVTPL.

Financial liabilities designated as held-for-trading are those non-derivative financial liabilities that DGCM elects to designate on initial recognition as instruments that it will measure at fair value, netted against interest on investments. Historically, these are short-term liabilities when the recognition of interest would be immaterial. These are accounted for in the same manner as held-for-trading assets.

3.7.3 Other financial liabilities

Accounts payable and accrued liabilities are classified as other financial liabilities. Other financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

3.8 Effective interest method

DGCM uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.9 Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. Transaction costs for financial assets classified as available-for-sale, loans and receivables, and other financial liabilities are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. DGCM does not have finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

3.11 Employee benefits

3.11.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

3.11.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. DGCM's defined benefit plan is a retirement allowance, limited to a single future obligation, as a proportion of an employee's annual salary. DGCM's net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. The calculation is performed annually by a qualified actuary using the projected unit credit method. Termination benefits are recognized as an expense at the earlier of the following dates:

- when DGCM recognizes costs for a restructuring within the scope of IAS 37 that includes the payment of termination benefits, or
- when DGCM can no longer withdraw the offer of those benefits

If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.11.3 Short-term employee benefits

Short-term employee benefits are obligations that are expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render related services. These obligations are measured on an undiscounted basis.

3.12 Provision for financial assistance to credit unions

The provision for financial assistance to credit unions is based on potential losses that may arise due to merger, liquidation arrangements, or dissolution. The provision is established based on an individual credit union's probability of requirement for assistance and an assessment of the aggregate risk in the credit union Systems.

3.13 Assets acquired from merger/dissolution of credit unions

Loans and real property acquired as a result of merger or dissolution proceedings are recorded at estimated net realizable value.

3.14 Taxation

Income tax expense represents the sum of the current tax and deferred tax. Tax is recognized as an expense or recovery in net income except to the extent that it relates to items that are recognized outside net income.

3.14.1 Current income tax

Current income tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. DGCM's current tax liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date.



3.14.2 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in its subsidiary except where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which DGCM expects, at each balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and DGCM intends to settle its current tax assets and liabilities on a net basis.

3.15 Changes in accounting policies

A number of new standards, amendments, and interpretations became effective in 2014; the following are relevant to DGCM.

Amendments to IAS 32 – Offsetting Financial Assets and Liabilities – Effective January 1, 2014, this standard was amended to clarify the requirements relating to the offset of financial assets and liabilities. Specifically, the amendment clarifies the meaning of “currently has a legally enforceable right to set-off, and simultaneous realization and settlement”.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets – The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation techniques used which are in line with the disclosure required by IFRS 13 – *Fair Value Measurements*.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

IFRIC 21 – Levies – This interpretation addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The adoption of these standards, amendments, and interpretations did not have a significant impact on DGCM’s consolidated financial statements.

3.16 New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which will supersede IAS 39 – *Financial instruments: Recognition and Measurement* in its entirety. Key requirements of IFRS 9 are:

Financial Assets – All recognized financial assets that are within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Financial Liabilities – With regard to the measurement of financial liabilities designated as FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Impairment Methodology – In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Hedge Accounting – In November 2013, a standard was issued on a new general hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

The standard is effective January 1, 2018. DGCM is evaluating the impact this standard will have on its financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers (credit union assessments) and related costs.

The revenue arising from financial instruments is not required to apply the revenue recognition requirements in IFRS 15. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer.

The standard is effective January 1, 2017. DGCM is evaluating the impact of the adoption of this standard.



4.0 Critical accounting judgments and key sources of estimation uncertainty

In the application of DGCM's accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

There are no critical judgments, apart from those involving estimations, that management has made in the process of applying DGCM's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Provision for financial assistance to credit unions

4.2.1.1 Individual provisions for credit union assistance

Individual provisions and contingencies for financial assistance are recognized in accordance with IFRS. The process defined below will be applied quarterly at minimum, and more frequently if required. Credit union analysis will consider:

- an individual credit union's risk rating as established by DGCM
- an individual credit union's financial strength, including capital strength to absorb potential losses and earning trends
- whether a credit union appears to have appropriately valued assets
- whether levels of collective and individual allowances appear reasonable
- provisions and contingencies related to assisted mergers and arrangements

DGCM has determined that there are no individual provisions for credit union assistance required.

4.2.1.2 Collective provision for credit union assistance

The collective accrual for financial assistance is based on five-year, ten-year, and twenty-year averages of loss experience and other components that consider capital shortfalls and insufficient capital levels. This will include management's judgment based on historical information and other factors.

In addition, a collective provision may be deemed necessary based on DGCM's best estimate of current aggregate risk to DGCM as determined by evaluating the following conditions:

- market and economic conditions
- credit union analysis
- historic loss experience

DGCM has determined that there is no collective provision for credit union assistance required.

4.2.2 Estimates of fair values

Financial instrument carrying values reflect the prevailing market and the liquidity premiums embedded within the market pricing methods DGCM relies upon.

Fair values of marketable securities and other investments classified as available-for-sale are determined with reference to quoted market price, within the bid/ask spread, primarily provided by third party independent pricing sources. Where prices are not quoted in a normally active market, fair values are determined by valuation models. DGCM maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. DGCM obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure marketable securities and other investments at fair value.

5.0 Cash

Cash includes cash on hand, and current accounts with CUCM, CIBC Mellon, and Scotiabank. Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

As at December 31	2014	2013
Cash on hand	500	500
CUCM	925,111	556,196
Scotiabank	126	218
CIBC Mellon	89,195	175,825
	1,014,932	732,739

6.0 Marketable securities

Marketable securities include guaranteed investment certificates, treasury bills, government bonds, and corporate bonds. A summary of marketable securities as reflected in the consolidated statement of financial position is as follows:

As at December 31	2014	2013
Guaranteed investment certificates	10,106,583	10,059,048
Treasury bills	95,524,896	–
Government bonds	67,538,602	160,998,986
Corporate bonds	72,383,892	45,324,323
	245,553,973	216,382,357

6.1 Assets pledged as security

Guaranteed investment certificates with CUCM with a carrying amount of $10,000,000 (2013: $10,000,000) have been pledged to secure an operating line of credit for DGCM. The pledge agreement is renewed annually. DGCM is not permitted to pledge these assets as security for other borrowings or to sell them to another entity.



7.0 Assessments receivable

Assessments receivable are classified as 'loans and receivables' and therefore measured at amortized cost.

Assessments receivable refer to the outstanding balance, owed by credit unions, for the fourth quarter assessment, or any special assessment, charged by DGCM. Significantly all of the outstanding balances are collected within 31 days of year-end.

As at December 31	2014	2013
Assessments receivable	5,272,172	5,546,307

8.0 Prepaid expenses and other assets

Prepaid expenses and other assets are classified as 'loans and receivables' and therefore measured at amortized cost.

As at December 31	2014	2013
Prepaid office expenses	15,159	16,492
Prepaid occupancy expenses	28,119	27,851
Accounts receivable	–	14
Employee loans	2,061	4,734
	45,339	49,091

9.0 Other investments

As at December 31	2014	2013
CUCM shares, at cost	68,000	68,000
Concentra Trust shares, at cost	4,260	4,260
	72,260	72,260

These shares are not readily marketable, and there are no contractual or guaranteed rates of return on these investments. The yields earned on these shares have approximated rates earned by DGCM on other investments, and in management's opinion, fair value of the shares will not differ significantly from the above stated cost. The credit risk inherent in the shares is considered to be insignificant. There are no intentions to dispose of these shares in the foreseeable future.

10.0 Property and equipment

As at December 31	2014	2013
Net carrying amounts of:		
Automobiles	–	2,896
Furniture and equipment	182,936	211,149
Computer hardware	88,365	150,586
Leasehold improvements	140,795	175,994
	412,096	540,625

	Automobiles	Furniture and equipment	Computer hardware	Leasehold improvements	Total
Cost					
Balance at December 31, 2013	4,152	378,325	531,976	468,630	1,383,083
Additions	–	15,046	49,250	–	64,296
Retirements/disposals	–	–	(27,699)	–	(27,699)
Balance at December 31, 2014	4,152	393,371	553,527	468,630	1,419,680
Accumulated depreciation					
Balance at December 31, 2013	1,256	167,176	381,390	292,636	842,458
Depreciation expense	2,896	43,259	111,471	35,199	192,825
Retirements/disposals	–	–	(27,699)	–	(27,699)
Balance at December 31, 2014	4,152	210,435	465,162	327,835	1,007,584
Net carrying amount	–	182,936	88,365	140,795	412,096

11.0 Income taxes

11.1 Income tax recognized in net income

Year ended December 31	2014	2013
Current tax		
Current tax expense (recovery) in respect of the current year	85,382	(16,000)
Adjustments recognized in the current year in relation to the current tax of previous years	–	(68,975)
	85,382	(84,975)
Deferred tax		
Deferred tax recovery recognized in the current year	(12,000)	(2,000)
Total tax expense (recovery) relating to continuing operations	73,382	(86,975)

The expense for the year can be reconciled to the accounting income as follows:

Year ended December 31	2014	2013
Income from continuing operations	21,270,944	21,519,132
Income tax expense at statutory rate	2,339,804	2,367,105
Non-taxable credit union assessments	(2,266,375)	(2,381,394)
Non-deductible operating expenses	(738)	1,589
Change in income tax rates	–	(68,975)
Adjustments recognized in the current year in relation to the current tax of previous years	691	(2,850)
	73,382	(84,525)
Adjustments recognized in the current year in relation to the deferred tax of prior years	–	(2,450)
Income tax expense (recovery) recognized in net income	73,382	(86,975)

The tax rate used for the 2014 and 2013 reconciliations above is the corporate rate of 11% and 11% respectively payable on taxable income under tax law in Manitoba.

11.2 Income tax recognized in other comprehensive income

Year ended December 31	2014	2013
Deferred tax		
Fair value re-measurement of available-for-sale financial assets	11,000	(787,574)
Total income tax expense (recovery) recognized in other comprehensive income	11,000	(787,574)

11.3 Current tax assets and liabilities

As at December 31	2014	2013
Current tax assets		
Tax refund receivable	–	84,975
Current tax liability		
Income tax payable	(85,382)	–
	(85,382)	84,975

11.4 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

As at December 31	2014	2013
Deferred tax assets	43,000	854,000
Deferred tax liability	11,000	–

2013	Opening balance	Recognized in net income	Recognized in OCI	Closing balance
Deferred tax assets/ (liabilities) in relation to:				
Property and equipment	(6,786)	2,486	–	(4,300)
Defined benefit obligation	35,786	(486)	–	35,300
AFS financial assets	58,520	(23,094)	787,574	823,000
	87,520	(21,094)	787,574	854,000
Tax losses	–	–	–	–
Other	–	–	–	–
	87,520	(21,094)	787,574	854,000

2014	Opening balance	Recognized in net income	Recognized in OCI	Closing balance
Deferred tax assets/ (liabilities) in relation to:				
Property and equipment	(4,300)	400	–	(3,900)
Defined benefit obligation	35,300	11,600	–	46,900
AFS financial assets	823,000	(823,000)	(11,000)	(11,000)
	854,000	(811,000)	(11,000)	32,000
Tax losses	–	–	–	–
Other	–	–	–	–
	854,000	(811,000)	(11,000)	32,000

12.0 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other financial liabilities and therefore measured at amortized cost.

Accounts payable refers to trades payable and insured savings accounts. Trades payable are outstanding invoices to vendors, payable upon receipt. Insured savings accounts are deposits acquired through mergers of credit unions. Accrued liabilities refer to obligations to vendors where no invoice has been received.

As at December 31	2014	2013
Accounts payable	51,496	55,823
Insured savings accounts	15,000	21,031
Accrued liabilities	235,664	210,769
	302,160	287,623

13.0 Post-employment plans

13.1 Defined contribution plans

DGCM contributes to two defined contribution retirement benefit plans for all qualifying employees. These benefit plans are operated by the Co-operative Superannuation Society and Great-West Life Assurance Company. DGCM is required to match employee's contributions of a specified percentage of earnings to the benefit plans. The only obligation of DGCM with respect to the retirement benefit plans is to make specified contributions.

The total expense recognized in the income statement of $147,641 (2013: $137,039) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2014, all contributions due in respect of the 2014 and 2013 reporting periods had been remitted to the plans.

13.2 Defined benefit plan

DGCM operates an unfunded defined benefit plan, referred to as a retirement allowance, for qualifying employees. Under the plan, employees are entitled to a one-time retirement benefit varying between 17% and 50% of the final salary on attainment of a minimum retirement age of 55. No other post-retirement benefits are provided to these employees.

This benefit is self-insured, with no plan texts between DGCM and any third-party. The benefit exists outside the scope of provincial and federal legislation, and is not subject to any regulatory framework. DGCM is solely responsible for the governance of the benefit.

The risks associated with the benefit are strictly financial in nature, primarily driven by any concentration in age groups of employees. Current evaluations show no material concentration of age groupings at December 31, 2014.

The most recent actuarial valuation of the defined benefit obligation was carried out at December 31, 2014 by Eckler Ltd., the actuary. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

As at December 31	2014	2013
Discount rate(s)	3.50%	4.40%
Expected rate(s) of salary increase	4.50%	4.50%
Assumed retirement age	62	62

Amounts recognized in net income in respect to this defined benefit plan are as follows:

Year ended December 31	2014	2013
Current service cost	48,570	49,924
Actuarial losses (gains) recognized in the year	60,680	(14,254)
Past service costs	–	–
Interest costs	15,220	10,680
	124,470	46,350

Actuarial gains and losses, and service costs, including curtailments and settlements, are recognized immediately through net income, and recorded in salaries and employee benefits in the schedule of consolidated operating expenses.

The amount included in the statement of financial position arising from DGCM's obligation in respect of its defined benefit plan is the present value of the unfunded defined benefit obligation.

Movements in the present value of the defined benefit obligation in the current period were as follows:

Year ended December 31	2014	2013
Opening defined benefit obligation	321,020	298,220
Current service cost	48,570	49,924
Actuarial losses (gains) recognized in the year	60,680	(14,254)
Past service costs	–	–
Interest costs	15,220	10,680
Benefits paid	(23,550)	(23,550)
Closing defined benefit obligation	421,940	321,020

DGCM does not hold plan assets to offset the defined benefit obligation. Funding is provided from cash accounts to pay benefits over a period of up to 24 months following employee retirement.

The maturity profile of the obligation is outlined as follows:

As at December 31	2014	2013
No later than one year	–	23,550
Later than one year and not later than five years	112,475	87,331
Later than five years	309,465	210,139
	421,940	321,020

14.0 Contingent liabilities

As at December 31, 2014, DGCM guaranteed $23.498 billion (2013: $22.195 billion) in credit union deposits. Based on its ongoing monitoring procedures, DGCM has concluded that a provision for such contingencies does not need to be established at this time.

As at December 31, 2014, DGCM has provided a loan indemnification with a maximum exposure of $669,718 (2013: $729,564). DGCM has concluded that a provision for loss does not need to be established at this time.

15.0 Revenue

Year ended December 31	2014	2013
Assessment revenue		
Regular assessments	20,603,410	21,649,037
Investment revenue		
Interest income – loans and receivables	47,677	49,480
Investment income – available-for-sale	4,341,647	4,616,272
Realized gains and losses on disposal of marketable securities	1,184,550	(209,943)
Dividends received	2,144	2,442
	5,576,018	4,458,251
	26,179,428	26,107,288

16.0 Expenses

16.1 Operating expense

An analysis of DGCM's operating expense from continuing operations can be found on page 46 in the schedule of consolidated operating expenses.

16.2 Credit union merger expense

This expense represents operating costs for T.S.F. Holdings Limited. The following is an analysis of the expense from continuing operations:

Year ended December 31	2014	2013
Professional services	–	358
Insured savings premiums	1,766	1,726
	1,766	2,084

17.0 Financial instruments

17.1 Class disclosure

The following is the disclosure of financial assets by class:

As at December 31	2014	2013
Loans and receivables		
Cash	1,014,932	732,739
Assessments receivable	5,272,172	5,546,307
Prepaid expenses and other assets	45,339	49,091
	6,332,443	6,328,137
Available-for-sale		
Marketable securities	245,553,973	216,382,357
Other investments	72,260	72,260
	245,626,233	216,454,617
	251,958,676	222,782,754

The following is the disclosure of financial liabilities by class:

As at December 31	2014	2013
Other financial liabilities		
Accounts payable and accrued liabilities	302,160	287,623

17.2 Capital risk management

DGCM manages its capital to maintain a capital structure that provides the flexibility to provide liquidity to support its obligation to guarantee deposits in credit unions.

The capital structure consists of DGCM equity. In order to maintain or adjust its capital structure, DGCM has a $10,000,000 line of credit agreement with CUCM. The facility bears an interest rate of 3.00%, payable on demand, subject to annual review on or before March 31, 2015.

DGCM's capital management objective is to maintain total equity (retained earnings and accumulated other comprehensive income) within a range of 95 to 115 basis points (bps) of deposits in credit unions. This equity target range has been approved by the Superintendent of Financial Institutions Regulations Branch. The Board of Directors reviews DGCM's equity position quarterly to ensure prudent positioning within the target range. Where the aggregate shortfall of credit union capital exceeds one-sixteenth of one percent of total deposits and accrued interest, DGCM shall net the shortfall against its equity for this calculation.

17.3 Financial risk management

DGCM is exposed to risks of varying degrees of significance which could affect its ability to support its obligation to guarantee deposits in credit unions. The main objectives of DGCM's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which DGCM is exposed include interest rate risk, credit risk, and liquidity risk.

DGCM seeks to minimize the effects of these risks by utilizing a conservative investment policy. The investment policy contains written principles, addressing interest rate risk, credit risk, and liquidity risk. The investment policy is approved by the Registrar, in compliance with subsection 144(h) of *The Act*. Compliance with policy is monitored by the external investment manager on a continuous basis.

The Finance department reports quarterly to the Board of Directors on policy compliance and risk exposures.

17.3.1 Interest rate risk management

DGCM is exposed to fluctuations in interest rates that could affect the cash flows from guaranteed investment certificates and marketable securities at the time of maturity and reinvestment of individual instruments. These fluctuations could affect the fair values of financial assets and liabilities, and DGCM's ability to support its obligation to guarantee deposits in credit unions.

To manage interest rate risk, DGCM's investment policy restricts duration of the portfolio to within 0.25 years of the FTSE TMX Canada Universe Bond Index. To further mitigate interest rate risk, the policy permits the allocation of some or all of the portfolio into cash and short-term investments with an aggregate duration within 0.10 years of the FTSE TMX Canada 60-day T-Bill Index for protection from loss of principal and ensure sufficient cash is held to finance the operations of DGCM.

DGCM may use derivative financial instruments to manage interest rate risk. No derivative financial instruments were used during the year.

17.3.1.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. A 50 bps increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 bps higher/lower and all other variables were held constant, DGCM's:

- net income for the year ended December 31, 2014, would increase/decrease by $802,862/$802,463 (2013: increase/decrease by $12,200/$11,323). This is attributable to DGCM's exposure to interest rates on current accounts and maturing investments, and
- other comprehensive income for the year would decrease/increase by $240,061 (2013: decrease/increase by $7,080,556) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

DGCM's net income sensitivity to interest rates has increased, and other comprehensive income sensitivity to interest rates has decreased, during the current period mainly due to shortening the duration of the investment portfolio to 0.2 years (2013: 6.7 years).

17.3.2 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to DGCM. DGCM's exposure to credit risk consists principally of:

- fixed income securities with federal, provincial and municipal governments, and corporations
- guaranteed investment certificates with CUCM
- assessments receivable from credit unions

Measures are taken to mitigate each exposure to credit risk:

- DGCM's investment policy only permits holding marketable securities of counterparties with an investment grade rating of at least A(low), or its equivalent. This information is supplied by independent rating agencies.
- DGCM's policy is to limit investments in CUCM, to those, pledged as security for the line of credit agreement ($10,000,000 as at December 31, 2014).
- DGCM monitors the financial strength of individual credit unions on a monthly basis.

The table below shows the credit risk exposure, by credit rating, at the end of the reporting period using DBRS' credit rating symbols:

As at December 31	2014	2013
Credit rating		
AAA	163,342,243	101,065,450
AA	36,245,316	56,139,912
A	35,859,831	49,117,947
	235,447,390	206,323,309
Unrated		
CUCM	10,106,583	10,059,048
	245,553,973	216,382,357

Assessments receivable from credit unions are unrated. Significantly all of the outstanding balances are collected within 31 days of year-end. Historically, DGCM has not experienced bad debts related to any of these counterparties.

The table below shows the credit risk exposure, by issuer, at the end of the reporting period:

As at December 31	2014	2013
Government	163,063,498	160,998,986
Corporate	82,490,475	55,383,371
	245,553,973	216,382,357

17.3.3 Liquidity risk management

Liquidity risk is the risk of having insufficient financial resources to meet DGCM's cash and funding requirements in support of the guarantee of deposits in credit unions. DGCM's approach to manage its liquidity risk is to ensure, as far as possible, that it will have cash, demand and guaranteed investment certificates, and marketable securities which meet its annual capital target.

- Management expects that DGCM's principal sources of funds will be cash generated from credit union regular assessments and interest earned on its investments to support its financial obligation to guarantee deposits in credit unions.
- A $10,000,000 line of credit is secured with CUCM to meet any short-term deficiencies in regular assessments and interest earned.
- In the event that the investment portfolio must be drawn upon, DGCM's policy is that all investments are easily disposable in the secondary bond market.

The following table details DGCM's expected maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on those assets and liabilities.

As at December 31	2014	2013
Financial assets		
Less than three months	174,804,160	732,739
Three to six months	28,471,167	2,522,031
Six months to one year	20,327,311	1,005,106
One to five years	22,966,267	103,801,951
Over five years	–	109,053,269
	246,568,905	217,115,096

Financial liabilities

All financial liabilities are due within one year.

17.3.4 Fair value of financial instruments

17.3.4.1 Fair value of financial instruments carried at amortized cost

DGCM considers that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the financial statements approximate their fair values.

17.3.4.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

DGCM has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and finanacial liabilities measured at fair value on a recurring basis on the balance sheet are categorized as follows:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that DGCM has the ability to access. Assets utilizing Level 1 inputs include cash and treasury bills.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets include government bonds and corporate bonds, which use quoted prices for similar assets and liabilities in active markets as inputs for valuation. Level 2 assets also include guaranteed investment certificates, which use interest rates and yield curves that are observed at commonly quoted intervals as inputs for valuations.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. Assets utilizing Level 3 are limited to other investments and are held at cost, which have been determined as representing fair value at the end of the reporting period.

The following table presents DGCM's assets and liabilities that are carried at fair value on a recurring basis. There were no transfers between Level 1, Level 2, and Level 3, nor were there changes to the Level 3 assets in the current year; therefore a continuity schedule has not been provided.

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash	732,739	–	–	732,739
Government bonds	–	160,998,986	–	160,998,986
Corporate bonds	–	45,324,323	–	45,324,323
Guaranteed investment certificates	–	10,059,048	–	10,059,048
Other investments	–	–	72,260	72,260
Total assets measured at fair value on a recurring basis	732,739	216,382,357	72,260	217,187,356

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash	1,014,932	–	–	1,014,932
Treasury Bills	95,524,896	–	–	95,524,896
Government bonds	–	67,538,602	–	67,538,602
Corporate bonds	–	72,383,892	–	72,383,892
Guaranteed investment certificates	–	10,106,583	–	10,106,583
Other investments	–	–	72,260	72,260
Total assets measured at fair value on a recurring basis	96,539,828	150,029,077	72,260	246,641,165

Liabilities measured at fair value

There are no liabilities carried at fair value on a recurring basis.

18.0 Related party transactions

18.1 Loans to related parties

Key management personnel are defined as the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, and Chief Operations Officer.

DGCM provides interest free loans to employees for:

- medical equipment not covered under the insured benefits package and necessary for effective performance of their duties
- computer equipment for the employee's own use and consistent with the technology utilized by DGCM

The maximum loan size is $7,500, repayable by payroll deduction over a maximum period of three years.

Outstanding loans to key management personnel at the end of 2014 were $1,846 (2013: $3,289).

18.2 Compensation of key management personnel

The remuneration of key management personnel is determined by the Board of Directors. The aggregate remuneration of key management personnel during the year was as follows:

Year ended December 31	2014	2013
Salaries	722,192	690,371
Short-term benefits	37,693	36,668
Post-employment benefits	98,035	59,058
	857,920	786,097

18.3 Board members' remuneration and expenses

The remuneration of the Board of Directors is determined by the Lieutenant Governor in Council. The remuneration of board members during the year was as follows:

Year ended December 31	2014	2013
Board member remuneration	116,796	128,926
Expenses	67,816	85,932
	184,612	214,858

19.0 Operating lease arrangements

19.1 Lease arrangements

DGCM is the lessee on an operating lease related to a six-year agreement for office space. This agreement expires on December 31, 2018. DGCM has the option to renew the lease for one additional term of five years at the expiration of the existing term.

DGCM is the lessee on operating leases related to four-year agreements for two corporate vehicles. The leases will expire February 5, 2016 and February 23, 2017. DGCM has the option to purchase the leased vehicles.

19.2 Payments recognized as an expense

DGCM recognized $185,017 (2013: $173,812) in lease payments for the year.

19.3 Non-cancellable operating lease commitments

As at December 31	2014	2013
No later than one year	189,197	179,822
Later than one year and not later than five years	551,598	740,279
Later than five years	–	–
	740,795	920,101

No liabilities have been recognized in respect of non-cancellable operating lease commitments.

Schedule of Consolidated Operating Expenses

(in Canadian dollars)

Year Ended December 31	2014	2013
Salaries and employee benefits	3,081,528	2,766,444
Contract staff	41,409	72,110
CUCM – program funding	250,425	246,929
Staff travel	192,067	171,990
Staff training	110,296	76,109
Occupancy	343,278	326,552
Office	216,556	248,142
Professional services	111,971	133,690
Investment management fees	146,475	121,989
Special projects	67,706	23,563
Board members' remuneration and expenses (Note 18)	184,612	214,858
Depreciation	192,825	190,533
	4,939,148	4,592,909
Bonding administration recovery	(32,430)	(6,837)
	4,906,718	4,586,072



Your Energy

Manitoba Hydro-Electric Board 64th Annual Report
For the Year Ended March 31, 2015

Manitoba Hydro

MANAGEMENT REPORT

For the year ended March 31, 2015

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated 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 up to June 24, 2015. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of six members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Original document signed

Scott A. Thomson, CA
President & Chief Executive Officer

Original document signed

Darren B. Rainkie, CA, CBV
Vice-President, Finance & Regulatory Affairs & Chief Financial Officer

Winnipeg, Canada
June 24, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Hydro-Electric Board

We have audited the accompanying consolidated financial statements of Manitoba Hydro-Electric Board, which comprise the consolidated balance sheet as at March 31, 2015 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manitoba Hydro-Electric Board as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
June 24, 2015

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2015	2014
				millions of dollars
Revenues				
Electric	Manitoba		1,424	1,405
	Extraprovincial	4	400	422
	Other revenue	9	68	70
Gas	Commodity		274	252
	Distribution		154	163
			2,320	2,312
Cost of gas sold			274	252
			2,046	2,060
Expenses				
Operating and administrative			559	558
Finance expense		5	527	470
Depreciation and amortization		6	436	442
Water rentals and assessments		8	125	125
Fuel and power purchased			145	160
Capital and other taxes		7	120	117
Other expenses		9	31	36
			1,943	1,908
Net income before non-controlling interest			103	152
Net loss attributable to non-controlling interest		25	11	22
Net Income			114	174

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2015	2014
		millions of dollars
Retained earnings, beginning of year	2,716	2,542
Net income	114	174
Retained earnings, end of year	2,830	2,716

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2015	2014
			millions of dollars
Assets			
Property, Plant and Equipment	10	15,250	13,627
Current Assets			
Cash and cash equivalents		494	142
Accounts receivable and accrued revenue		470	520
Inventory	11	99	81
		1,063	743
Other Assets			
Sinking fund investments	12	114	111
Goodwill		107	107
Intangible assets	13	186	174
Regulated assets	14	346	360
Other long-term assets	15	528	517
		1,281	1,269
		17,594	15,639

Approved on behalf of the Board:

Original document signed

William C. Fraser, FCA

Chair of the Board

Acting Chair of the Audit Committee

	Notes	2015	2014
			millions of dollars
Liabilities and Equity			
Long-Term Debt	16	12,303	10,460
Current Liabilities			
Accounts payable and accrued liabilities		560	561
Accrued interest		95	100
Current portion of long-term debt	16	377	408
		1,032	1,069
Other Liabilities			
Asset purchase obligation	17	199	207
Regulated liabilities	14	22	22
Other long-term liabilities	18	808	615
		1,029	844
Contributions in Aid of Construction	19	441	381
Equity			
Retained earnings		2,830	2,716
Accumulated other comprehensive income (loss)		(161)	96
		2,669	2,812
Non-controlling interest	25	120	73
		2,789	2,885
		17,594	15,639

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2015	2014
		millions of dollars
Operating Activities		
Cash receipts from customers	2,379	2,176
Cash paid to suppliers and employees	(1,222)	(1,053)
Interest paid	(536)	(502)
Interest received	30	70
Cash provided by operating activities	651	691
Financing Activities		
Proceeds from long-term debt	2,210	1,320
Sinking fund withdrawals	111	415
Retirement of long-term debt	(654)	(613)
Other	7	3
Cash provided by financing activities	1,674	1,125
Investing Activities		
Property, plant and equipment	(1,819)	(1,457)
Contributions received	73	63
Sinking fund payments and deposits	(114)	(209)
Other	(113)	(103)
Cash used for investing activities	(1,973)	(1,706)
Net increase in cash and cash equivalents	352	110
Cash and cash equivalents, beginning of year	142	32
Cash and cash equivalents, end of year	494	142

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended March 31

	2015	2014
	millions of dollars	
Net Income	114	174
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(249)	(155)
Realized foreign exchange gains on debt in cash flow hedges reclassified to income	(8)	(19)
Realized gains on early redemption of sinking funds recognized in net income	-	(19)
Unrealized fair value losses on available-for-sale U.S. sinking fund investments	-	(10)
	(257)	(203)
Comprehensive Loss	(143)	(29)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

	2015	2014
	millions of dollars	
Accumulated other comprehensive income, beginning of year	96	299
Other comprehensive loss	(257)	(203)
Accumulated other comprehensive income (loss), end of year	(161)	96

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 NATURE OF THE ORGANIZATION

The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of The Manitoba Hydro Act to form a Crown corporation in the Province of Manitoba named Manitoba Hydro (the corporation). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - These consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Chartered Professional Accountants (CPA) of Canada Handbook – Accounting – Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Consolidation - These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd., Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS), Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership) and 6690271 Manitoba Ltd. (a subsidiary which was formed to participate in the development of a new transmission interconnection to the U.S.). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 75% ownership in the Keeyask Hydropower Limited Partnership (KHLP). For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate-Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and natural gas service. As permitted under Canadian GAAP, the corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Manitoba Hydro applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or regulated liabilities (Note 14) which are generally comprised of the following:

- Power Smart programs - The costs of the corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Site restoration costs - Site restoration costs, other than those for which an asset retirement obligation has been established, are deferred and amortized on a straight-line basis over a period of 15 years.

- Deferred taxes - Taxes paid by Centra (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Acquisition costs - Costs associated with the acquisition of Centra (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is recovered or refunded in future rates.

- Demand side management (DSM) deferral - In Board Orders 43/13 and 85/13, the PUB directed that the differences between actual and planned spending on electric and gas DSM for the 2012-13 and 2013-14 fiscal years be recorded in a regulatory deferral account. The cumulative differences for 2012-13 and 2013-14 have been recorded as a regulated liability with an offsetting balance recorded as a regulated asset. The disposition of this regulatory deferral will be determined at a future PUB proceeding.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	20	-	125	years
	- Thermal	4	-	75	years
Transmission lines		10	-	85	years
Substations		15	-	65	years
Distribution		10	-	75	years
Other		5	-	100	years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was completed during 2014-15 which resulted in changes to the estimated service lives.

c) Asset Retirement Obligations

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) Inventory

Inventory is valued at the lower of average cost or net realizable value.

e) Contributions in Aid of Construction

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) Revenues

Manitoba electricity and gas sales are recognized upon delivery to the customer and include an estimate of energy deliveries not yet billed at year end.

Extraprovincial revenues are recorded upon the delivery of energy.

Other revenue is recorded on the delivery of the related good or service, over the term of the contract for maintenance and lease contracts or on a percentage of completion basis for fixed price contracts.

g) Cost of Gas Sold

Cost of natural gas sold is recorded at the same rates charged to customers.

h) Employee Future Benefits

Manitoba Hydro provides future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, the Enhanced Hydro Benefit Plan (EHBP), three Centra curtailed pension plans and the Winnipeg Civic Employee Benefits Program (WCEBP). MHUS is a matching employer under The Civil Service Superannuation Act and MHI sponsors a defined contribution group registered retirement plan.

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the consolidated financial statements as assets or liabilities.

The corporation utilizes the corridor method of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP, which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) Comprehensive Income (Loss)

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt and interest payments in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) Financial Instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing as at the consolidated balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) Derivatives

The corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

m) Hedges

The corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. Long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. A fair value hedge relationship has also been established between U.S. long-term debt balances and U.S. sinking fund investments. The corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

n) Debt Discounts and Premiums

Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Goodwill

Goodwill represents the amount of the corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the corporation's investments in Centra or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

q) Intangible Assets

Intangible assets include computer software, application development costs, land easements and transmission rights. Intangible assets are recorded at cost. The cost of computer software and application development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest during development applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and application development	5 - 11 years
Land easements	75 years
Transmission rights	1 - 12 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was completed during 2014-15 which resulted in changes to the estimated service lives. The transmission rights are amortized over the contractual period plus a one-term renewal.

r) Non-Controlling Interest

Non-controlling interest represents the outstanding ownership interests attributable to third parties in the corporation's limited partnerships. The portion of the equity not owned by the corporation is reflected as non-controlling interest within the equity section of the consolidated balance sheet. The portion of the net income or net loss not attributed to the corporation is recorded as a non-controlling interest in the consolidated statement of income.

s) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Depreciation Rate Estimates

Depreciation is recognized on a straight-line remaining-life basis with estimated service lives of assets being based upon depreciation studies conducted periodically by the corporation. In accordance with a depreciation study completed in 2014-15, the estimated useful lives of a number of asset components were adjusted. This change in estimate was applied prospectively effective April 1, 2014 and resulted in a $26 million decrease in depreciation and amortization expense in 2014-15.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Public Sector Accounting Board confirmed that government business enterprises such as Manitoba Hydro would be required to follow IFRS for fiscal years beginning on or after January 1, 2011. However, the AcSB has announced a number of optional deferrals of the adoption of IFRS for qualifying entities with rate-regulated activities. As Manitoba Hydro is a qualifying entity with rate-regulated activities, the corporation was permitted to defer the adoption of IFRS until years beginning on or after January 1, 2015.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. Manitoba Hydro is in the process of finalizing the transition from Canadian GAAP to IFRS and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On January 30, 2014, the International Accounting Standards Board (IASB) issued the interim standard IFRS 14 Regulatory Deferral Accounts for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Manitoba Hydro will adopt the interim standard upon transition to IFRS effective April 1, 2015 and will continue to recognize regulatory deferral accounts for its financial reporting. The new interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities.

NOTE 4 EXTRAPROVINCIAL REVENUES

	2015	2014
		millions of dollars
United States	368	375
Canada	32	47
	400	422

U.S. extraprovincial revenues were translated into Canadian dollars at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.13 Canadian (2014 - $1.00 U.S. = $1.05 Canadian).

NOTE 5 FINANCE EXPENSE

	2015	2014
		millions of dollars
Interest on debt	680	654
Interest capitalized	(149)	(142)
Investment income	-	(25)
Realized foreign exchange gains on debt in cash flow hedges	(5)	(19)
Realized losses on revaluation of dual currency bonds	1	2
	527	470

Included in interest on debt is $109 million (2014 - $99 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2014 - 1.0%).

NOTE 6 DEPRECIATION AND AMORTIZATION

	2015	2014
		millions of dollars
Depreciation of property, plant and equipment	371	375
Amortization of regulated assets	45	45
Amortization of intangible assets	20	22
	436	442

NOTE 7 CAPITAL AND OTHER TAXES

	2015	2014
		millions of dollars
Capital taxes	65	63
Property taxes	37	34
Payroll taxes	13	12
Other	5	8
	120	117

NOTE 8 WATER RENTALS AND ASSESSMENTS

	2015	2014
		millions of dollars
Water rentals	117	118
Assessments	8	7
	125	125

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2014 - $3.34 per MWh).

NOTE 9 OTHER REVENUE AND OTHER EXPENSES

	2015	2014
	millions of dollars	
Other revenue		
Services provided to external entities	52	52
Miscellaneous	16	18
	68	70
Other expenses		
Cost of services provided to external entities	31	32
Write-off of property, plant and equipment under construction	-	4
	31	36

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	2015			
	In service	Accumulated depreciation	Construction in progress	Net book value
	millions of dollars			
Generation				
Hydraulic	7,438	1,917	2,158	7,679
Thermal	491	305	11	197
Transmission lines	1,055	333	433	1,155
Substations	3,594	1,485	592	2,701
Distribution	3,875	1,338	68	2,605
Other	1,248	378	43	913
	17,701	5,756	3,305	15,250

	2014			
	In service	Accumulated depreciation	Construction in progress	Net book value
	millions of dollars			
Generation				
Hydraulic	6,772	1,825	1,788	6,735
Thermal	479	290	17	206
Transmission lines	1,036	319	249	966
Substations	3,055	1,407	731	2,379
Distribution	3,634	1,287	114	2,461
Other	1,214	378	44	880
	16,190	5,506	2,943	13,627

NOTE 11 INVENTORY

	2015	2014
		millions of dollars
Inventory	82	81
Natural gas inventory	17	-
	99	81

NOTE 12 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under The Manitoba Hydro Act to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31 and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $114 million (2014 - $209 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2015	2014
		millions of dollars
U.S. investments	-	111
Canadian investments	114	-
	114	111

Canadian investments have a weighted average term to maturity of 1 day (2014 - 0 days) and an effective yield to maturity of 0.75% (2014 - 0%). U.S. investments have a weighted average term to maturity of 0 days (2014 - 10 days) and an effective yield to maturity of 0% (2014 - 0.1%).

NOTE 13 INTANGIBLE ASSETS

	2015		
	Cost	Accumulated amortization	Net book value
	millions of dollars		
Intangible assets			
Computer software and application development	223	121	102
Land easements	92	15	77
Transmission rights	12	5	7
	327	141	186

	2014		
	Cost	Accumulated amortization	Net book value
	millions of dollars		
Intangible assets			
Computer software and application development	223	120	103
Land easements	80	14	66
Transmission rights	8	3	5
	311	137	174

The additions to intangible assets for the year totaled $34 million (2014 - $30 million). In total, intangible assets of $22 million (2014 - $24 million) were amortized to operations during the year.

NOTE 14 REGULATED ASSETS AND REGULATED LIABILITIES

	2015	2014
		millions of dollars
Regulated assets		
Power Smart programs - electric	186	184
- gas	55	54
Site restoration costs	34	36
Purchased gas variance accounts	32	39
Deferred taxes	26	27
Acquisition costs	11	19
Regulatory costs	2	1
	346	360
Regulated liabilities		
DSM deferral	22	22
	22	22

If the corporation was not subject to rate regulation, the costs associated with the regulated assets and liabilities would be charged to operations in the period that they were incurred and net income for 2015 would have been increased by $6 million (2014 - increased by $7 million).

In total, regulated assets of $49 million (2014 - $49 million) were amortized to operations during the year.

The corporation passes all costs related to the purchase and transportation of natural gas on to its customers without markup. If the corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have increased by $7 million (2014 - decreased by $63 million).

NOTE 15 OTHER LONG-TERM ASSETS

	2015	2014
		millions of dollars
Advances to St. Joseph Windfarm Inc. (excluding current portion)	209	218
Advances to Taskinigahp Power Corporation (Note 25)	115	112
Advances to Cree Nation Partners Limited Partnership (Note 25)	34	-
Advances to York Factory First Nation Limited Partnership (Note 25)	12	-
Advances to Fox Lake Cree Nation Keeyask Investments Inc. (Note 25)	12	-
Accrued benefit asset (Note 22)	54	90
Contract receivables	86	86
Affordable Energy Fund (Note 24)	6	11
	528	517

The St. Joseph wind farm is owned by Pattern Energy and operated by St. Joseph Windfarm Inc. Financing for the wind farm was provided partly by Manitoba Hydro. In accordance with the loan agreement, Manitoba Hydro provided advances of $250 million, which will be repaid with interest over 20 years. In addition, Manitoba Hydro has provided access to a $10 million reserve loan facility. The corporation signed a 27-year power purchase agreement with St. Joseph Windfarm Inc. in March 2010.

NOTE 16 LONG-TERM DEBT

	2015	2014
		millions of dollars
Advances from the Province of Manitoba represented by debenture debt of the Province	12,485	10,683
Manitoba HydroBonds	76	169
Manitoba Hydro-Electric Board Bonds	157	158
	12,718	11,010
Less: Current portion of long-term debt	377	408
	12,341	10,602
Adjustment to carrying value of dual currency bonds	6	(12)
Debt discounts and premiums	-	(96)
Transaction costs	(44)	(34)
	12,303	10,460

During the year, the corporation arranged long-term financing of $2,210 million (2014 - $1,320 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

Included in the current portion of long-term debt are $312 million (2014 - $259 million) of debt maturities and $65 million (2014 - $149 million) of floating-rate Manitoba HydroBonds with maturity dates in 2016 and 2018. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $65 million (2014 - $65 million) issued for mitigation projects.

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2015	2014
	millions of Canadian dollars					
Years of Maturity	Canadian	Cdn. Yields	U.S.	U.S. Yields	Total	Total
2016	377	3.1%	-	-	377	313
2017	311	3.3%	-	-	311	311
2018	331	6.7%	-	-	331	331
2019	733	5.9%	254	10.4%	987	1,347
2020	150	4.3%	190	7.3%	340	316
	1,902	5.4%	444	8.9%	2,346	2,618
2021-2025	1,586	3.3%	1,332	7.0%	2,918	2,135
2026-2030	620	6.1%	-	-	620	760
2031-2035	750	9.4%	-	-	750	740
2036-2040	1,735	5.0%	-	-	1,735	1,725
2041-2045	1,475	4.0%	-	-	1,475	1,300
2046-2063	2,874	3.8%	-	-	2,874	1,324
	10,942	4.5%	1,776	7.4%	12,718	10,602

Included in the above Canadian maturity amounts are two dual currency bonds with the principal amount repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2018-19 fiscal year in the amount of $228 million Canadian while the second matures in the 2025-26 fiscal year in the amount of $130 million Canadian.

U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date, $1.00 U.S. = $1.27 Canadian (2014 - $1.00 U.S. = $1.11 Canadian).

NOTE 17 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The asset purchase obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

NOTE 18 OTHER LONG-TERM LIABILITIES

	2015	2014
		millions of dollars
Mitigation liability	254	229
Major development liability	218	67
Accrued benefit liability (Note 22)	211	188
Refundable advances from customers	99	102
Asset retirement obligations	12	13
Affordable Energy Fund (Note 24)	6	11
Other	8	5
	808	615

Mitigation

Manitoba Hydro's mitigation program addresses past, present, and ongoing adverse effects of historical hydroelectric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works and residual compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977 created a process that addressed ongoing mitigation and compensation for adverse effects of hydroelectric development in five signatory First Nation communities. The mitigation program was expanded to address impacts arising from all past hydroelectric developments (prior to the Wuskwatim generating station), particularly for Aboriginal people residing or engaged in resource harvesting in the project areas, and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of historical hydroelectric development amounted to $56 million during the year (2014 - $17 million). In recognition of future mitigation payments, the corporation has recorded a liability of $254 million (2014 - $229 million). To March 31, 2015, $1,057 million (2014 - $1,001 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the associated projects and amortized over the respective remaining lives.

Included in mitigation liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The corporation has assumed obligations totaling $146 million for which water power rental charges were fixed until March 31, 2001. The obligation outstanding at March 31, 2015 totaled $11 million (2014 - $11 million).

Major Development

Beginning with the Wuskwatim generating station, project-related adverse effects are identified and addressed during project planning (including the environmental assessment process), which is done in advance of project construction. As such, mitigation measures are built into project design where possible. The costs of these mitigation measures, as well as any residual compensation requirements, are therefore accounted for in the capital cost estimates for each individual project.

Programs and adverse effects agreements have been negotiated to mitigate and compensate for all anticipated project-related impacts for major new generation and transmission development projects including Wuskwatim, Keeyask and Bipole III. The corporation has recorded a liability of $218 million (2014 - $67 million) to reflect these agreements. These expenditures are included in the costs of the associated projects and amortized over the life of the assets.

Asset Retirement Obligations

Asset retirement obligations continue to be recognized for the future decommissioning of the Brandon Thermal Generating Station and for the partial decommissioning of the Pointe du Bois Generating Station spillway. The corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $19 million (2014 - $21 million), $15 million (2014 - $15 million) of which is expected to be incurred in 2024 to decommission the Brandon Thermal Generating Station and $4 million (2014 - $6 million) is expected to be incurred by November 2015 for the partial decommissioning of the Pointe du Bois Generating Station spillway. No funds are being set aside to settle the asset retirement obligations.

NOTE 19 CONTRIBUTIONS IN AID OF CONSTRUCTION

	2015	2014
	millions of dollars	
Contributions in aid of construction	392	362
Bipole III contribution	49	19
	441	381

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

In Order 43/13, dated April 26, 2013, the PUB directed that 1.5% of the approved 3.5% rate increase effective May 1, 2013 be set aside to be utilized to mitigate the required rate increases when Bipole III is placed in-service. In Order 49/14, dated May 6, 2014, the PUB further directed that 0.75% of the approved 2.75% interim rate increase effective May 1, 2014 also be set aside for the same purpose. During the 2015 fiscal year $30 million (2014 - $19 million) was set aside for this purpose. The period over which this balance will be recognized into net income will be determined by the PUB at a future regulatory proceeding.

NOTE 20 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the corporation's non-derivative financial instruments at March 31 were as follows:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Held-for-trading				
Cash and cash equivalents	494	494	142	142
Loans and receivables				
Accounts receivable and accrued revenue	470	470	520	520
Available-for-sale				
Sinking fund investments	114	114	111	111
Other financial liabilities				
Long-term debt (including current portion)	12,680	15,903	10,868	12,592
Accounts payable and accrued liabilities	560	560	561	561
Accrued interest	95	95	100	100
Asset purchase obligation	199	402	207	319

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

- Level 1 - Quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are Level 2 measurements and certain derivative instruments of nominal value associated with wholesale power marketing activities that are Level 3 measurements. Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated balance sheet date for similar instruments available in the capital market. Level 3 measurements are based on internally developed valuation models which are consistent with valuation models developed by other market participants in the wholesale power markets. The carrying values of all other financial assets and liabilities approximate their fair values.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments and pension fund investments. The corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is its fair value.

The values of the corporation's aged accounts receivable and related bad debt provisions are presented in the following table:

	Manitoba	Extraprovincial	2015	2014
		millions of dollars		
Under 30 days	320	33	353	411
31 to 60 days	20	-	20	25
61 to 90 days	11	-	11	9
Over 90 days	33	-	33	27
	384	33	417	472
Provision at end of year	(9)	-	(9)	(9)
Total accounts receivable	375	33	408	463

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

b) Liquidity Risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The corporation meets its financial obligations when due through cash generated from operations, short-term borrowings, long-term borrowings advanced from the Province of Manitoba and sinking fund withdrawals.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the consolidated balance sheet date:

	Carrying value	2016	2017	2018	2019	2020	2021 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	560	560	-	-	-	-	-
Asset purchase obligation	199	16	16	16	16	16	16*
Long-term debt**	12,775	1,129	1,069	1,089	1,685	980	19,540
		1,705	1,085	1,105	1,701	996	19,556
Derivative financial liabilities							
Commodity derivatives							
Fixed price swap contracts	-	-	-	-	-	-	-
		-	-	-	-	-	-
		1,705	1,085	1,105	1,701	996	19,556

*per year in perpetuity

**including current portion and interest payments

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in OCI until future hedged U.S. export revenues are realized, at which time the associated gains or losses in AOCI are recognized in net income. For the year ended March 31, 2015, unrealized foreign exchange translation losses of $249 million (2014 - $155 million losses) were recognized in OCI and net gains of $8 million (2014 - $19 million) were reclassified from OCI into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

In addition to natural hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2015, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $2.8 million (2014 - $0.6 million), while OCI would increase (decrease) by $140 million (2014 - $160 million).

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate long-term debt and fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2015, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $11 million (2014 - $15 million), with no impact to OCI .

Interest rate swap agreements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the corporation are amended by the swap.

iii. Commodity Price Risk

The corporation is exposed to electricity price risk that results from volatility of market prices and natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The corporation mitigates commodity price risk through its limited use of derivative financial instruments restricted to contracts for differences, forward power sales contracts and natural gas price swaps. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The corporation has entered into forward power sales contracts for 86,400 megawatt hours of electricity until December 2015 and natural gas price swaps until July 2016 to purchase 27,400 gigajoules of natural gas. These contracts are reported as derivatives and carried at fair value on the consolidated balance sheet. The unrealized fair value gains of financial derivative contracts as at March 31 are as follows:

	2015	2014
		millions of dollars
Commodity derivative contracts	2	2

Fair values of forward sales contracts are calculated using the monthly forward electricity prices at pricing points specified in the contracts. Fair values of price swaps are calculated using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2015.

NOTE 21 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's long-term target is to achieve a minimum equity ratio of 25%. It is recognized that the equity ratio target may not be achieved during years of major investment in the generation and transmission system.

The corporation's equity ratio as at March 31 was as follows:

	2015	2014
		millions of dollars
Long-term debt, net of sinking fund investments	12,189	10,349
Current portion, long-term debt	377	408
Less: Cash and cash equivalents	(494)	(142)
Net debt	12,072	10,615
Retained earnings	2,830	2,716
Accumulated other comprehensive income (loss)	(161)	96
Contributions in aid of construction	441	381
Non-controlling interest	120	73
Total equity	3,230	3,266
Equity ratio	21%	24%

Manitoba Hydro issues debt for its capital requirements under the authority of The Manitoba Hydro Act and The Loan Act. The Manitoba Hydro Act grants the corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under The Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 22 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the CSSB defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the corporation to contribute approximately 50% of the pension disbursements made to retired employees. All current employees participating in the CSSB plan are eligible for enhanced pension benefits under the EHBP. The EHBP improves the pension formula used to calculate pension for active service accrued after June 1, 2006. In addition, the former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the WCEBP which upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the corporation's pension funds (MH Pension Fund and EHBP) on behalf of the corporation. The assets related to the Centra curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's consolidated balance sheet. The WCEBP is governed by an independent board of trustees and a trust agreement that limits Manitoba Hydro's contribution rates. The structure of the trust agreement also limits Manitoba Hydro's exposure to future unfunded liabilities. Contributions to the plan are accounted for as a defined contribution plan.

MHUS employees are eligible for pension benefits under the CSSB defined benefit plan. As a matching employer under The Civil Service Superannuation Act, MHUS is required to match employee contributions at a prescribed rate into the Civil Service Superannuation Fund (CSSF) pool of assets. MHUS' pension expense is recognized at the time contributions are made to the fund. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the MHUS defined benefit plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements for the MHI defined contribution plan.

The following table presents information pertaining to the MH Pension Fund, the EHBP and the Centra curtailed plans:

	MH Pension Fund		Enhanced Hydro Benefit Plan		Centra curtailed plans		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	millions of dollars							
Plan assets at fair value								
Balance at beginning of year	883	792	17	14	115	97	1,015	903
Actual return on plan assets	107	108	2	1	15	13	124	122
Employer contributions	33	30	2	2	2	10	37	42
Benefit payments and refunds	(49)	(47)	-	-	(6)	(5)	(55)	(52)
	974	883	21	17	126	115	1,121	1,015
Accrued benefit obligation								
Balance at beginning of year	1,265	1,232	22	20	111	113	1,398	1,365
Interest on obligation	57	52	1	1	5	5	63	58
Current service cost	45	45	3	2	-	-	48	47
Benefit payments and refunds	(50)	(47)	-	-	(5)	(5)	(55)	(52)
Actuarial losses (gains)	186	(17)	6	(1)	13	(2)	205	(20)
	1,503	1,265	32	22	124	111	1,659	1,398
(Deficit) surplus at end of year	(529)	(382)	(11)	(5)	2	4	(538)	(383)
Unamortized net actuarial loss	535	424	9	4	48	45	592	473
Accrued benefit asset (obligation)	6	42	(2)	(1)	50	49	54	90

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund		Centra curtailed pension plans	
	2015	2014	2015	2014
Equities	64%	65%	65%	66%
Bonds and debentures	20%	20%	21%	20%
Real estate	10%	10%	10%	9%
Infrastructure	4%	3%	3%	3%
Short-term investments	2%	2%	1%	2%
	100%	100%	100%	100%

Manitoba Hydro has $21 million (2014 - $17 million) on deposit with the CSSB for the EHBP. Manitoba Hydro does not have a separate portfolio of assets for the EHBP. The EHBP funds are co-mingled with the CSSF assets for investment purposes. The investment income earned on the EHBP funds is based on the market value rate of return that is earned by the CSSF. For the year ended December 31, 2014, the CSSF earned a rate of return of 9.2% (2014 - 14.7%) on fund assets.

The return on pension fund assets for the MH Pension Fund was 12.8% (2014 - 13.8%). The return for the Centra curtailed plan fund assets was 12.8% (2014 - 13.8%). The weighted average term to maturity on fixed income investments is 9.4 years (2014 - 9.3 years).

The most recent actuarial valuations for the corporation's obligations under the CSSB and Centra curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2014. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans, including the EHBP will occur in December 2015.

The most recent actuarial valuations for the pension plans for going concern funding purposes were prepared as at December 31, 2013, at which date the MH Pension Fund was 85% and the EHBP was 102.2% funded. The MH Pension Fund is exempt from the funding and solvency test funding requirements of The Manitoba Pension Benefits Act.

The Centra curtailed pension plans are Registered Pension Trusts as defined in the Income Tax Act (Canada). The Master Trust is made up of three individual plans including the Centra Gas Manitoba Inc. Pension Plan for Salaried Employees, the Centra Gas Manitoba Inc. Union Employees' Pension Plan and the Centra Gas Manitoba Inc. (Rural) Local 681 Pension Plan. Centra is required to make special payments to the plans at amounts considered necessary to ensure that the benefits will be fully provided for at retirement as determined in the most recent actuarial valuation, dated December 31, 2013. The Centra Salaried, Union and Rural plans were 98.4%, 116.1% and 98.4% funded respectively at that date.

The significant actuarial assumptions adopted in measuring the corporation's pension and other employee benefit obligations are as follows:

	2015	2014
Discount rate - pensions	3.70%	4.50%
Discount rate - other benefits	3.70%	4.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	13 years	13 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.0%	2.0%

The corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Enhanced Hydro Benefit Plan		Centra curtailed pension plans	
	2015	2014	2015	2014	2015	2014
	millions of dollars					
Current service cost	45	45	3	2	-	-
Administrative fees	3	3	-	-	-	-
Canada Pension Plan	15	16	-	-	-	-
Interest on obligation	57	52	1	1	5	5
Expected return on plan assets	(61)	(59)	(1)	(1)	(8)	(7)
Amortization of net experience loss	26	28	-	-	3	4
Amortization of transitional gain	-	(1)	-	-	-	-
	85	84	3	2	-	2

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $1 million (2014 - $1 million) and reflect an employer contribution rate approximating 4.8% of pensionable earnings as of January 2, 2014. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year. The amounts are not material.

Manitoba Hydro also provides some non-pension employee future benefits including banked incidental and vacation days, long-term disability, retiree health spending, sick leave vesting and severance.

The following table presents information concerning other employee future benefits:

	2015	2014
		millions of dollars
Accrued benefit liability		
Balance at beginning of year	203	201
Interest on obligation	9	4
Current service cost	28	20
Benefit payments	(21)	(17)
Actuarial loss (gain)	16	(5)
	235	203
Unamortized past service costs	(5)	(6)
Unamortized transitional obligation	(1)	(2)
Unamortized net actuarial loss	(18)	(7)
Accrued benefit liability	211	188

NOTE 23 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1,499 million (2014 - $1,571 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2038, and natural gas purchases, which expire in 2020. In addition, other outstanding commitments principally for construction, are approximately $3,567 million (2014 - $2,676 million).

The corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as asset retirement obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have an adverse effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued at March 31, 2015 totaled $361 million (2014 - $311 million) and do not have specific maturity dates. Letters of credit in the amount of $67 million (2014 - $7 million) have been issued for energy related transactions with maturities until 2016.

NOTE 24 AFFORDABLE ENERGY FUND

In accordance with the provisions of The Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as other long-term assets (Note 15) with an offsetting balance in other long-term liabilities (Note 18). Expenditures of $5 million (2014 - $4 million) during the year were charged to operations with the asset and liability accounts reduced accordingly. As at March 31, 2015, the balance remaining in the Fund amounted to $6 million (2014 - $11 million).

NOTE 25 NON-CONTROLLING INTEREST

	2015	2014
		millions of dollars
Wuskwatim Power Limited Partnership		
Taskinigahp Power Corporation	62	73
Keeyask Hydropower Limited Partnership		
Cree Nation Partners Limited Partnership	34	-
Fox Lake Cree Nation Keeyask Investments Inc.	12	-
York Factory First Nation Limited Partnership	12	-
	58	-
	120	73

Manitoba Hydro has entered into a partnership agreement with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim Generating Station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission was placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $62 million (2014 - $73 million) is represented as a non-controlling interest within the equity section of the consolidated balance sheet. TPC's portion of the net loss of the WPLP during 2014-15 is $11 million (2014 - $22 million) and is recorded as non-controlling interest in the consolidated statement of income.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. As at March 31, 2015, Manitoba Hydro has provided advances to TPC of $88 million (2014 - $92 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

Manitoba Hydro has also entered into a partnership agreement with Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) to carry on the business of developing, owning and operating the Keeyask Generating Station. Cree Nation Partners Limited Partnership (CNPLP) is owned beneficially by TCN and War Lake through CNP, FLCN Keeyask Investments Inc. (FLCNKII) is owned beneficially by Fox Lake and York Factory First Nation Limited Partnership (YFFNLP) is owned beneficially by York Factory. The generating station is currently under construction and projected to be placed in service in 2019.

The 15% ownership interest of CNPLP, the 5% ownership interest of FLCNKII and the 5% ownership interest of YFFNLP in the Keeyask Hydropower Limited Partnership (KHLP) totaling $58 million (2014 - nil) is represented as a non-controlling interest within the equity section of the consolidated balance sheet.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to CNPLP, FLCNKII and YFFNLP. As at March 31, 2015, Manitoba Hydro has provided advances to CNPLP of $33 million (2014 - nil), FLCNKII of $11 million (2014 - nil) and YFFNLP of $11 million (2014 - nil). The advances plus interest are repayable by CNPLP, FLCNKII and YFFNLP through distributions from the KHLP.

NOTE 26 SEGMENTED INFORMATION

The corporation operates primarily in two business segments: electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity as well as subsidiaries providing related energy services. The gas segment represents natural gas supply and distribution activities through the operations of Centra. The corporate segment represents the costs to acquire Centra and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	millions of dollars							
Revenues [1]	1,892	1,897	154	163	-	-	2,046	2,060
Expenses								
Operating and administrative	492	491	67	67	-	-	559	558
Finance expense	492	435	16	16	19	19	527	470
Depreciation and amortization	405	412	29	28	2	2	436	442
Water rentals and assessments	125	125	-	-	-	-	125	125
Fuel and power purchased	145	160	-	-	-	-	145	160
Capital and other taxes	100	97	20	20	-	-	120	117
Other expenses	31	36	-	-	-	-	31	36
Corporate allocation	9	9	12	12	(21)	(21)	-	-
	1,799	1,765	144	143	-	-	1,943	1,908
Net income before non-controlling interest	93	132	10	20	-	-	103	152
Net loss attributable to non-controlling interest	11	22	-	-	-	-	11	22
Net income	104	154	10	20	-	-	114	174
Total assets	16,905	14,950	689	689	-	-	17,594	15,639
Total liabilities	13,910	11,909	454	464	-	-	14,364	12,373
Contributions in aid of construction	399	339	42	42	-	-	441	381
Retained earnings	2,758	2,654	72	62	-	-	2,830	2,716

[1] Revenues are stated net of cost of gas sold of $274 million (2014 - $252 million).

NOTE 27 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2014 have been reclassified in order to conform to the presentation adopted in 2015.

Consolidated Financial Statements

Manitoba Liquor and Lotteries Corporation

March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Manitoba Liquor and Lotteries Corporation

We have audited the accompanying consolidated financial statements of **Manitoba Liquor and Lotteries Corporation**, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of net income, comprehensive income and equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Liquor and Lotteries Corporation** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Winnipeg, Canada
June 10, 2015

Chartered Accountants

Manitoba Liquor and Lotteries Corporation
Consolidated Statement of Financial Position
As at March 31
(in thousands of Canadian dollars)

	Notes	2015	2014
ASSETS			
Current Assets			
Cash		$ 41,448	$ 39,881
Trade and other receivables	5	51,792	46,136
Inventories	6	49,982	42,195
Prepayments	7	4,535	4,040
		147,757	132,252
Non-Current Assets			
Property and equipment, net	8	374,956	365,151
Intangible assets, net	9	16,457	18,100
		391,413	383,251
TOTAL ASSETS		$ 539,170	$ 515,503
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	$ 121,750	$ 134,613
Payable to the Province of Manitoba		69,978	75,145
Current portion of long-term debt	11	41,871	32,117
		233,599	241,875
Non-Current Liabilities			
Long-term debt	11	300,216	251,346
Provision for employee pension benefits	13	355	17,282
		300,571	268,628
Commitments and contingencies	17		
Equity			
Retained Earnings		5,000	5,000
		5,000	5,000
TOTAL LIABILITIES AND EQUITY		$ 539,170	$ 515,503

(see accompanying notes to the consolidated financial statements)

On behalf of the Board

Original document signed

Director & Chair of the Board of Directors

Original document signed

Director & Chair of the Audit, Technology & Risk Management Committee

Manitoba Liquor and Lotteries Corporation
Consolidated Statement of Net Income, Comprehensive Income and Equity
For the year ended March 31
(in thousands of Canadian dollars)

	Notes	2015	2014
Revenue	14	$ 1,277,004	$ 1,233,718
Cost of Sales	14	$ 395,881	379,505
		881,123	854,213
Operating expenses	14	221,912	215,453
Depreciation and amortization		47,216	46,330
Goods and Services Tax		3,385	4,766
		272,513	266,549
Operating Income		608,610	587,664
Share of profit of Western Canada Lottery Corporation	15	56,808	61,674
Interest expense on long-term debt		(10,074)	(8,662)
Interest income		832	504
Income Before Allocations and Payments		656,176	641,180
Allocations and Payments	16	85,636	86,206
Net Income Before Settlement of Pension Liability		570,540	554,974
Settlement of pension liability	12	26,121	-
Net Income		596,661	554,974
Other comprehensive income (loss)	13	(683)	7,171
Total Comprehensive Income		595,978	562,145
Equity, beginning of the year		5,000	5,000
Allocation to the Province of Manitoba		(595,978)	(562,145)
Equity, end of the year		$ 5,000	$ 5,000

(see accompanying notes to the consolidated financial statements)

Manitoba Liquor and Lotteries Corporation
Consolidated Statement of Cash Flows
For the year ended March 31
(in thousands of Canadian dollars)

	2015	2014
Operating activities		
Net income and comprehensive income	$ 595,978	$ 562,145
Add (deduct) items not involving cash:		
Depreciation related to property and equipment	43,331	42,590
Depreciation on assets related to Conduct and Management agreements	3,349	1,618
Amortization related to intangible assets	3,885	3,740
Gain on disposal of property and equipment	(191)	(224)
Recovery of employee pension benefits	(16,927)	(8,269)
	629,425	601,600
Net change in non-cash working capital items:		
Increase in trade and other receivables	(5,656)	(10,534)
Decrease (increase) in inventories	(7,787)	1,173
Decrease (increase) in prepayments	(495)	456
Decrease in trade and other payables	(12,863)	(9,334)
Cash provided by operating activities	602,624	583,361
Investing activities		
Purchase of property and equipment	(57,007)	(80,878)
Purchase of intangible assets	(2,242)	(6,661)
Proceeds from disposal of property and equipment	713	456
Cash used in investing activities	(58,536)	(87,083)
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	(541,000)	(502,000)
Prior year	(60,145)	(48,151)
Proceeds from long-term debt	92,894	66,162
Repayment of long-term debt	(34,270)	(24,222)
Cash used in financing activities	(542,521)	(508,211)
Net increase (decrease) in cash during the year	1,567	(11,933)
Cash, beginning of the year	39,881	51,814
Cash, end of the year	$ 41,448	$ 39,881
Supplemental cash flow information		
Interest paid	$ 10,261	$ 9,466

(see accompanying notes to the consolidated financial statements)

1. Background

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* and *The Liquor and Gaming Control Act* were enacted on December 5, 2013 and came into force on April 1, 2014. Under *The Manitoba Liquor and Lotteries Corporation Act*, Manitoba Lotteries Corporation (Manitoba Lotteries) and The Liquor Control Commission (MLCC) are amalgamated and continue operations as a Crown corporation under the name Manitoba Liquor and Lotteries Corporation (Manitoba Liquor & Lotteries). Under *The Liquor and Gaming Control Act*, regulatory oversight for liquor control, previously managed by the MLCC, was transferred to the Manitoba Gaming Control Commission (MGCC) which continues its operations as the Liquor and Gaming Authority of Manitoba (LGA).

The registered office of Manitoba Liquor & Lotteries is located at 830 Empress Street, Winnipeg, Manitoba.

2. Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements of Manitoba Liquor & Lotteries for the year ended March 31, 2015 were authorized for issue by the Board of Directors on June 10, 2015.

These consolidated financial statements were prepared on a going concern basis, using historical cost except for certain financial instruments which are reported at fair value. The consolidated financial statements are presented in Canadian dollars, the functional currency of Manitoba Liquor & Lotteries, and all values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

(b) Statement of compliance

The consolidated financial statements of Manitoba Liquor & Lotteries have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB).

(c) Basis of consolidation

The consolidated financial statements combine the accounts of Manitoba Liquor & Lotteries and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to Manitoba Liquor & Lotteries at cost.

MLC Holdings Inc. has been fully consolidated since the date of inception and will continue to be consolidated until the date when control ceases. The financial statements of MLC Holdings Inc. are prepared for the same reporting period as Manitoba Liquor & Lotteries using consistent accounting policies. All intercompany transactions and accounts have been eliminated on consolidation.

(d) Basis of business combination

Manitoba Lotteries, MLCC and MGCC were under the common control of the Province of Manitoba. Manitoba Liquor & Lotteries and the LGA continue to be under the control of the Province of Manitoba.

The business combination of Manitoba Lotteries and the MLCC; and the transfer of regulatory oversight for liquor control to the LGA, as entities under the common control of the Province of Manitoba, have been prepared using the pooling-of-interests method. Assets, liabilities, revenue and expenses have been combined or transferred at their carrying amounts and no adjustments have been made to reflect fair value. The comparative consolidated financial statements represent the combined financial statement balances and results of Manitoba Lotteries and MLCC as if the entities had always been combined and as if the assets, liabilities, revenues and expenses related to the regulatory oversight for liquor control had always been transferred to the LGA.

(e) Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on May 13, 1974. The provincial governments of Manitoba, Saskatchewan and Alberta are members in the WCLC, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (Manitoba Liquor & Lotteries for the Province of Manitoba).

Manitoba Liquor & Lotteries has significant influence, but not control, over the financial and operating policies of the WCLC and therefore accounts for its share of the results of the operations of the WCLC (considered an associate) using the equity method. The financial statements of the WCLC are prepared for the same reporting period and Manitoba Liquor & Lotteries' share of the profits calculated based on relative sales levels by jurisdiction is disclosed in note 15.

(f) First Nations Casinos and Shark Club Gaming Centre

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed Manitoba Liquor & Lotteries to act as its agent in the Conduct and Management (C&M) of the gaming regime.

Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with Manitoba Liquor & Lotteries maintaining the C&M authority over these casinos. Effective December 1, 2005, Manitoba Liquor & Lotteries received approval from its Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. Manitoba Liquor & Lotteries will continue to recover all direct and/or gaming related expenses.

The Government has provided the TN Arena Limited Partnership the opportunity to establish the Shark

Club Gaming Centre, with Manitoba Liquor & Lotteries maintaining the C&M authority over this gaming centre. As part of this authority, Manitoba Liquor & Lotteries recovers all direct gaming related expenses. In addition, Manitoba Liquor & Lotteries has entered into an agreement with the owner to perform management services on their behalf with respect to the gaming activity of the gaming centre.

(g) Foreign currency translation

Functional currency is the currency of the primary economic environment in which Manitoba Liquor & Lotteries operates and is normally the currency in which Manitoba Liquor & Lotteries generates and expends cash. Each entity determines its own functional currency and items included in the financial statements are measured using that functional currency. The functional currency and presentation currency of Manitoba Liquor & Lotteries is Canadian dollars (CAD).

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date and all differences are recorded in the consolidated statement of net income, comprehensive income and equity. Non-monetary assets and liabilities and revenue and expenses that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value is determined.

(h) Financial instruments

Financial instruments are recognized in the statement of financial position when Manitoba Liquor & Lotteries becomes a party to the contractual terms of the instrument, which represents its trade date. Upon initial recognition Manitoba Liquor & Lotteries designates its financial assets as fair value through profit and loss or loans and receivables and its financial liabilities as other financial liabilities. All financial instruments are initially measured at fair value plus directly attributable transaction costs.

The financial assets of Manitoba Liquor & Lotteries include cash and trade and other receivables. The financial liabilities of Manitoba Liquor & Lotteries include trade and other payables, payable to the Province of Manitoba and long-term debt.

(i) Fair value through profit and loss

Cash is classified as fair value through profit and loss and is measured at fair value. Any gains or losses arising on the revaluation to fair value are recorded in the consolidated statement of net income, comprehensive income and equity.

(ii) Loans and receivables

Trade and other receivables are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Any gains or losses and any losses arising from impairment are recognized in the consolidated statement of net income, comprehensive income and equity.

(iii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Any gains or losses are recognized in the consolidated statement of net income, comprehensive income and equity.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or Manitoba Liquor & Lotteries has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts of the financial liability is recognized in the consolidated statement of net income, comprehensive income and equity.

(i) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Manitoba Liquor & Lotteries and the cost can be reliably measured. If the costs of a certain component of property and equipment are significant in relation to the total cost of the asset, these are accounted for and depreciated separately. All other repairs and maintenance costs are charged to the consolidated statement of net income, comprehensive income and equity as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs associated with the borrowing of funds.

Depreciation is charged to the consolidated statement of net income, comprehensive income and equity based on cost, less estimated residual value, on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and equipment	3-40 years
Gaming equipment	5-8 years
Assets related to C&M agreements	5-7 years
Parking lots and roads	15-25 years
Leasehold improvements	Straight-line basis over the remaining term of the lease
Major building components	10-50 years
Building structures	40-50 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year-end and are adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases which transfer to Manitoba Liquor & Lotteries substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of net income, comprehensive income and equity.

Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the estimated useful life and the lease term.

Property leases are analyzed into separate components for land and buildings and tested to establish whether the components are operating leases or finance leases. Premiums paid for land are treated as a prepayment of an operating lease rental and recognized on a straight-line basis over the life of the lease.

Other leases are classified as operating leases and the leased assets are not recognized on the consolidated statement of financial position. Operating lease payments are recognized as an expense in the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the term of the lease. Any predetermined, fixed rental increases contained in a lease are recognized over the life of the lease.

(k) Intangible assets

Acquired intangible assets of Manitoba Liquor & Lotteries consist of finite life computer software. Intangible assets acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged to the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3-15 years

The assets' useful lives and methods of amortization are reviewed at each fiscal year-end and adjusted prospectively, if appropriate.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(l) Inventories

Inventories consist of goods for resale and consumable supplies and are valued at the lower of average cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as the purchase cost assigned on a weighted average basis and are comprised of the purchase price, import duties and freight. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Inventory write-downs are reversed if the estimated calculations of the recoverable amount change. Write-downs are reversed only to the extent that the carrying value does not exceed the carrying value that would have been determined if no write-down had been recognized.

(m) Impairment

(i) Financial assets

Manitoba Liquor & Lotteries assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after initial recognition that have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

If there is objective evidence that an impairment loss has occurred, the amount of the loss measured at amortized cost is calculated as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the current effective interest rate.

(ii) Non-financial assets

Manitoba Liquor & Lotteries assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of impairment testing, non-financial assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the cash-generating unit (CGU).

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks

specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses, if applicable, are recognized in the consolidated statement of net income, comprehensive income and equity.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment loss reversals are recognized in the consolidated statement of net income, comprehensive income and equity in a manner consistent with the originally recognized impairment loss.

(n) Provisions

A provision is recognized if, as a result of a past event, Manitoba Liquor & Lotteries has a present legal or constructive obligation that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the consolidated statement of net income, comprehensive income and equity net of any reimbursement and, if the effect of the time value of money is material, is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase to the provision due to the passage of time is recognized as a finance cost.

(o) Pension plans

In accordance with the provisions of the *Civil Service Superannuation Act* (CSSA), employees of Manitoba Liquor & Lotteries are eligible for pension benefits. Plan members are required to contribute to the multi-employer 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. Manitoba Liquor & Lotteries is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under the CSSA, Manitoba Liquor & Lotteries has no further pension liability. Based on limited information available from the Fund, Manitoba Liquor & Lotteries has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, Manitoba Liquor & Lotteries expenses contributions made to the pension plan as if the plan was a defined contribution plan.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. This liability is determined actuarially on an annual basis. Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income (loss) in the period in which they occur.

Manitoba Liquor & Lotteries also makes contributions for certain employees and officers to a money purchase pension plan at prescribed rates, which are recorded as an operating expense.

(p) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Manitoba Liquor & Lotteries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Manitoba Liquor & Lotteries assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has concluded that it is acting as principal in all of its revenue arrangements, with the exception of the third-party AIR MILES ® program in which Manitoba Liquor & Lotteries participates. The AIR MILES® program allows customers to earn AIR MILES® points when they purchase products in Manitoba Liquor & Lotteries' retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program. Consideration received is recorded net of related expenses as Manitoba Liquor & Lotteries is acting as an agent for the AIR MILES® program.

Revenue from product sales is recognized when the significant rewards of ownership of the products have passed to the buyer, usually on the delivery of products. Lottery revenue is recognized as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the online accounting system for sale to customers. Video lottery and other gaming revenue are recognized at the time of play, net of prizes paid.

(q) Promotional allowances

Promotional allowances include the value of food, beverages and other items provided on a complimentary basis to casino patrons. The value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

Manitoba Liquor & Lotteries also operates a loyalty points program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos. Where a revenue transaction includes points awarded under the program, the revenue allocated to the points is deferred based on the fair value of the awards, which is assigned as $0.01 per point earned, and recognized as revenue when the points are redeemed and Manitoba Liquor & Lotteries fulfills its obligation to supply the awards.

(r) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, Manitoba Liquor & Lotteries foregoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. This additional 5% is reported as GST expense in the consolidated statement of net income, comprehensive income and equity.

Manitoba Liquor & Lotteries collects GST on liquor sales and an input tax credit is claimed for GST paid on non-gaming expenditures.

(s) Changes in accounting policies

During the year, Manitoba Liquor & Lotteries chose to adopt the following standards:

(i) IFRIC 21 – *Levies* was issued by the IASB in May 2013 and provides guidance on the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating events give rise to a liability to pay a levy and when that liability should be recognized. The adoption of IFRIC 21 did not have any impact on Manitoba Liquor & Lotteries' consolidated financial statements.

(ii) IAS 32 – *Financial Instruments: Presentation* was amended in December 2011 to clarify the requirements when an entity has a current legally enforceable right of offset of financial assets and financial liabilities on the statement of financial position. The adoption of the amendments to IAS 32 did not have any impact on Manitoba Liquor & Lotteries' consolidated financial statements.

(iii) IAS 36 – *Impairment of Assets* was amended in May 2013 to clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed and to introduce additional disclosure requirements about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of the amendments to IAS 36 did not have any impact on Manitoba Liquor & Lotteries' consolidated financial statements.

3. Significant Accounting Estimates and Assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the consolidated financial statements of Manitoba Liquor & Lotteries are discussed below.

(a) Determination of useful lives for tangible and intangible assets

Manitoba Liquor & Lotteries has based the determination of the useful lives of tangible and intangible assets on a detailed review of all empirical data for the different asset classes. Manitoba Liquor & Lotteries annually reviews the validity of the useful lives applied to the different asset classes based on current circumstances and considers the impact of any external or internal changes in Manitoba Liquor & Lotteries' environment which may indicate the requirement to reconsider these useful lives.

(b) Loyalty points program

Manitoba Liquor & Lotteries operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos.

The future redemption liability of $3,510 (2014 - $3,478) is included in trade and other payables and is based on an assessment of anticipated point redemptions and point value. Manitoba Liquor & Lotteries adjusts the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the consolidated statement of net income, comprehensive income and equity.

4. Standards Issued But Not Yet Effective

The following standards which are reasonably expected to be applicable to Manitoba Liquor & Lotteries have been issued but were not yet effective at the date of issuance of the consolidated financial statements.

(i) IAS 1 – *Presentation of Financial Statements* was amended in December 2014 as part of the IASB's major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the amended standard.

(ii) IFRS 15 – *Revenue from Contracts with Customers* was issued in May 2014 and supersedes existing standards and related interpretations including IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes*. IFRS 15 introduces a single model for recognizing revenue from contracts with customers in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration to which the entity is expected to be entitled in exchange for those goods or services. The new standard is intended to enhance disclosures about revenue, provide guidance for transactions not previously addressed and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

(iii) IFRS 9 – *Financial Instruments* introduces new requirements for the classification and measurement of financial instruments. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement*, to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Requirements for the classification and measurement of financial liabilities are largely carried forward from existing IAS 39 requirements with the exception that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions. Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

5. Trade and Other Receivables

	2015	2014
Trade	$ 44,579	$ 40,266
Goods and Services Tax	4,151	3,309
Western Canada Lottery Corporation	3,062	2,561
	$ 51,792	$ 46,136

Manitoba Liquor & Lotteries' exposure to credit risks related to trade and other receivables is disclosed in note 18 (d).

6. Inventories

	2015	2014
Warehouse	$ 34,174	$ 28,138
Retail locations	15,640	13,846
Consumable supplies	168	211
	$ 49,982	$ 42,195

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $5,114 at the end of the 2015 fiscal year (2014 - $4,597).

7. Prepayments

	2015	2014
Maintenance contracts	$ 2,361	$ 2,171
Rent	928	865
Deposits and other	682	550
Insurance	564	454
	$ 4,535	$ 4,040

8. Property and Equipment

	Land	Buildings and parking lots	Leasehold improve-ments	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
Cost								
April 1, 2013	$ 25,427	$ 195,090	$ 22,050	$ 171,142	$ 127,146	$ 19,135	$ 145,191	$ 705,181
Additions	-	21,782	2,266	7,588	5,130	2,430	41,682	80,878
Transfers from WIP	-	6,496	70	98,653	380	3,969	(109,568)	-
Disposals	-	(443)	(1,806)	(76,227)	(3,514)	(928)	-	(82,918)
March 31, 2014	25,427	222,925	22,580	201,156	129,142	24,606	77,305	703,141
Additions	-	17,943	2,702	8,629	6,720	9,757	11,256	57,007
Transfers from WIP	-	41,768	-	-	8,757	52	(50,577)	-
Disposals	-	(3,285)	(6)	(5,529)	(3,705)	(656)	-	(13,181)
March 31, 2015	$ 25,427	$ 279,351	$ 25,276	$ 204,256	$ 140,914	$ 33,759	$ 37,984	$ 746,967
Depreciation								
April 1, 2013	$ -	$ 97,120	$ 9,553	$ 153,765	$ 99,416	$ 16,614	$ -	$ 376,468
Depreciation	-	8,591	1,695	22,849	9,454	1,618	-	44,207
Disposals	-	(416)	(1,801)	(76,227)	(3,335)	(906)	-	(82,685)
March 31, 2014	-	105,295	9,447	100,387	105,535	17,326	-	337,990
Depreciation	-	10,354	1,921	21,227	9,829	3,349	-	46,680
Disposals	-	(3,498)	(3)	(5,170)	(3,332)	(656)	-	(12,659)
March 31, 2015	$ -	$ 112,151	$ 11,365	$ 116,444	$ 112,032	$ 20,019	$ -	$ 372,011
Net book value								
March 31, 2015	$ 25,427	$ 167,200	$ 13,911	$ 87,812	$ 28,882	$ 13,740	$ 37,984	$ 374,956
March 31, 2014	25,427	117,630	13,133	100,769	23,607	7,280	77,305	365,151

Capital assets related to C&M agreements consist primarily of the cost of the gaming equipment and related computer equipment for the First Nations Casinos and Shark Club Gaming Centre.

Property and equipment not yet in use is classified as work in progress and is stated at cost. No depreciation is recorded for these assets.

The amount of borrowing costs capitalized during the 2015 fiscal year was $180 (2014 - $813). The rate used to determine the amount of borrowing costs eligible for capitalization was 2.100%, the effective interest rate of the specific borrowing.

The net book value of buildings and parking lots held under finance leases at the end of the 2015 fiscal year is $3,634 (2014 - $3,912) and consists of land being used for parking facilities at the McPhillips Station Casino and the Video Lotto office building located in Morris, Manitoba.

9. Intangible Assets

	Computer software - acquired
Cost	
April 1, 2013	$ 31,768
Additions	6,661
Disposals	(503)
March 31, 2014	37,926
Additions	2,242
Disposals	-
March 31, 2015	$ 40,168
Amortization	
April 1, 2013	$ 16,589
Amortization	3,740
Disposals	(503)
March 31, 2014	19,826
Amortization	3,885
Disposals	-
March 31, 2015	$ 23,711
Net book value	
March 31, 2015	$ 16,457
March 31, 2014	18,100

10. Trade and Other Payables

	2015	2014
Trade	$ 89,064	$107,104
Employee benefits	27,067	22,560
Province of Manitoba taxes	3,115	2,613
Jackpot liability	2,504	2,336
	$121,750	$134,613

11. Long-term Debt

	2015	2014
Province of Manitoba, bearing interest at rates ranging from 1.750% to 5.050%, repayable in monthly principal installments ranging from $6 to $685 plus interest with maturity dates ranging from February 26, 2015 to August 31, 2030.	$ 330,889	$ 264,011
Province of Manitoba, bearing interest at the prevailing Canadian Dealer Offered Rate plus 0.90%, repayable in quarterly principal installments of $550 plus interest until August 31, 2015. The interest rate on the debt at March 31, 2015 was 1.900%.	1,100	3,300
Province of Manitoba, bearing interest at the prevailing Royal Bank Prime Rate less 0.75%, interest only payable quarterly. No fixed repayment schedule and maturity date. The interest rate on the debt at March 31, 2015 was 2.100%.	10,000	16,000
Finance lease obligation to the Province of Manitoba, with a 7.630% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	98	152
	342,087	283,463
Less current portion of long-term debt	41,871	32,117
	$ 300,216	$ 251,346

All long-term debt is unsecured and the fair market value at March 31, 2015 is $361,875.

Manitoba Liquor & Lotteries' exposure to liquidity risks related to long-term debt is disclosed in note 18 (c).

12. Settlement of Pension Liability

The predecessor entities Manitoba Lotteries and MLCC each maintained a defined benefit pension plan in accordance with the provisions of the CSSA administered by the Civil Service Superannuation Board. While Manitoba Lotteries was required to match contributions contributed to the Civil Service Superannuation Fund at prescribed rates, MLCC did not have a similar requirement. MLCC calculated the net defined benefit asset or liability as the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which obligations were to be settled. The cost of providing benefits under the MLCC defined benefit plan was actuarially determined on an annual basis using the projected unit credit method. Actuarial and experience gains and losses and the return on plan assets (excluding net interest) were recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income (loss) in the period in which they occurred.

Upon amalgamation, Manitoba Liquor & Lotteries has been designated as a matching employer for the purposes of the CSSA.

In accordance with the CSSA, Manitoba Liquor & Lotteries and the Civil Service Superannuation Board were given approval to settle the MLCC defined benefit obligation. The settlement was based on the actuarial valuation as at March 31, 2014 of the MLCC's share of benefits in respect of service during the period the MLCC was not required to make matching contributions. The payment of this actuarially measured liability deems the MLCC to have made matching contributions in respect of its employees for that period.

The gain on settlement of the defined benefit obligation that occurred October 1, 2014 is calculated as follows:

MLCC defined benefit obligation, April 1, 2014	$ 86,556
Net interest to date of settlement	317
Actuarially measured amount of plan assets required to settle pension liability	(59,649)
Pension liability remaining, October 1, 2014	(1,103)
Gain on settlement of pension liability	$ 26,121

The pension liability remaining upon settlement represents the amount established for MLCC employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund.

The fair value of plan assets as at October 1, 2014 was $73,147. Of this amount, $59,649 was used to settle the MLCC defined benefit obligation and the remaining $13,498 was transferred to Manitoba Liquor & Lotteries for its exclusive use.

Manitoba Liquor & Lotteries' provision for employee pension benefits as at March 31, 2015 is disclosed in note 13.

13. Provision for Employee Pension Benefits

Manitoba Liquor & Lotteries has a defined contribution money purchase pension plan and is a member of the multi-employer Civil Service Superannuation Fund. These two pension plans cover substantially all employees and both require contributions to be made to separately administered funds.

The pension expense related to Manitoba Liquor & Lotteries' contributions to the money purchase plan is $334 (2014 - $190) and is recorded in operating expenses.

The pension expense related to Manitoba Liquor & Lotteries' contributions to the multi-employer Civil Service Superannuation Fund is $7,942. Based on limited information available from the Civil Service Superannuation Fund, Manitoba Liquor & Lotteries has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, Manitoba Liquor & Lotteries' contribution to the Civil Service Superannuation Fund is recorded in operating expenses. Expected contributions for the 2016 fiscal year are $8,652.

Manitoba Liquor & Lotteries' share of the multi-employer plan accrued benefit obligation has been actuarially measured for accounting purposes as at March 31, 2015 using the accumulated benefit cost method prorated based on service, a discount rate of 3.60% (2014 - 4.50%) and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.

For the 2014 fiscal year, a net pension liability of $17,282 was established and represented the cost of providing benefits under the MLCC defined benefit plan ($86,556), the MLC pension liability established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund ($1,568); net of the fair value of MLCC plan assets ($70,842). A gain of $7,171 was experienced in the 2014 fiscal year based on the actuarial assessment of pension obligations as at March 31, 2014 and was recognized in other comprehensive income (loss).

For the 2015 fiscal year, subsequent to the settlement of the pension liability disclosed in note 12, a net pension liability of $355 (accrued benefit obligation of $5,030, net of the fair value of assets of $4,675) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund. A loss of $683 was experienced in the current year based on the most recently available actuarial assessment of pension obligations as at March 31, 2015 and is recognized in other comprehensive income (loss).

14. Revenue, Cost of Sales and Expenses By Nature

Manitoba Liquor & Lotteries' revenue consists of the following:

	2015	2014
Liquor sales	$ 719,773	$ 694,188
VLT	320,881	306,659
Casino and online gaming	212,346	211,864
Non-gaming revenue	24,004	21,007
	$ 1,277,004	$ 1,233,718

Manitoba Liquor & Lotteries' cost of sales consists of the following:

	2015	2014
Liquor cost of sales	$ 347,702	$ 334,392
VLT commissions	31,401	30,527
Gaming direct expenses	7,945	7,412
Non-gaming cost of sales	8,833	7,174
	$ 395,881	$ 379,505

Gaming direct expenses consist primarily of costs associated with the operation and maintenance of the Manitoba Liquor & Lotteries electronic gaming equipment, table games equipment and online gaming site.

Non-gaming revenue and cost of sales consists primarily of revenue and costs associated with Manitoba Liquor & Lotteries' entertainment, food & beverage and casino retail store operations.

Manitoba Liquor & Lotteries' operating expenses by their nature are as follows:

	2015	2014
Employee benefits	$ 147,374	$ 145,503
Bank charges	3,540	3,412
Community support	3,808	3,458
Consultant and professional fees	3,400	3,454
Grants in lieu of taxes	5,488	5,348
Maintenance	19,222	18,776
Marketing and public awareness	11,727	9,462
Rents	7,306	6,895
Sundry	5,445	5,732
Supplies and equipment	5,811	4,632
Telecommunications	3,397	3,341
Transportation and vehicles	1,782	2,023
Utilities	3,612	3,417
	$ 221,912	$ 215,453

15. Share of Profit of WCLC

	2015	2014
Revenue	$ 213,532	$ 227,344
Prizes, commissions and other cost of sales	149,813	159,621
WCLC partner equalization	4,605	3,808
Payment to Government of Canada	2,306	2,241
Profit	$ 56,808	$ 61,674

The WCLC earned revenue in the 2015 fiscal year in the amount of $1,233,842 (2014 - $1,313,834), of which Manitoba Liquor & Lotteries' share calculated based on relative sales levels by jurisdiction is 17% (2014 - 17%). The WCLC's total profit for the 2015 fiscal year was $410,096 (2014 - $433,798) of which Manitoba Liquor & Lotteries' share is 14% (2014 - 14%).

The Province of Manitoba is a member in the WCLC. An agreement is in place with the Provinces of Alberta and Saskatchewan where Manitoba Liquor & Lotteries provides economic benefit equalization specific to salary costs of head office employees residing in Manitoba.

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the Federal Government.

16. Allocations and Payments

	2015	2014
LGA funding and Crown Corporations Council levy	$ 4,552	$ 3,847
First Nations allocation	43,825	41,736
Tourism contribution	23,436	28,525
Social responsibility funding	9,770	8,119
Casino bingo volunteer program	4,053	3,979
	$ 85,636	$ 86,206

Manitoba Liquor & Lotteries provides funding to the LGA through the payment of annual licence fees for employees, electronic gaming devices and retail liquor locations; as well as additional amounts directed to be paid under *The Liquor and Gaming Control Act*. Manitoba Liquor & Lotteries also provides funding to the Crown Corporations Council through the payment of an annual levy.

First Nations VLT siteholders receive an allocation of VLT revenue to provide sustainable social and economic benefits and opportunities within the siteholders' communities in Manitoba.

Manitoba Liquor & Lotteries provides contributions towards supporting tourism in Manitoba through the VLT program.

Social responsibility funding includes amounts paid to the Addictions Foundation of Manitoba and other organizations for their research and programming that promote responsible gaming and responsible liquor consumption. Manitoba Liquor & Lotteries is required to allocate 2% of annual anticipated consolidated net income and comprehensive income to social responsibility initiatives. Any liability associated with this funding is included in trade and other payables.

Manitoba Liquor & Lotteries provides charitable and community organizations the opportunity to raise funds for their organizations by assisting in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba.

17. Commitments and Contingencies

(a) Lease obligations

Manitoba Liquor & Lotteries has entered into commercial leases on certain buildings and parking lots which have an average remaining term of 1 to 19 years. In addition, Manitoba Liquor & Lotteries has entered into commercial leases on certain motor vehicles which have a remaining term ranging between 1 to 4 years. The future minimum rental payments relating to operating leases are as follows:

2016	$ 7,564
2017	6,798
2018	6,112
2019	5,880
2020	5,673
Subsequent years	34,924
	$ 66,951

(b) Legal claims

Incidental to the nature of its business, Manitoba Liquor & Lotteries is defending various pending legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate adjustments have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the financial position of Manitoba Liquor & Lotteries.

(c) Purchase commitments

At the end of the 2015 fiscal year Manitoba Liquor & Lotteries had purchase commitments of $21,009 related to casino and retail liquor store construction projects.

18. Financial Instruments

Manitoba Liquor & Lotteries is exposed to interest rate, currency, liquidity and credit risks arising from financial assets and liabilities. Manitoba Liquor & Lotteries' objectives in managing these risks are to protect from volatility and to minimize exposure from fluctuations in market rates and does so through a combination of a system of internal and disclosure controls, effective cash management strategies and sound business practices.

Risk management policies have been established to identify and analyze the risks faced by Manitoba Liquor & Lotteries, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Manitoba Liquor & Lotteries' management oversees the management of these risks in accordance with the risk management policies and framework approved by the Board of Directors.

(a) Interest rate risk

Interest rate risk is the risk to Manitoba Liquor & Lotteries' income that arises from fluctuations in interest rates and the degree of volatility of these rates. Manitoba Liquor & Lotteries does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated based on 97% (2014 - 93%) of long-term debt having a fixed interest rate. The impact on Manitoba Liquor & Lotteries' income associated with the variable interest rate long-term debt is not considered significant.

(b) Currency risk

Manitoba Liquor & Lotteries is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins. Purchases denominated in foreign currencies during the 2015 fiscal year were $10,826 (2014 - $9,850). Accordingly, a 10% increase or decrease in the exchange rate between Canadian and other foreign currencies would result in a total increase or decrease of $1,083 (2014 - $985) assuming the inventory purchased had been sold by the end of the year.

(c) Liquidity risk

Liquidity risk is the risk Manitoba Liquor & Lotteries will encounter difficulties in meeting its financial liability obligations. Manitoba Liquor & Lotteries manages this risk through effective cash and long-term debt management. Trade and other payables are due within one year and a significant portion of the long-term debt is repayable in either quarterly or monthly installments. Liquidity risk is further mitigated by collection terms on trade and other receivables being set at less than or equal to the payment terms of trade and other payables.

The table below summarizes the maturity profile of Manitoba Liquor & Lotteries' financial liabilities as at year-end based on contractual undiscounted payments.

2015	On demand	Less than 1 year	1 year	2 years	3 years	4 years	5 years	>5 years
Trade and other payables	$ 2,504	$119,246	$ -	$ -	$ -	$ -	$ -	$ -
Payable to the Province of Manitoba	-	69,978	-	-	-	-	-	-
Long-term debt	-	41,871	40,701	38,483	36,419	33,499	22,450	128,664
	$ 2,504	$231,095	$ 40,701	$ 38,483	$ 36,419	$ 33,499	$ 22,450	$128,664

2014	On demand	Less than 1 year	1 year	2 years	3 years	4 years	5 years	>5 years
Trade and other payables	$ 2,336	$132,277	$ -	$ -	$ -	$ -	$ -	$ -
Payable to the Province of Manitoba	-	75,145	-	-	-	-	-	-
Long-term debt	-	32,117	30,892	29,723	27,504	25,441	23,874	113,912
	$ 2,336	$239,539	$ 30,892	$ 29,723	$ 27,504	$ 25,441	$ 23,874	$113,912

(d) Credit risk

Credit risk is the risk to Manitoba Liquor & Lotteries that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. Manitoba Liquor & Lotteries mitigates this risk through centralized credit management and collection practices and, where applicable, the establishment of a reasonable allowance for non-collectible amounts which is netted against trade and other receivables. Trade and other receivables are non-interest bearing and generally have 30 day terms. The requirement for impairment is analyzed at each reporting date for every customer on an individual basis and trade and other receivables are written off when management determines that they cannot be collected. The maximum credit risk exposure is the carrying value of each class of financial asset disclosed in note 5 and it is management's opinion that Manitoba Liquor & Lotteries does not have significant concentration risk.

The aging of trade and other receivables at the end of the 2015 fiscal year is as follows:

Neither impaired nor past due	$ 51,066
Not impaired and past due as follows:	
Within 30 days	65
31 to 60 days	196
61 to 90 days	18
Over 90 days	458
Allowance for doubtful accounts	(11)
	$ 51,792

(e) Capital management

Manitoba Liquor & Lotteries' capital is comprised of long-term debt and equity. Manitoba Liquor & Lotteries' objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives are considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget and have remained unchanged over the fiscal years presented.

Manitoba Liquor & Lotteries is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income and comprehensive income to the Province of Manitoba.

(f) Fair value

The fair value of Manitoba Liquor & Lotteries' financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received. Financial instruments recognized at fair value must be classified in one of the following three fair value hierarchy levels:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - measurement based on inputs other than quoted prices included in level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.

Manitoba Liquor & Lotteries' financial instruments consist of cash, trade and other receivables, trade and other payables, payable to the Province of Manitoba and long-term debt. Unless otherwise stated, the fair value of Manitoba Liquor & Lotteries' financial instruments approximates their carrying value.

Financial instruments recorded at fair values, classified using the fair value hierarchy, are as follows:

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 41,448	$ -	$ -	$ 41,448
	$ 41,448	$ -	$ -	$ 41,448

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 39,881	$ -	$ -	$ 39,881
	$ 39,881	$ -	$ -	$ 39,881

19. Related Party Disclosures

Manitoba Liquor & Lotteries is related to various other government agencies, ministries and Crown corporations under the common control of the Government of Manitoba. All transactions with these related parties are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured and settlement occurs in cash. These transactions include long-term debt with the Province of Manitoba as disclosed in note 11 of these consolidated financial statements.

Compensation of key management personnel of Manitoba Liquor & Lotteries, which is recognized as an operating expense during the year, is as follows:

	2015	2014
Short-term employee benefits	$ 2,134	$ 2,376
Post-employment pension and medical benefits	127	166
Termination benefits	100	4
	$ 2,361	$ 2,546

20. Comparative Figures

Comparative figures are presented where available. The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.



Manitoba
Public Insurance

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR

ENDED FEBRUARY 28, 2015

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and their fee arrangements to the Board of Directors. The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the Appointed Actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the Appointed Actuary's opinion.

PricewaterhouseCoopers LLP, the Corporation's appointed external auditors, have audited the financial statements. Their Independent Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with International Financial Reporting Standards.

Original document signed

Dan Guimond
President and Chief Executive Officer

Original document signed

H. D. Reichert, FCA
Vice-President, Finance and Chief Financial Officer

May 15, 2015

May 15, 2015

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation (the Corporation) which comprise the statement of financial position as at February 28, 2015 and the statements of operations, changes in equity 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 International Financial Reporting 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 Corporation as at February 28, 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

J. S. CHENG & PARTNERS INC.
JSCP
ACTUARIES *Who Care*™

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at February 28, 2015 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Original document signed

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Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Toronto, Ontario

May 15, 2015

Financial Statements

Statement of Financial Position

As At February 28 (in thousands of Canadian dollars)	*Notes*	**2015**	2014
Assets			
Cash and cash equivalents	*4*	**68,882**	93,208
Investments	*4*	**2,491,176**	2,315,405
Investment property	*4&5*	**42,417**	38,312
Due from other insurance companies	*6*	**443**	4,080
Accounts receivable	*28*	**387,909**	334,137
Prepaid expenses		**537**	1,049
Deferred policy acquisition costs	*7*	**24,014**	24,742
Reinsurers' share of unearned premiums	*14&17*	**79**	61
Reinsurers' share of unpaid claims	*17&18*	**8,118**	24,741
Property and equipment	*8*	**122,385**	123,850
Deferred development costs	*9*	**69,089**	68,586
		3,215,049	3,028,171
Liabilities			
Due to other insurance companies	*10*	**1**	1,934
Accounts payable and accrued liabilities	*11*	**62,287**	63,026
Financing lease obligation	*12*	**4,364**	4,425
Unearned premiums and fees	*14*	**527,121**	497,811
Provision for employee current benefits	*15*	**22,164**	21,800
Provision for employee future benefits	*16*	**391,119**	333,138
Provision for unpaid claims	*17&18*	**1,786,566**	1,708,714
		2,793,622	2,630,848
Equity			
Retained Earnings	*20*	**378,050**	320,472
Accumulated Other Comprehensive Income	*21*	**43,377**	76,851
Total Equity		**421,427**	397,323
		3,215,049	3,028,171

Contingent Liabilities (note 32)

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

Approved by the Board of Directors:

Original document signed

Jake Janzen
Chairperson

Original document signed

Jeanne Millis, CA
Chair Audit Committee

Statement of Operations

For the years ended February 28 (in thousands of Canadian dollars)	*Notes*	**2015**	2014
Earned Revenues			
Gross premiums written		**1,044,356**	995,556
Premiums ceded to reinsurers		**(17,801)**	(17,564)
Net premiums written		**1,026,555**	977,992
(Increase) decrease in gross unearned premiums		**(24,803)**	(21,634)
Increase (decrease) in reinsurers' share of unearned Premiums		**18**	(8)
Net premiums earned		**1,001,770**	956,350
Service fees & other revenue	*22*	**28,097**	28,701
The Drivers and Vehicles Act operations recovery	*23*	**27,900**	27,900
Total Earned Revenues		**1,057,767**	1,012,951
Claims Costs			
Direct claims incurred - gross		**843,632**	866,018
Claims incurred ceded to reinsurers		**1,243**	(4,880)
Net claims incurred		**844,875**	861,138
Claims expense		**134,247**	132,564
Loss prevention/Road safety		**13,775**	15,558
Total Claims Costs		**992,897**	1,009,260
Expenses			
Operating		**121,791**	115,840
Commissions		**77,109**	74,813
Premium taxes		**30,587**	29,218
Regulatory/Appeal		**3,955**	3,791
Total Expenses		**233,442**	223,662
Underwriting loss		**(168,572)**	(219,971)
Investment income	*4*	**226,150**	175,123
Net income (loss) from operations	*24*	**57,578**	(44,848)

Statement of Comprehensive Income (Loss)

For the years ended February 28 (in thousands of Canadian dollars)	*Notes*	**2015**	2014
Net income (loss) from operations	*24*	**57,578**	(44,848)
Other Comprehensive Income (Loss)	*21*		
Items that will not be reclassified to income			
Employee Future Benefits Gain (Loss)		**(40,099)**	16,216
Items that will be reclassified to income			
Unrealized gains on Available for Sale assets		**34,689**	108,970
Reclassification of net realized gains related to Available for Sale assets		**(28,064)**	(112,994)
Net unrealized gains (losses) on Available for Sale assets		**6,625**	(4,024)
Other Comprehensive Income (Loss) for the period		**(33,474)**	12,192
Total Comprehensive Income (Loss)		**24,104**	(32,656)

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2013	365,320	64,659	429,979
Net income (loss) from operations for the year	(44,848)	-	(44,848)
Other comprehensive income (loss) for the year	-	12,192	12,192
Balance as at February 28, 2014	320,472	76,851	397,323
Net income (loss) from operations for the year	57,578	-	57,578
Other comprehensive income (loss) for the year	-	(33,474)	(33,474)
Balance as at February 28, 2015	**378,050**	**43,377**	**421,427**

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

Statement of Cash Flows

For the years ended February 28 (in thousands of Canadian dollars)	*Notes*	**2015**	2014
Cash Flows from (to) Operating Activities:			
Net income(loss) from operations		**57,578**	(44,848)
Non-cash items:			
Depreciation of property and equipment		**6,534**	6,551
Amortization of deferred development costs		**16,575**	8,847
Amortization of bond discount and premium		**1,807**	2,607
Gain on sale of investments		**(55,984)**	(108,901)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**(75,691)**	15,792
Unrealized gain on investment in real estate		**(11,927)**	(19,918)
Unrealized gain on investment in infrastructure		**(5,562)**	(1,591)
Impairment of available for sale investments		**830**	1,194
		(65,840)	(140,267)
Net change in non-cash balances:			
Due from other insurance companies		**3,637**	(3,078)
Accounts receivable and prepaid expenses		**(53,260)**	(12,859)
Deferred policy acquisition costs		**728**	1,570
Reinsurers' share of unearned premiums and unpaid claims		**16,605**	8,999
Due to other insurance companies		**(1,933)**	146
Accounts payable and accrued liabilities		**(739)**	4,801
Unearned premiums and fees		**29,310**	22,834
Provision for employee current benefits		**364**	299
Provision for employee future benefits		**17,882**	17,199
Provision for unpaid claims		**77,852**	150,690
		90,446	190,601
		24,606	50,334
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,023,478)**	(1,732,472)
Proceeds from sale of investments		**996,755**	1,637,860
Acquisition of property and equipment net of proceeds from disposals		**(5,069)**	(3,520)
Financing lease obligation		**(61)**	(57)
Deferred development costs incurred		**(17,079)**	(29,819)
		(48,932)	(128,008)
Increase (decrease) in Cash and Cash Equivalents		**(24,326)**	(77,674)
Cash and cash equivalents beginning of year		**93,208**	170,882
Cash and Cash Equivalents end of year	*4*	**68,882**	93,208
Supplemental cash flow information:			
Interest received		**49,120**	48,315
Dividends received		**29,581**	15,240

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

Notes to Financial Statements

February 28, 2015

1. Status of Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and is consolidated annually. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

2. Basis of Reporting

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on May 15, 2015.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to report thereon to the Corporation's Board of Directors. Insurance contract liabilities includes unearned premiums, and unpaid claims and adjustment expenses.

The Appointed Actuary also uses the work of the external auditors in their verification of the information prepared by the Corporation used in the valuation of the insurance contract liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the Appointed Actuary and their report on the Corporation's insurance contract liabilities. The external auditors' report outlines the scope of their audit and their opinion.

Basis of Presentation

The Corporation presents its Statement of Financial Position broadly in order of liquidity.

The following balances are generally classified as current: cash and cash equivalents, investments, due to/from other insurance companies, accounts receivable, prepaid expenses, deferred policy acquisition costs, reinsurers' share of unearned premiums and unpaid claims, accounts payable and accrued liabilities, unearned premiums and provision for employee current benefits.

The following balances are generally classified as non-current investment property, property and equipment, deferred development costs, financing lease obligation, provision for employee future benefits and provision for unpaid claims.

These statements are presented in thousands of Canadian dollars which is the Corporation's functional and presentational currency except as otherwise specified.

Seasonality

The automobile insurance business, which reflects the primary business of the Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and second quarter of each year and lowest in the fourth quarter of each year. This is driven mainly by weather conditions which may vary significantly between quarters.

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 3.

Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, 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. Actual results could differ materially from these estimates.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the Corporation that have a significant effect on the financial statements.

Changes in Accounting Policies

IAS 32 - Financial Instruments: Presentation

IAS 32 was amended in 2011 to provide clarification on the application of rules to offset financial assets and financial liabilities. The Corporation has adopted this amendment on March 1, 2014 and has determined that there is no material impact on its financial statements.

IAS 36 – Impairment of Assets

Limited scope amendments to the disclosure requirements in IAS 36 were issued by the IASB. The amendments clarified that the recoverable amount of an asset needs to be disclosed if there has been a material impairment loss recognized or reversed during the reporting period. If the recoverable amount is based on fair value less costs of disposal, the amendments also require disclosure of the discount rates used. The Corporation adopted this amendment on March 1, 2014 and has determined there is no impact to the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

The Corporation's directly held real estate investments are recorded at cost and are being depreciated over their estimated useful life.

The Corporation has classified or designated its financial assets and liabilities in the following categories:

- available for sale (AFS)
- held to maturity (HTM)
- financial assets and liabilities at fair value through profit or loss (FVTPL)
- cash and cash equivalents, loans and receivables
- other financial liabilities

The Corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS financial assets are initially measured at fair value on the Statement of Financial Position starting on the settlement date. Subsequent to initial recognition, AFS assets are carried at fair value with changes in fair value recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become impaired. As long as an AFS asset is held and not impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

Transaction costs related to AFS financial assets are capitalized on initial recognition.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Statement of Financial Position starting on the settlement date.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

iii) FVTPL Financial Assets

FVTPL financial assets are carried at fair value on the Statement of Financial Position starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

The fair values of FVTPL bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations are estimated based on bid prices of these or similar investments.

Transaction costs related to FVTPL financial assets are recognized in the Statement of Operations on initial recognition.

Loans and Receivables

Accounts receivable and due from other insurance companies are designated as loans and receivables and are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the Corporation's principal banker plus 2.0% and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, current operating accounts, provincial short term deposits (less than 90 days) and funds held in trust on behalf of other insurance companies and are designated as AFS.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss in the period. Subsequent declines in value continue to be recorded through profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in OCI.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

All financial liabilities are designated as other financial liabilities and are recorded in the Statement of Financial Position at amortized cost. Financial liabilities include:

- Due to other insurance companies and Accounts payable and accrued liabilities which are all current liabilities; and
- Financing lease obligation which is a non-current liability, payable over the life of the lease.

The carrying value of the Corporation's financial liabilities approximates their fair value.

Derivatives

The Corporation uses currency swaps to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

A currency swap is a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value. Refer to Note 4 for further information on the fair value of financial instruments.

Deferred Policy Acquisition Costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All repairs and maintenance costs are recognized in net income (loss) during the period in which they occur.

Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

Land & Building

- HVAC systems 20 years
- land improvements 25 years
- roofing systems 30 years
- elevators/escalators 30 years
- buildings 40 years

Furniture & Equipment

- computer equipment 3 years
- vehicles 5 years
- furniture and equipment 10 years

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years. Leasehold improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed. Land is not subject to depreciation and is carried at cost.

Investment Property

In the determination of what constitutes investment property relative to property and equipment, the Corporation has considered the intended use of the property, the ability to sell the property, and the ability of the Corporation to lease the property or a portion of the property under a finance lease.

The Corporation's investment property, which is property held to earn rentals and/or capital appreciation, is measured initially at its cost, including transaction costs. The Corporation has elected to use the cost model to subsequently value its investment property. Therefore, the investment property's carrying amount is valued at cost less accumulated depreciation and impairment losses. Depreciation is based on the useful life of each component of the investment property along with the property's residual value. The Corporation assesses its investment property for impairment on an annual basis in accordance with the impairment test guidance set forth in IAS 36, *Impairment of Assets*.

Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

- HVAC systems 20 years
- roofing systems 30 years
- elevators/escalators 30 years
- buildings 40 years

Tenant improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed and the investment property is deemed available for use. Land is not subject to depreciation and is carried at cost.

Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over five years.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are recognized in income or loss in the period in which they are incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets (Other Than Financial Assets)

At each Statement of Financial Position date, the Corporation reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

MANITOBA PUBLIC INSURANCE AS A LESSEE

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MANITOBA PUBLIC INSURANCE AS A LESSOR

Manitoba Public Insurance leases retail, office and parking space in cityplace properties, a building and parking facilities owned by Manitoba Public Insurance. All of these leases are considered operating leases.

Revenue

PREMIUMS

Written premiums comprise the premiums on contracts commencing in the fiscal year. Earned premiums represent the portion of written premiums earned through the year on a prorata basis by way of insurance coverage. Written and earned premiums are stated gross of commissions and premium taxes payable and are reported on a gross basis and net of amounts ceded to reinsurance companies.

UNEARNED PREMIUMS

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

INTEREST REVENUE

Interest revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

DIVIDEND INCOME

Dividend income from investments is recognized when the Corporation's rights to receive payments is established.

REALIZED GAINS AND LOSSES

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

The realized gain or loss on disposal of property and equipment is the difference between the proceeds received, net of transaction costs, and its original cost or depreciated cost as appropriate.

UNREALIZED GAINS AND LOSSES

Unrealized gains or losses represent the difference between the carrying value at the year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the year.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes accruals for vacation pay and sick pay determined in accordance with the Collective Agreement.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i. **Pension Benefit Plan**

The employees of the Corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act.* Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in OCI in the current period.

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2014. Roll-forward procedures are performed to ensure that the December 31, 2014 valuation is a reliable estimate of the valuation at February 28, 2015.

ii. **Other Benefit Plans**

Other benefit plans consist of two post-retirement extended health plans and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in OCI in the current period.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporate policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

PROVISION FOR UNPAID CLAIMS

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian Generally Accepted Accounting Principles (GAAP). The Corporation establishes reserves for payment of claims and adjustment expenses that arise from the Corporation's insurance products. The reserve balance represents the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. There are two categories of loss reserves: (1) reserves for reported losses and (2) reserves for incurred but not yet reported (IBNR) losses. In addition, reserves are set up for internal loss adjustment expenses, which include estimated internal costs and other expenses that are expected to be incurred to finalize the settlement of the losses. The Corporation discounts its liabilities for unpaid claims and includes a provision for adverse deviations. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Corporation and statistical analyses for the claims incurred but not reported. Claims and adjustment expenses are charged to income as incurred.

All of the Corporation's insurance policies meet the definition of an insurance contract and have been accounted for in accordance with IFRS 4.

Reinsurers' share of unpaid claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

LIABILITY ADEQUACY TEST

At each reporting period, insurance liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related Deferred Policy Acquisition Costs (DPAC) and Reinsurers' Share of Unpaid Claims. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. A premium deficiency exists when estimated future claims and related expenses exceed unearned premiums. Any resulting deficiency is recognized first by writing down the DPAC with any remainder recognized as a premium deficiency in unpaid claims.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Structured Settlements

In the normal course of tort claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the consolidated statements of operations at the date of purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfill their obligations.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Service fees and other revenue are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i. Identifiable direct service fees and other revenue are allocated to each line of business.

ii. Where direct allocation is not possible, service fees and other revenue are prorated to each line of business based mainly on factors such as premiums written ratios, expense allocation ratios and investment income allocation ratios. The formulas developed for the allocation of service fees and other revenue are approved by the Board of Directors.

Investment income is allocated to the automobile insurance division lines of business, *The Drivers and Vehicles Act* operations and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i. Identifiable direct expenses are charged to each line of business.

ii. Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees, time usage, Contact Centre statistics, premiums written ratios and net claims incurred ratios. The basis for allocation of indirect shared expenses is approved by the Board of Directors.

iii. The allocation of improvement initiative costs is based on a review of each project to determine which line of business will benefit from the project. The allocation basis for each project is approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported gross and net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains or losses arising on translation are charged to operations in the current year.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in OCI, and included in accumulated other comprehensive income (AOCI) until recognized in the Statement of Operations.

Comprehensive Income

Comprehensive income consists of net income (loss) from operations and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS are recorded in OCI, and included in AOCI until recognized in the Statement of Operations. Actuarial gains and losses on employee future benefits amounts are recorded in OCI and included in AOCI. AOCI is included on the Statement of Financial Position as a separate component.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable.

DEFERRED DEVELOPMENT COSTS (INTANGIBLE ASSETS)

Deferred development costs represent a significant portion of ongoing expenditures related to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

PROVISION FOR UNPAID CLAIMS

With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to provide an opinion to the Corporation's Board of Directors regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

Provisions for unpaid claims and adjustment expenses are valued based on Canadian accepted actuarial practice, which are designed to ensure the Corporation establishes an appropriate reserve on the Statement of Financial Position to cover insured losses with respect to the reported and unreported claims incurred as of the end of each accounting period and claims expenses. The insurance contract liabilities include a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, the Appointed Actuary makes assumptions as to future loss ratios, trends, reinsurance recoveries, investment rates of return, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies.

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience. Sensitivity of these assumptions and the impact on net insurance contract liabilities and equity are fully disclosed in note 18.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

The Corporation has a defined benefit pension plan, severance benefit plan and post retirement extended health benefit plans. The determination of expenses and liabilities associated with employee future benefits requires the use of critical assumptions such as discount rates, expected mortality rate, inflation rates, expected salary increases and expected health care cost increases. Due to the nature of the estimates used in the valuation process there is inherent measurement uncertainty within the employee future benefit assumptions. See Note 16 for further details of the significant estimates and changes impacting the current period financial statements.

FAIR VALUE OF LEVEL THREE AFS AND FVTPL INVESTMENTS

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgement or estimation. See Note 4 for further details of valuation methods and assumptions.

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by The International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on January 1, 2014 or later periods. The standards that may have an impact to the Corporation are:

IAS 1 – Presentation of Financial Statements

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the consolidated financial statements and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

IFRS 4 – Insurance Contracts

The IASB is undertaking Phase II of the Insurance Contracts project to develop a standard to replace the current IFRS 4, *Insurance Contracts* that was developed in Phase I. The revised exposure draft of the new IFRS was released in June 2013. The exposure draft continues to propose a new standard on accounting for insurance contracts which would replace IFRS 4. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2019. The corporation continues to monitor developments in this area.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39 – "Financial Instruments: Recognition and Measurement" to IFRS 9 – "Financial Instruments". The amendments are effective on adoption of IFRS 9. The amendments are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. While the Corporation is not federally regulated, it generally follows OSFI's guidance on such matters. The Corporation is evaluating the impact this amendment will have on the financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

IAS 19R – Employee Benefits

In November 2013, the IASB issued a narrow scope amendment to IAS 19R. The amendment applies to contributions from employees or third parties to defined benefit plans. The amendment allows contributions independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the related service is rendered instead of attributed to period of service using the same attribution method as used for the gross benefit. The amendment is effective for annual periods beginning on or after July 1, 2014. The Corporation does not expect this amendment to impact the consolidated financial statements.

Annual Improvement Cycles

The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects.

The annual improvement cycles for 2010-2012 and 2011-2013 were issued by the IASB and included minor amendments to several standards. These amendments are effective for annual periods beginning on or after July 1, 2014. The Corporation has assessed the amendments and concluded that there is no impact to the consolidated financial statements.

Annual improvement 2012–2014 cycle was issued in September 2014 by the IASB, and included minor amendments to IFRS 7 and IAS 19R. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

4. Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit.

Cash equivalent investments have a total principal amount of $66.4 million (2014 – $89.7 million) comprised of provincial short-term deposits with effective interest rates of 0.60% to 0.68% (2014 - 0.87% to 0.89%), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million (2014 - $5.0 million). There were no drawdowns against this line of credit at February 28, 2015 (2014 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2015	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Fair Value**
Cash and cash equivalents	**68,882**				**68,882**
Bonds					
Federal	**-**	**-**	**114,774**	**-**	**114,774**
Manitoba:					
Provincial	**-**	**-**	**244,640**	**-**	**244,640**
Municipal	**-**	**10,552**	**27,179**	**-**	**37,731**
Hospitals	**-**	**-**	**10,867**	**-**	**10,867**
Schools	**-**	**596,239**	**-**	**-**	**596,239**
Other provinces:					
Provincial	**-**	**-**	**513,008**	**-**	**513,008**
Municipal	**-**	**-**	**128,815**	**-**	**128,815**
Corporations	**-**	**-**	**61,077**	**-**	**61,077**
	-	**606,791**	**1,100,360**	**-**	**1,707,151**
Other investments	**2,446**	**-**	**-**	**-**	**2,446**
Infrastructure	**-**	**-**	**55,930**	**-**	**55,930**
Equity investments	**520,802**	**-**	**-**	**-**	**520,802**
Pooled Real Estate Fund	**-**	**-**	**204,847**	**-**	**204,847**
Investments	**523,248**	**606,791**	**1,361,137**	**-**	**2,491,176**
Investment property	**-**	**-**	**-**	**42,417**	**42,417**
	592,130	**606,791**	**1,361,137**	**42,417**	**2,602,475**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2014	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Fair Value
Cash and cash equivalents	93,208	-	-	-	93,208
Bonds					
Federal		-	89,512	-	89,512
Manitoba:					
Provincial	-	-	270,443	-	270,443
Municipal	-	12,599	17,615	-	30,214
Hospitals	-	-	11,482	-	11,482
Schools	-	567,853	-	-	567,853
Other provinces:					
Provincial	-	-	447,472	-	447,472
Municipal	-	-	84,519	-	84,519
Corporations	-	-	49,351	-	49,351
	-	580,452	970,394	-	1,550,846
Other investments	3,885	-	-	-	3,885
Infrastructure	-	-	48,049	-	48,049
Equity investments	519,705	-	-	-	519,705
Pooled Real Estate Fund	-	-	192,920	-	192,920
Investments	523,590	580,452	1,211,363	-	2,315,405
Investment property	-	-	-	38,312	38,312
	616,798	580,452	1,211,363	38,312	2,446,925

Gross unrealized gains and gross unrealized losses included in AOCI on available for sale equity and other investments are comprised as follows:

As at February 28, 2015

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**324,639**	**119,922**	**444,561**
With unrealized (losses)	**90,498**	**(14,257)**	**76,241**
Subtotal – Equity Investments	**415,137**	**105,665**	**520,802**
Other Investments			
With unrealized gains	**790**	**1,562**	**2,352**
With unrealized (losses)	**165**	**(71)**	**94**
Subtotal – Other Investments	**955**	**1,491**	**2,446**
Total AFS Equity and Other Investments	**416,092**	**107,156**	**523,248**

As at February 28, 2014

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	383,296	99,296	482,592
With unrealized (losses)	37,914	(801)	37,113
Subtotal – Equity Investments	421,210	98,495	519,705
Other Investments			
With unrealized gains	1,251	2,128	3,379
With unrealized (losses)	598	(92)	506
Subtotal – Other Investments	1,849	2,036	3,885
Total AFS Equity and Other Investments	423,059	100,531	523,590

AFS financial assets where the investment's underlying cost is greater than the fair value, the loss has not been recognized in net income either because:

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

Fair Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair value hierarchy. The fair value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1 – Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2 – Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs may include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3 – Fair value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices may be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

No investments were transferred between levels in 2015 or 2014.

The following table presents financial instruments measured at fair value in the Statement of Financial Position, classified by level within the fair value hierarchy.

As at February 28, 2015 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**70,914**	**1,013,966**	**15,480**
Infrastructure	**-**	**-**	**55,930**
Pooled real estate	**-**	**204,847**	**-**
Total FVTPL financial assets	**70,914**	**1,218,813**	**71,410**
AFS financial assets			
Cash and cash equivalents	**68,882**	**-**	**-**
Other investments	**-**	**-**	**2,446**
Equity investments	**520,802**	**-**	**-**
Total AFS financial assets	**589,684**	**-**	**2,446**
Total assets measured at fair value	**660,598**	**1,218,813**	**73,856**

As at February 28, 2014 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	79,017	875,957	15,420
Infrastructure	-	-	48,049
Pooled real estate	-	192,920	-
Total FVTPL financial assets	79,017	1,068,877	63,469
AFS financial assets			
Cash and cash equivalents	93,208	-	-
Other investments	-	-	3,885
Equity investments	519,705	-	-
Total AFS financial assets	612,913	-	3,885
Total assets measured at fair value	691,930	1,068,877	67,354

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Balance at March 1	**63,469**	38,716	**3,885**	4,099
Total gains/(losses)				
Included in net income	**5,621**	726	**(830)**	-
Included in OCI	**-**	-	**(545)**	193
Purchases	**2,320**	24,027	**-**	-
Sales	**-**	-	**(64)**	(407)
Balance at February 28	**71,410**	63,469	**2,446**	3,885

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates market value. As of February 28, 2015 the fair value of municipal, utilities, schools and hospital bonds held to maturity is $606.8 million (2014 - $580.5 million).

Impairment

Impairment losses were based on management's best estimate of whether objective evidence of impairment exists, using available market data and other observable data. Impaired investments included in the Corporation's portfolio include the following:

As at February 28, 2015

(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**1,439**	**(830)**	**609**
	1,439	**(830)**	**609**

As at February 28, 2014

(in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	2,590	(1,194)	1,396
	2,590	(1,194)	1,396

Investment Income

(in thousands of Canadian dollars)	**2015**	2014
Interest income	**50,514**	47,704
Gain (loss) on sale of FVTPL bonds	**27,090**	(7,228)
Unrealized gain(loss) on FVTPL bonds	**75,691**	(15,792)
Unrealized gain on pooled real estate	**11,927**	19,918
Dividends on infrastructure investments	**985**	982
Unrealized gain on infrastructure investments	**5,562**	1,591
Dividend income	**28,468**	14,021
Gain on sale of equities and other investments	**28,935**	114,188
Gain on foreign exchange	**82**	2,478
Income from investment property	**1,848**	2,529
Impairment of AFS investments	**(830)**	(1,194)
Investment management fees	**(4,122)**	(4,074)
Total	**226,150**	175,123

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.1 million (2014 – $4.1 million). This includes $2.4 million (2014 – $2.7 million) of fees the Province paid to outside managers on the Corporation's behalf.

5. Investment Property – Non-Financial Instruments

(in thousands of Canadian dollars)	cityplace Building*	Surface Parking Lots	Parkade	Total
Cost				
Balance at March 1, 2013	23,822	4,578	10,822	39,222
Additions	3,051	-	-	3,051
Balance at February 28, 2014	26,873	4,578	10,822	42,273
Additions	5,423	-	-	5,423
Balance at February 28, 2015	**32,296**	**4,578**	**10,822**	**47,696**
Accumulated Depreciation				
Balance at March 1, 2013	2,282	-	855	3,137
Depreciation	601	-	223	824
Balance at February 28, 2014	2,883	-	1,078	3,961
Depreciation	1,096	-	222	1,318
Balance at February 28, 2015	**3,979**	-	**1,300**	**5,279**
Carrying Amounts				
At February 28, 2014	23,990	4,578	9,744	38,312
At February 28, 2015	**28,317**	**4,578**	**9,522**	**42,417**
Fair Value at February 28, 2015	**38,000**	**8,200**	**16,300**	**62,500**

* Includes the portion of the cityplace building not used for administrative purposes as well as tenant improvements.

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**4,080**	1,002
Claims paid ceded to reinsurers	**30,947**	3,105
Less: recovery from reinsurers	**(34,584)**	(27)
Balance at February 28	**443**	4,080

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**24,742**	26,312
Deferred during the year	**104,694**	106,036
Expensed during the year	**(104,169)**	(103,985)
Write-down	**(1,253)**	(3,621)
Balance at February 28	**24,014**	24,742

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. Refer to Note 3 for more information.

8. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings [1]	Furniture & Equipment [2]	Property under Finance Lease [3]	Property under Construction [4]	Total
Cost					
Balance at March 1, 2013	118,983	74,787	13,451	11,444	218,665
Additions	-	1,648	-	5,207	6,855
Disposals	(602)	(6,906)	-	-	(7,508)
Transfer from (out of) Property under construction[5]	9,409	-	-	(12,460)	(3,051)
Balance at February 28, 2014	127,790	69,529	13,451	4,191	214,961
Additions	-	1,617	-	3,602	5,219
Disposals	-	(5,377)	-	-	(5,377)
Transfer from (out of) Property under construction[5]	3,068	42	-	(3,114)	(4)
Balance at February 28, 2015	**130,858**	**65,811**	**13,451**	**4,679**	**214,799**
Accumulated Depreciation					
Balance at March 1, 2013	24,547	66,255	979	-	91,781
Disposals	(367)	(6,854)	-	-	(7,221)
Depreciation	2,955	3,260	336	-	6,551
Balance at February 28, 2014	27,135	62,661	1,315	-	91,111
Disposals	-	(5,231)	-	-	(5,231)
Depreciation	3,176	3,022	336	-	6,534
Balance at February 28, 2015	**30,311**	**60,452**	**1,651**	-	**92,414**
Carrying Amounts					
At February 28, 2014	100,655	6,868	12,136	4,191	123,850
At February 28, 2015	**100,547**	**5,359**	**11,800**	**4,679**	**122,385**

(1) Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems.
(2) Includes furniture, equipment, computer equipment and vehicles.
(3) Includes property located at 1284 Main Street in Winnipeg held under a financing lease. Refer to Note 12 for financing lease obligations.
(4) The Corporation is in the process of restoring the parkade in cityplace.
(5) Portions of the property under construction relate to the investment property portion of cityplace.

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2013	102,924
Additions	29,819
Balance at February 28, 2014	132,743
Additions	17,079
Balance at February 28, 2015	**149,822**
Accumulated Amortization	
Balance at March 1, 2013	55,311
Amortization	8,847
Balance at February 28, 2014	64,158
Amortization	16,575
Balance at February 28, 2015	**80,733**
Carrying Amounts	
At February 28, 2014	68,586
At February 28, 2015	**69,089**

Deferred development costs of $33.4 million (2014 - $56.0 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (2014 – nil).

10. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**1,934**	1,788
Change in reinsurance ceded premiums written less installment payments	**(415)**	86
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(1,518)**	60
Balance at February 28	**1**	1,934

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2015**	2014
Due to the Province of Manitoba	**11,160**	10,566
Payroll	**3,467**	2,973
Broker commissions	**8,119**	8,085
Provision for fleet rebates	**14,333**	14,178
International Registration Program payable to other jurisdictions	**5,717**	3,445
Other payables and accrued liabilities	**19,491**	23,779
Balance at February 28	**62,287**	63,026

12. Financing Lease Obligation

The Service Centre built on land in Winnipeg at 1284 Main Street and the land on which it is built are owned by a third-party and are leased to the Corporation. The provisions of the lease include an initial term of 25 years and, at the Corporation's option, three further terms of five years each. In accordance with IAS 17, *Leases*, the land portion has been recorded as an operating lease and the building portion as a financing lease. The details of the financing lease are as follows:

(in thousands of Canadian dollars with the exception of interest rates)	**2015**	2014
Interest rate	**6.70%**	6.70%
Interest expense for the year	**295**	299
Financing lease obligation at February 28	**4,364**	4,425

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Not later than one year	**373**	356	**360**	343
Later than one year and not later than five years	**1,500**	1,499	**1,313**	1,311
Later than five years	**6,235**	6,610	**3,877**	3,988
Total	**8,108**	8,465	**5,550**	5,642

13. Operating Leases

AS A LESSEE:

The Corporation leases offices in Winnipeg, Brandon, Portage la Prairie and Steinbach and vehicles temporarily assigned to certain Corporate employees. These leases are classified as operating leases in accordance with IAS 17, *Leases*. The lease terms for the offices are all under ten years and the lease terms of the vehicles are all under five years. Also classified as an operating lease is the land portion of the Service Centre located at 1284 Main Street in Winnipeg. None of the leases are subleased and no contingent rent is payable for any of the lease arrangements.

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2015**	2014
Not later than one year	**801**	826
Later than one year and not later than five years	**2,559**	2,877
Later than five years	**1,614**	1,980
Total	**4,974**	5,683

During the year ended February 28, 2015, $857 thousand was recognized as an expense for operating leases (2014 - $850 thousand) in the Statement of Operations.

AS A LESSOR:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, two adjacent parking lots and one adjacent parkade. The cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation uses approximately 60% of the building for administrative purposes and leases out the remaining 40%. Tenant improvements are 100% investment property and therefore do not factor into the calculation. The leases are all classified as operating leases.

Future minimum lease payments under non-cancellable leases to be received are:

(in thousands of Canadian dollars)	**2015**	2014
Not later than one year	**3,530**	3,319
Later than one year and not later than five years	**9,934**	11,578
Later than five years	**7,317**	8,450
Total	**20,781**	23,347

During the year ended February 28, 2015, income from investment property includes gross rental income from operating leases of $13.2 million (2014 - $12.6 million) and gross rental expenses pertaining to operating leases of $11.4 million (2014 - $10.0 million). Included in rental income is income contingent on retail sales of $205 thousand (2014 - $189 thousand).

14. Unearned Premiums and Fees

(in thousands of Canadian dollars)	**Gross**	**2015 Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**457,113**	**61**	**457,052**
Premiums written	**1,044,356**	**17,801**	**1,026,555**
Premiums earned	**(1,019,553)**	**(17,783)**	**(1,001,770)**
Balance at February 28	**481,916**	**79**	**481,837**
Prepaid premiums	**38,151**	**-**	**38,151**
Unearned fees	**7,054**	**-**	**7,054**
Balance at February 28	**527,121**	**79**	**527,042**

(in thousands of Canadian dollars)	Gross	2014 Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	435,478	69	435,409
Premiums written	995,556	17,564	977,992
Premiums earned	(973,921)	(17,572)	(956,349)
Balance at February 28	457,113	61	457,052
Prepaid premiums	36,070	-	36,070
Unearned fees	4,628	-	4,628
Balance at February 28	497,811	61	497,750

15. Provision for Employee Current Benefits

The provision for employee current benefits includes banked vacation, accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**21,800**	21,501
Provisions incurred	**14,690**	15,351
Payments	**(14,326)**	(15,052)
Balance at February 28	**22,164**	21,800

16. Provision for Employee Future Benefits

The Corporation has a defined benefit pension plan, severance benefit plan and post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2014, with the next scheduled actuarial valuation being December 31, 2015.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 17.15 years (2014 – 16.0 years). Results from the most recent actuarial valuations, projected to February 28, 2015 and the corresponding economic assumptions are as follows:

Assumptions:	Pension Benefit Plan		Other Benefit Plans	
	2015	2014	**2015**	2014
Discount rate	**3.60%**	4.20%	**3.60%**	4.20%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**2.75%**	0.00%		
Expected health care cost increase (out of scope)			**5.50%**	5.80%
Expected health care cost increase (in scope)			**2.00%**	2.00%

Change in benefit obligations:

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2015	2014	**2015**	2014
Balance at March 1	**285,326**	285,360	**47,812**	46,795
Current service cost	**12,054**	12,245	**5,059**	4,084
Interest cost	**12,349**	11,710	**780**	772
Benefits paid	**(9,659)**	(8,733)	**(2,701)**	(2,879)
Remeasurement (gains) losses recognized in OCI	**39,264**	(15,256)	**835**	(960)
Balance at February 28	**339,334**	285,326	**51,785**	47,812
Employee contribution for the year	**8,909**	8,257	**-**	-

Plan Assets

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The Corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

Benefit Plan Expenses

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2015	2014	**2015**	2014
Current service cost	**12,054**	12,245	**5,059**	4,084
Interest cost	**12,349**	11,710	**780**	772
	24,403	23,955	**5,839**	4,856

Sensitivity analysis

Based on the December 31, 2014 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan	
Gain due to discount rate increasing from 3.60% to 4.60% (plus 1.00%)	(54,918)
Loss due to discount rate decreasing from 3.60% to 2.60% (minus 1.00%)	72,352
Loss due to mortality life expectancy at age 65 up one year	4,608
Loss due to inflation indexing (2/3rd COLA) increasing from 2.00% to 3.00% (plus 1.00%)	30,541
Gain due to inflation indexing (2/3rd COLA) decreasing from 2.00% to 1.00% (minus 1.00%)	(26,626)
Other Benefit Plans	
Gain due to discount rate increasing from 3.60% to 4.60% (plus 1.00%)	(4,635)
Loss due to discount rate decreasing from 3.60% to 2.60% (minus 1.00%)	6,242
Loss due to mortality life expectancy at age 65 up one year	1,253
Loss due to health care cost inflation indexing increasing 1.00%	6,072
Gain due to health care cost inflation indexing decreasing 1.00%	(4,617)

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at the end of February, 2015 and 2014.

(in thousands of Canadian dollars)	**2015**		
	Gross	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,132,334**	**6,092**	**1,126,242**
Provision for incurred but not reported claims	**329,775**	**1,578**	**328,197**
Provision for internal loss adjusting expenses	**175,057**	**-**	**175,057**
Effect of discounting	**(143,066)**	**(155)**	**(142,911)**
Provision for adverse deviation	**280,516**	**603**	**279,913**
Premium deficiency	**11,950**	**-**	**11,950**
Provision for Unpaid Claims	**1,786,566**	**8,118**	**1,778,448**
Provision for Unearned Premiums (Note 14)	**481,916**	**79**	**481,837**
Insurance Contract Provisions	**2,268,482**	**8,197**	**2,260,285**

(in thousands of Canadian dollars)	2014		
	Gross	Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,164,186	21,487	1,142,699
Provision for incurred but not reported claims	306,852	1,728	305,124
Provision for internal loss adjusting expenses	168,255	-	168,255
Effect of discounting	(233,065)	(291)	(232,774)
Provision for adverse deviation	281,762	1,817	279,945
Premium deficiency	20,724	-	20,724
Provision for Unpaid Claims	1,708,714	24,741	1,683,973
Provision for Unearned Premiums (Note 14)	457,113	61	457,052
Insurance Contract Provisions	2,165,827	24,802	2,141,025

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at the end of February, 2015 and 2014.

(in thousands of Canadian dollars)	**2015**		
	Gross	**Reinsurance Ceded**	**Net**
Basic	**1,917,396**	**2,122**	**1,915,274**
Extension	**96,603**	**(604)**	**97,207**
Special Risk Extension	**105,083**	**6,231**	**98,852**
Total undiscounted	**2,119,082**	**7,749**	**2,111,333**
Discounting with Provision for Adverse Deviation and premium deficiency	**149,400**	**448**	**148,952**
Total Insurance Contract Provisions	**2,268,482**	**8,197**	**2,260,285**

(in thousands of Canadian dollars)	2014		
	Gross	Reinsurance Ceded	Net
Basic	1,908,747	16,122	1,892,625
Extension	97,959	(603)	98,562
Special Risk Extension	110,434	7,767	102,667
Total undiscounted	2,117,140	23,286	2,093,854
Discounting with Provision for Adverse Deviation	48,697	1,526	47,171
Total Insurance Contract Provisions	2,165,837	24,812	2,141,025

18. Claims Liabilities

METHODOLOGY AND ASSUMPTIONS

The best estimates of claim liabilities are determined based on a review of the projected ultimate claim liabilities using various standard actuarial techniques. In particular, the techniques used to project ultimate claim liabilities include the incurred loss development method, the paid loss development method, the incurred Bornheutter-Ferguson method, and the paid Bornheutter-Ferguson method. The projected ultimate claim liabilities are then determined by selection of the most appropriate technique by line of business, coverage, and maturity of the accident year.

Loss Development Method

The loss development method projects ultimate claims for each accident year using the reported/paid losses as at the valuation date, and assuming that future development on these losses is similar to prior accident years' development. The underlying assumption of the method is that the reported/paid-to-date losses will continue to develop in a similar manner in the future.

Bornheutter-Ferguson Method

The Bornheutter-Ferguson Method projects ultimate claims for each accident year by adding the expected unreported/unpaid losses to the reported/paid losses as at the valuation date. The expected unreported/unpaid losses are determined as the product of the expected loss ratio and the percent unreported/unpaid, the latter based on the maturity of the accident year. An implicit assumption of this method is that the reported/paid-to-date losses contain no informational value as to the amount of losses yet to be reported/paid.

Claim liabilities are initially determined on an undiscounted gross basis. Ceded claim liabilities are then deducted to determine the claim liabilities on an undiscounted net basis.

By line of business and coverage, losses paid and incurred for the last 20 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for Comprehensive coverage and indexed coverages:

- For Comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's

catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

Ratios of loss amounts at successive development years are calculated to build loss development factor triangles. Loss development factors are selected based on observed historical development pattern. Judgment is used whenever there is significant variability in the observed historical development pattern, which happens with coverages with a small number of claims. Judgment is also used, in the absence of available supporting data, to determine tail factors for long-tailed coverages.

The loss data does not include internal loss adjustment expenses (ILAE). As such, a provision for ILAE is determined based on the observed historical ratios of paid ILAE to paid losses. The method assumes that half of the ILAE is paid when the claim is first set up, with the remaining half being paid to maintain the claim. An ILAE ratio is selected based on the observed historical ratios. Half of the selected ratio is applied to case reserves. The full ratio is applied to incurred but not reported (IBNR) losses.

The loss data includes salvage and subrogation. As such, a separate analysis is not performed.

Ceded claim liabilities and net claim liabilities are determined as follows:
- For catastrophe reinsurance, estimates of gross claim liabilities are determined for each catastrophic loss. The net claim liabilities were then determined as the gross claim liabilities less the applicable recovery. The ceded claim liabilities are the applicable recovery.
- For casualty reinsurance, aggregate ceded claim liabilities by insurance year are determined taking into consideration discounting, retention levels, and other contract provisions. These liabilities are deducted from gross claim liabilities to determine net claim liabilities.

The undiscounted claim liabilities are adjusted to determine the discounted claim liabilities on an actuarial present value basis. Two adjustments are made to conform to the Actuarial Standards of Practice of the Canadian Institute of Actuaries:
- The undiscounted claim liabilities are discounted based on a selected discount rate, which is determined based on the average duration weighted yield for the Corporation's bond portfolio as at the end of the fiscal year; and
- Provisions for adverse deviation are added to the discounted claim liabilities to obtain the discounted claim liabilities on an actuarial present value basis.

The estimates for unearned premium liabilities are also tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

CHANGES IN ASSUMPTIONS

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, decreased by 76 basis points, from 3.68% to 2.92%, between the February 28, 2014 valuation and the February 28, 2015 valuation. The decrease in the selected discount rate increased the discounted net claim liabilities by $112.2 million and ILAE provision by $12.2 million.

Interest Rate Margin for Adverse Deviation

The interest rate margin for adverse deviation (MFAD) is decreased from 100 basis points to 75 basis points i.e. a decrease of 25 basis points. This decrease is to reflect the low discount rate used in the valuation of claim liabilities. The real discount rate as at February 28, 2015 was 0.90%, which would have resulted in a negative discount rate based on the interest rate MFAD of 100 basis points. The decrease in the interest rate MFAD decreased the discounted net claim liabilities by $24.7 million and ILAE provision by $2.7 million.

Change in Loss Development Factors

The selected loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is an increase in the discounted net claim liabilities of $13.2 million and ILAE provision of $2.7 million.

Change in Selected ILAE Ratio

The selected ILAE loss ratios for all coverages are reviewed and revised to reflect recent indications. The aggregate effect of all revisions to the selected ILAE ratios is a decrease in the ILAE provision of $4.6 million.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

Balance at February 28, 2015 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,628,459**	**8,118**	**1,620,341**
Physical Damage	**155,771**	**-**	**155,771**
	1,784,230	**8,118**	**1,776,112**
Discontinued Operations - Personal/Commercial Lines	**2,336**	**-**	**2,336**
	1,786,566	**8,118**	**1,778,448**

Balance at February 28, 2014 (in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,492,848	24,723	1,468,125
Physical Damage	212,080	18	212,062
	1,704,928	24,741	1,680,187
Discontinued Operations - Personal/Commercial Lines	3,786	-	3,786
	1,708,714	24,741	1,683,973

CHANGES IN UNPAID CLAIMS AND ILAE PROVISION

Gross

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**1,519,735**	1,403,569
Effect of discounting and Provision for Adverse Deviation	**(48,697)**	(70,518)
Undiscounted unpaid claims at March 1	**1,471,038**	1,333,051
Ultimate claims for current accident year	**695,156**	747,160
Payment on current accident year claims	**(416,666)**	(416,247)
Change in ultimate claims from prior accident years	**25,374**	71,397
Payments on prior accident years claims	**(312,793)**	(264,323)
Undiscounted unpaid claims at February 28	**1,462,109**	1,471,038
Effect of discounting and Provision for Adverse Deviation	**137,450**	48,697
Premium deficiency	**11,950**	20,724
Discounted unpaid claims at February 28	**1,611,509**	1,540,459
ILAE provision	**175,057**	168,255
Total unpaid claims provision	**1,786,566**	1,708,714

Reinsurance Ceded

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**24,741**	33,732
Effect of discounting and Provision for Adverse Deviation	**(1,526)**	(2,730)
Undiscounted unpaid claims at March 1	**23,215**	31,002
Ultimate claims for current accident year	**447**	2,796
Payments on current accident years	**-**	(2,246)
Change in ultimate claims from prior accident years	**(477)**	3,132
Payments on prior accident years claims	**(15,515)**	(11,469)
Undiscounted unpaid claims at February 28	**7,670**	23,215
Effect of discounting and Provision for Adverse Deviation	**448**	1,526
Discounted unpaid claims at February 28	**8,118**	24,741
ILAE provision	**-**	-
Total unpaid claims provision	**8,118**	24,741

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**1,494,994**	1,369,837
Effect of discounting and Provision for Adverse Deviation	**(47,171)**	(67,789)
Undiscounted unpaid claims at March 1	**1,447,823**	1,302,048
Ultimate claims for current accident year	**694,709**	744,364
Payment on current accident year claims	**(416,666)**	(414,001)
Change in ultimate claims from prior accident years	**25,851**	68,265
Payments on prior accident years claims	**(297,278)**	(252,853)
Undiscounted unpaid claims at February 28	**1,454,439**	1,447,823
Effect of discounting and Provision for Adverse Deviation	**137,002**	47,171
Premium deficiency	**11,950**	20,724
Discounted unpaid claims at February 28	**1,603,391**	1,515,718
ILAE provision	**175,057**	168,255
Total unpaid claims provision	**1,778,448**	1,683,973

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $280.0 million (2014 – $279.9 million). This is comprised of a claims development PfAD of $169.9 million (2014 – $153.5 million), an interest rate PfAD of $109.7 million (2014 – $125.3 million), and a reinsurance PfAD of $0.4 million (2014 - $1.1 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2014 – nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2015 are a decrease of $1.1 million (2014 – no change). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Unpaid claim liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

DEVELOPMENT OF ULTIMATE CLAIMS

The following table represents the development of claims on the gross basis as of February 28, 2015.

Gross	Accident Year								
(in thousands of Canadian dollars)	2008	2009	2010	2011	2012	2013	2014	2015	8 Year Total
Estimate of ultimate claims costs for the most recent eight years:									
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	695,156	
One year later	672,846	591,749	611,577	627,341	628,331	688,939	749,198		
Two years later	669,780	576,027	608,583	635,392	648,565	693,249			
Three years later	638,322	556,757	610,837	633,448	641,615				
Four years later	636,848	576,287	604,017	643,939					
Five years later	642,221	578,040	606,305						
Six years later	647,992	580,572							
Seven years later	648,971								
Current estimate of cumulative claims cost	648,971	580,572	606,305	643,939	641,615	693,249	749,198	695,156	5,259,006
Cumulative payments to date	579,607	512,554	536,164	569,408	559,775	593,964	619,255	416,666	4,387,393
Effect of discounting and PfAD on above	7,429	7,151	7,141	7,766	8,125	9,998	12,319	22,299	82,227
Discounted gross unpaid claims in respect of years prior to 2008									643,477
Total gross unpaid claims									1,786,566
Current estimate of surplus (deficiency)	42,134	24,831	35,223	(10,108)	(16,680)	(30,577)	(2,038)	-	

The following table represents the development of claims on the net of reinsurance basis as of February 28, 2015.

Net of Reinsurance Ceded (in thousands of Canadian dollars)	Accident Year								
	2008	2009	2010	2011	2012	2013	2014	2015	8 Year Total
Estimate of ultimate claims costs for the most recent eight years:									
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	694,710	
One year later	632,233	591,300	590,027	626,998	628,030	688,605	746,019		
Two years later	629,452	575,765	586,460	635,164	648,282	693,029			
Three years later	598,087	556,562	590,448	633,271	641,356				
Four years later	595,360	576,148	583,748	643,834					
Five years later	601,993	577,951	585,925						
Six years later	607,862	580,511							
Seven years later	608,808								
Current estimate of cumulative claims cost	608,808	580,511	585,925	643,834	641,356	693,029	746,019	694,710	5,194,192
Cumulative payments to date	539,502	512,555	515,864	569,407	559,775	593,964	616,560	416,666	4,324,293
Effect of discounting and PfAD on above	7,428	7,150	7,141	7,766	8,124	9,999	12,305	22,300	82,213
Discounted gross unpaid claims in respect of years prior to 2008									637,087
Total net unpaid claims									1,778,448
Current estimate of surplus (deficiency)	40,877	24,421	32,981	(10,532)	(16,890)	(30,834)	(1,655)	-	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporations claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $53.3 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected. A 0.90% decrease in the interest rate would increase PIPP claim liabilities by approximately $41.8 million. We have assumed that the interest rate with margin will not be less than zero. However, this impact would be largely offset by gains on the Corporation’s fixed income portfolio. Changes to the assumptions for other coverages or lines of business are considered to be less material.

19. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2015, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2014 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $15.0 million (2014 – $15.8 million). These arrangements protect the Corporation against losses up to $266.7 million (2014 – $266.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

20. Capital Management

The Corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business to maintain financial stability. In addition, specific levels of retained earnings have been appropriated to support one corporate initiative:

Retained earnings are comprised of the accumulation of net income or losses for the Basic and non-Basic lines of business. Non-Basic lines of business consists of Extension and Special Risk Extension (SRE) lines of business and *The Drivers and Vehicles Act* operations.

The Basic Rate Stabilization Reserve (RSR) relates to the basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

The Corporation's Board of Directors current target for total equity (which includes Basic retained earnings and the Basic portion of AOCI) is $213.0 million (2014 - $172.0 million for retained earnings only target) based on the 2014 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's Chief Actuary concluded that a minimum total equity level of $213.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than $213.0 million would result in a "not satisfactory" opinion because there were plausible adverse scenarios identified where liabilities exceed assets.

In 2010, the Corporation began using the maximum of the Public Utilities Board RSR target in its Public Utilities Board rate application for ratemaking purposes. The Public Utilities Board has established the Basic RSR target for rate-setting purposes based on 10.0% to 20.0% of written premiums. Based on the Public Utilities Board methodology, as at February 28, 2015, this range is $82.5 million to $165.0 million (2014 - $78.5 million to $156.9 million). In Order No. 11.12, the DCAT Technical Conference shall continue, on terms, and pending the Public Utilities Board's determination of the RSR target, the RSR target range will continue to be calculated on the basis of the Kopstein approach.

The Corporation's Board of Directors' current target level for Extension total equity (Retained Earnings and Extension's portion of AOCI) is $72.0 million (2014 - $72.0 million) based on the 2014 Extension Minimum Capital Test (MCT) report. Based on this target the Corporation's Chief Actuary has concluded that the future financial condition of this line of business is satisfactory.

The Corporation's Board of Directors' current target level of $45.0 million (2014 - $42.0 million) for SRE total equity (Retained Earnings and SRE's portion of AOCI) is based on the 2014 SRE MCT report. The Corporation's Chief Actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory.

The Extension Development Fund (EDF), is an appropriation from the non-Basic line of business Retained Earnings. The EDF was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing. As of February 28, 2014 the EDF was depleted to zero and was closed.

The below chart depicts the components of Retained Earnings.

(in thousands of Canadian dollars)	Basic		Non-Basic			Total
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings
Balance as at March 1, 2013	149,800	19,240	72,000	117,557	6,723	365,320
Net income (loss) from operations for the year	-	(69,162)	-	24,314	-	(44,848)
Transfer between RSR & B-RE	(49,922)	49,922	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	42,000	(42,000)	-	-
Transfer between NB-RE & EDF	-	-	-	6,723	(6,723)	-
Balance as at February 28, 2014	99,878	-	114,000	106,594	–	320,472
Net income (loss) from operations for the year	-	2,440	-	55,138	-	57,578
Transfer between RSR & B-RE	2,440	(2,440)	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	3,000	(3,000)	-	-
Transfer between NB-RE & RSR	75,500	-	-	(75,500)	-	-
Balance as at February 28, 2015	**177,818**	**-**	**117,000**	**83,232**	**-**	**378,050**

(in thousands of Canadian dollars)	
RSR before transfer from Non-Basic Retained Earnings (NB-RE)	102,318
AOCI-Basic (Note 21)	35,262
	137,580
Basic Target based on total equity	213,000
Transfer required from NB-RE to RSR	75,500

21. Accumulated Other Comprehensive Income

AOCI reflects the net unrealized gain or loss on financial assets classified as AFS and net actuarial gain (loss) on employee future benefits. Changes in AOCI by type of asset are presented below.

(in thousands of Canadian dollars)	Equity Investments	Other Investments	Total AOCI
Balance at March 1, 2013	102,464	(37,805)	64,659
Items that will not be reclassified to income			
Employee future benefits gain (loss)	-	16,216	16,216
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	108,763	207	108,970
Reclassification of net realized (gains) losses related to AFS assets	(112,732)	(262)	(112,994)
Balance at February 28, 2014	98,495	(21,644)	76,851
Items that will not be reclassified to income			
Employee future benefits gain (loss)	-	(40,099)	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	35,978	(1,289)	34,689
Reclassification of net realized (gains) losses related to AFS assets	(28,808)	744	(28,064)
Balance at February 28, 2015	**105,665**	**(62,288)**	**43,377**

Basic AOCI at February 28, 2015	**35,262**
Non-Basic AOCI at February 28, 2015	**8,115**
Total AOCI at February 28, 2015	**43,377**

22. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**2015**	2014
Transaction fees	**8,022**	7,690
Time payment fees	**2,796**	2,719
Time payment interest	**14,172**	13,132
Late payment fees	**1,079**	1,106
Dishonoured payment fees	**861**	772
Identity card/Enhanced identity card fees	**348**	294
Other miscellaneous revenue	**819**	2,988
	28,097	28,701

23. The *Drivers and Vehicles Act* Operations Recovery

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation are $27.9 million per year.

The Corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of Canadian dollars)	**2015**	2014
Vehicle registration fees	**180,295**	175,877
Driver licensing fees	**23,918**	22,913
	204,213	198,790

24. Net Income (Loss) From Operations

The lines of business reported net income (loss) from operations is as follows:

(in thousands of Canadian dollars)	**2015**	2014
Basic insurance	**2,440**	(69,162)
Extension insurance	**43,134**	31,125
Special risk extension insurance	**10,768**	(6,932)
The *Drivers and Vehicles Act* operations	**1,236**	121
	55,138	24,314
Net income (loss) from operations	**57,578**	(44,848)

25. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987, and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001, the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the un-commuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987, including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $1.6 million (2014 – $0.3 million) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $2.3 million (2014 – $3.8 million) relating to discontinued operations.

26. Commitments

As of February 28, 2015, the Corporation has no material commitments.

27. Related-Party Transactions

Key Management Personnel

Key management personnel are comprised of all members of the Board of Directors and the named Executive management team. The summary of compensation of key management personnel for the year is as follows:

(in thousands of Canadian dollars)	**2015**	2014
Short term benefits	**1,606**	1,608
Post-employment benefits	**251**	196
Other long-term benefits	**24**	24
Termination benefits	**-**	-
	1,881	1,828

Key management personnel and their close relatives may have insurance policies with the Corporation as required by *The Manitoba Public Insurance Corporation Act*. The terms and conditions of such transactions are the same as those available to clients and employees of the Corporation.

Province of Manitoba

Investment management fees paid to the Department of Finance are disclosed in Note 4.

Accounts Payable and Accrued Liabilities includes $11.2 million (2014 - $10.6 million) due to the Province of Manitoba.

28. Insurance and Financial Risk Management

Insurance Risk

The Corporation is exposed to insurance risk in that the risk under any one insurance contract creates the possibility that the insured event occurs and there is uncertainty regarding the amounts of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

Financial Risk

Investments carry certain financial risks including market risk, credit risk and liquidity risk. In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act,* the Minister of Finance is responsible for the investments of the Corporation. The Minister has charged the Department of Finance with the operational management of the fund. The Corporation, through the Investment Committee of the Board, and the Department jointly determine appropriate policies and strategies to mitigate risk. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 28, 2015, total foreign denominated financial instruments had a carry value of $139.0 million U.S. ($173.8 million Cdn) and £6.4 million GBP ($12.3 million Cdn) which is approximately 7.2% of the Corporation's investment portfolio.

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10.0 million par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13.4 million. As of February 28, 2015 the fair value of the swap was $15.4 million. The maturity date of the currency swap and the bond is July 15, 2023.

INTEREST RATE RISK

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

The market valuation of the Corporation’s fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

Bonds	Average Effective Rate - %	
	2015	2014
Federal	**1.96**	2.57
Provincial	**2.25**	2.75
Municipal	**2.81**	3.93
Hospitals	**1.68**	1.94
Schools	**4.91**	5.02
Corporations	**2.52**	2.28

As at February 28, 2015, a 100 basis point increase in interest rates would result in a decrease in the fair value of the Corporation's fixed income portfolio of approximately $107.2 million (2014 - $67.3 million), whereas a 100 basis point decrease in interest rates would result in an increase in the fair value of the Corporation’s fixed income portfolio of approximately $131.0 million (2014 - $78.9 million). As all of the Corporation’s marketable fixed income assets are now classified as FVTPL, all changes would affect net income.

Fluctuations in interest rates would also have an impact on the Corporation's unpaid claims. The Corporation's duration of its fixed income portfolio approximates the duration of its unpaid claims liability and therefore, any change in interest rates related to these investments is largely mitigated by an offsetting impact on the unpaid claims liability.

EQUITY PRICE RISK

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2015, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $52.3 million (2014 - $52.0 million) change in OCI.

As all equities are classified as AFS, all changes in prices are recorded as OCI and do not directly impact the Statement of Operations until such time as an investment is sold or has become

impaired (Refer to Note 3). The Corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

Credit risk is the potential for the Corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the Corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

The following table summarizes the Corporation's maximum exposure to credit risk on the Statement of Financial Position. The maximum credit exposure is the carrying value of the asset net of any allowance for loss.

(in thousands of Canadian dollars)	**2015**	2014
Cash and cash equivalents	**68,882**	93,208
Bonds	**1,707,151**	1,550,846
Due from other insurance companies	**443**	4,080
Accounts receivable	**387,909**	334,137
Reinsurance receivable	**8,118**	24,741
Maximum credit risk exposure on the Statement of Financial Position	**2,172,503**	2,007,012

FIXED INCOME SECURITIES CREDIT RISK

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service at February 28. All Manitoba municipal, schools and hospitals bonds are backed by the Province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	2015		2014	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**211,548**	**12.4%**	137,412	8.9
AA	**1,471,257**	**86.2%**	1,391,128	89.7
A	**24,346**	**1.4%**	22,306	1.4
	1,707,151	**100.0%**	1,550,846	100.0

ACCOUNTS RECEIVABLE CREDIT RISK

The Corporation's accounts receivable are comprised of customers with varying financial conditions as the Corporation is required to provide basic insurance to all vehicle owners and drivers in the Province of Manitoba. All significant past due receivables, including subrogation receivables, are fully provided for due to the uncertainty of collection. Substantially all remaining receivables are deemed to be collectible within 12 months. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the Corporation's accounts receivable by major category.

(in thousands of Canadian dollars)	**2015**	2014
Policy and time payments	**350,269**	296,978
Accrued interest	**25,684**	24,292
Subrogation and other receivables	**33,885**	32,602
Allowance for doubtful accounts	**(21,929)**	(19,735)
Balance at February 28	**387,909**	334,137

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**19,735**	6,549
Accounts written off	**(2,031)**	(370)
Current period provision	**4,225**	13,556
Balance at February 28	**21,929**	19,735

REINSURANCE RECEIVABLE CREDIT RISK

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were no outstanding amounts as of February 28, 2015 (2014 – $1.9 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2014/2015 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2014/2015 fiscal year, 16 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 35.0% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2014/2015 and no allowance for doubtful accounts has been established as at February 28, 2015.

STRUCTURED SETTLEMENTS CREDIT RISK

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $158.1 million (2014 – $149.7 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The Corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the Corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the Corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds - maturity profile

(in thousands of Canadian dollars)	**2015** Within One Year	One Year to Five Years	After Five Years	Total Fair Value
Federal	**-**	**-**	**114,774**	**114,774**
Manitoba				
Provincial	**5,000**	**22,969**	**216,671**	**244,640**
Municipal	**205**	**6,348**	**31,178**	**37,731**
Hospitals	**-**	**10,867**	**-**	**10,867**
Schools	**1,018**	**17,003**	**578,218**	**596,239**
Other Provinces				
Provincial	**5,561**	**96,402**	**411,045**	**513,008**
Municipal	**-**	**8,051**	**120,764**	**128,815**
Corporations	**-**	**14,118**	**46,959**	**61,077**
	11,784	**175,758**	**1,519,609**	**1,707,151**

(in thousands of Canadian dollars)	2014 Within One Year	One Year to Five Years	After Five Years	Total Fair Value
Federal	-	9,071	80,441	89,512
Manitoba				
Provincial	-	33,522	236,921	270,443
Municipal	165	10,702	19,347	30,214
Hospitals	-	11,482	-	11,482
Schools	703	8,784	558,366	567,853
Other Provinces				
Provincial	10,024	138,493	298,955	447,472
Municipal	5,133	5,555	73,831	84,519
Corporations	-	24,046	25,305	49,351
	16,025	241,655	1,293,166	1,550,846

Liability Liquidity

(in thousands of Canadian dollars)	**2015** Within One Year	One Year To Five Years	After Five Years	Total Value
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**285,573**	**270,090**	**1,051,722**	**1,607,385**

(in thousands of Canadian dollars)	2014 Within One Year	One Year To Five Years	After Five Years	Total Value
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	333,375	262,478	1,007,442	1,603,295

29. Non-current assets and liabilities

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 28, 2015 and February 28, 2014.

(in thousands of Canadian dollars)	**2015**	2014
Assets:		
Bonds	**1,695,367**	1,534,822
Equity investments	**520,753**	519,705
Pooled real estate	**204,847**	192,919
Infrastructure and other investments	**58,376**	51,925
Reinsurers' share of unpaid claims	**7,665**	23,681
Total assets	**2,487,008**	2,323,052
Liabilities:		
Financing lease obligation	**3,991**	4,069
Provision for paid claims	**1,500,458**	1,359,878
Total liabilities	**1,504,449**	1,363,947
Net assets due after one year	**982,559**	959,105

30. Rate Regulation

Under the provisions of *The Crown Corporations Public Review and Accountability Act,* the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 88% (2014 - 87%) of the total business based on net claims incurred.

Annually the Corporation prepares its Basic Insurance general rate application and files it with the Public Utilities Board in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The Corporation is required to pay a portion of the Public Utilities Board's operating costs relating to the Corporation's share of the overall Public Utilities Board budget. In addition, the Public Utilities Board can also order the Corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

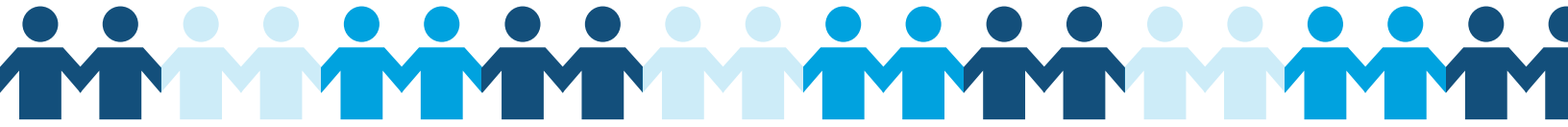
31. Subsequent Events

No subsequent events have occurred after February 28, 2015.

32. Contingent Liabilities

The Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Corporation.

FINANCIAL REPORT



Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 19, 2015.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors and actuaries have unlimited access to the Audit Committee. The Committee reviews the financial statements and other content of the annual report with management and the external auditors, and reports to the Board of Directors prior to their approval for publication.

The Chief Actuary of the WCB completed an actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as a peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 33. Eckler Ltd.'s actuarial review is provided on page 34.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditor's Report, on page 35, outlines the scope of this independent audit and includes their opinion expressed on the 2014 consolidated financial statements.

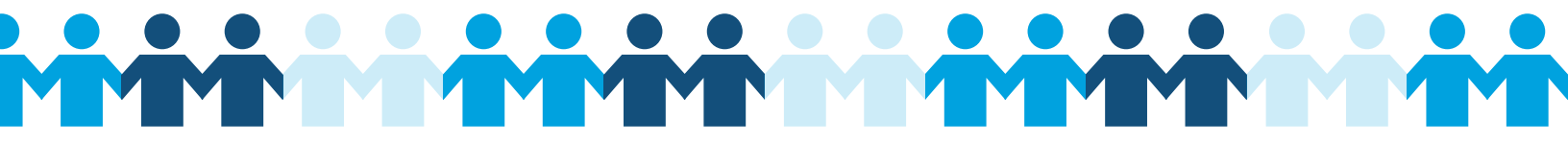
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Winston Maharaj
President and CEO

Original document signed

Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 19, 2015



Actuarial Opinion

with respect to Future Benefit Liabilities of the Workers Compensation Board of Manitoba
based on an actuarial valuation as at December 31, 2014

I have completed an actuarial valuation as at December 31, 2014 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2014 financial statements which are prepared in accordance with International Financial Reporting Standards.

My estimate of the liabilities as at December 31, 2014 is $1,080.7 million. This includes provisions for claims arising from specific long latent occupational diseases.

I reviewed the data and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation.

The economic assumptions used are consistent with those of the prior valuation. The discount rate used is six per cent. The inflation assumptions are three per cent for inflation linked benefits, and four per cent for wage linked benefits and 6.5 per cent for healthcare benefits and are unchanged from the previous valuation.

The mortality assumption for disability and survivor benefits is the generational table created from the Manitoba Life Table 2009-2011 projected from 2010 using the Canadian Pension Mortality Improvement Scale B (CPM-B) projection scale. The mortality assumption for life insurance benefits is the static table created from the Manitoba Life Table 2009-2011 projected to 2015 using the CPM-B projection scale. In the prior valuation the mortality assumption for disability and survivor benefits and life insurance benefits was the Manitoba Life Table 2000-02.

The assumptions and methods used in the valuation, as described in my report, are based on the current practices and administrative procedures of the WCB and on historical claims experience.

In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

In my opinion, the assumptions are appropriate for the purpose of the valuation.

In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,

Original document signed

Michael Williams, Fellow, Canadian Institute of Actuaries
Chief Actuary, WCB

February 18, 2015



Actuarial Review

with respect to the Valuation of the Future Benefit Liabilities of the Workers Compensation Board of Manitoba
as at December 31, 2014

We have reviewed the actuarial valuation as at December 31, 2014 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The valuation was performed by the Chief Actuary of the Workers Compensation Board of Manitoba. The purpose of the valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2014 financial statements.

We have performed such tests of the data used, the assumptions made and the calculation models underlying the valuation as we considered necessary.

The valuation determined benefit liabilities as at December 31, 2014 to be $1,080.7 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. In our opinion, this amount constitutes an appropriate provision for benefit liabilities as at December 31, 2014.

Our review has been conducted, and our opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,
Eckler Ltd.

Original document signed

Richard Border
Fellow, Canadian Institute of Actuaries

February 18, 2015

Original document signed

Andrew Kulyk
Fellow, Canadian Institute of Actuaries

February 18, 2015

Independent Auditor's Report

To the Workers Compensation Board of Manitoba

We have audited the accompanying consolidated financial statements of the Workers Compensation Board of Manitoba, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in funded position and consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Basis for qualified opinion

The WCB's investment in infrastructure, through a pooled fund, was acquired during the year and is accounted for at fair value, at a value of $41,783,000 on the consolidated statement of financial position as at December 31, 2014, and WCB's change in fair value of the investment in the infrastructure pooled fund of $1,006,780 is included in WCB's consolidated comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of WCB's investment in the infrastructure pooled fund as at December 31, 2014 and WCB's change in fair value of the investment in the infrastructure pooled fund for the year because we were unable to obtain sufficient appropriate audit evidence to evaluate the relevance and reasonableness of the significant assumptions, methods and source data used by management's expert to determine whether the investment in the infrastructure pooled fund has been appropriately measured at fair value. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WCB as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Grant Thornton LLP, Chartered Accountants
Winnipeg, Canada, March 19, 2015

Consolidated Statement of Financial Position

December 31
(in thousands of dollars)

	Note	2014	2013
Assets			
Cash	3	$ 11,275	$ 8,000
Receivables and other	4	5,982	33,663
Investment portfolio	5	1,513,426	1,365,502
Deferred assessments	7	106,273	70,136
Property, plant and equipment	8	25,913	24,914
Intangible assets	9	3,504	3,405
		$ 1,666,373	$ 1,505,620
Liabilities and funded position			
Payables and accruals	10	$ 11,776	$ 13,091
Workers' retirement annuity fund	11	27,514	24,666
Employee benefits	12	89,271	49,224
Benefit liabilities	13	1,080,682	1,036,965
Total liabilities		1,209,243	1,123,946
Accident fund reserve		526,644	416,381
Accumulated other comprehensive loss		(69,514)	(34,707)
Funded position		457,130	381,674
		$ 1,666,373	$ 1,505,620

Authorized for issue on March 19, 2015 on behalf of the Board of Directors,

Original document signed

Michael D. Werier
Chairperson, Board of Directors

Original document signed

Wendy Sol
Audit Committee of the Board of Directors

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations and Comprehensive Income

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Revenue			
Premium revenue	15	$ 286,400	$ 265,781
Investment income	5	127,286	157,496
Total revenue		413,686	423,277
Expenses			
Claim costs incurred	13	222,100	268,255
Operating expenses	16	81,323	76,988
Total expenses		303,423	345,243
Operating surplus		110,263	78,034
Other comprehensive (loss) income			
Defined benefit plan remeasurements	12	(34,807)	21,636
Total comprehensive income		$ 75,456	$ 99,670

The accompanying notes are an integral part of the consolidated financial statements.



Consolidated Statement of Changes in Funded Position

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Funded position			
Accident fund reserve			
Balance at beginning of year		$ 416,381	$ 338,347
Operating surplus		110,263	78,034
		526,644	416,381
Accumulated other comprehensive loss			
Balance at beginning of year		$ (34,707)	$ (56,343)
Other comprehensive (loss) income		(34,807)	21,636
		(69,514)	(34,707)
Funded position, end of year		$ 457,130	$ 381,674

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31
(in thousands of dollars)

	Note	2014	2013
Operating cash flows			
Premiums from employers		$ 307,575	$ 276,896
Refund of accumulated excess pension income	7	(29,632)	-
Investment income		44,586	41,726
Claim payments	13	(178,383)	(193,801)
Purchases of goods and services		(78,111)	(70,017)
Net operating cash flows		66,035	54,804
Investing cash flows			
Purchases of investments, net of sales	5	(59,116)	(51,413)
Asset acquisitions		(3,644)	(4,175)
Net investing cash flows		(62,760)	(55,588)
Net increase (decrease) in cash		3,275	(784)
Cash at beginning of year		8,000	8,784
Cash at end of year		$ 11,275	$ 8,000

The accompanying notes are an integral part of the consolidated financial statements.



Notes to Consolidated Financial Statements

Year Ended December 31, 2014
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Reporting Entity

The Workers Compensation Board of Manitoba (the WCB) is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government.

The WCB was created in 1917 under the authority of *The Workers Compensation Act* (the *Act*) of Manitoba. In accordance with the provisions of the *Act*, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with Workplace Safety and Health, a division of the Manitoba Government
- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the *Act* to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *a trusted partner, insuring today and building a safer tomorrow.* The organization's mission is to insure and support safe and healthy workplaces. We put workers and employers at the centre of all we do. We provide them with valued services for injury prevention, compensation, and return to health and work while maintaining system integrity.

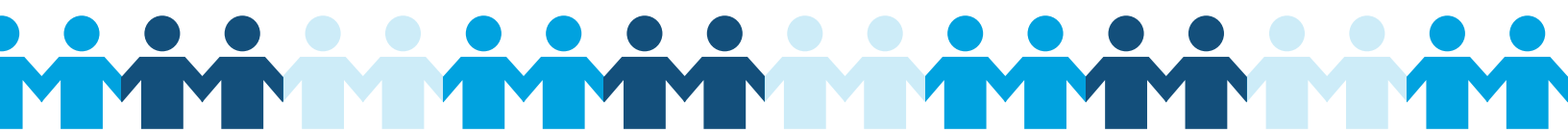
The WCB has its corporate head office in Winnipeg, Manitoba.

Funding Policy

The workers compensation system is funded through premiums collected from employers. The WCB does not receive government funding or assistance. Available funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claim costs. To that end, an accident fund reserve attributable to Class E employers exists.

The target balance for the accident fund reserve is calculated based on a targeted funding ratio of 130 per cent. The funding ratio of 130 per cent includes amounts to reflect potential downturns in the financial markets and other risks and uncertainties. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities, thereby calculating a reserve target that reduces risk to the organization. The target balance for the reserves was $432.3 million at the end of 2014 ($371.9 million in 2013).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the *Act* and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level manner over the workers' periods of exposure to the elements that led to the injuries or illnesses.



2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the WCB are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect as at December 31, 2014, which have been adopted by the Accounting Standards Board of Canada (AcSB) as Canadian generally accepted accounting principles for public interest entities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of Measurement

The consolidated financial statements of the WCB have been prepared on a historic cost basis except for investment properties and those financial assets and financial liabilities that have been measured at fair value. The WCB's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the WCB operates, which is also the presentation currency of the consolidated financial statements. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiary. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with IFRS, which requires the WCB 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 the reported amounts of revenue and expenses during the reporting periods. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, and any related revisions are recorded in the period in which they are adjusted. Consequently, actual results could differ from these estimates by significant amounts. Level 3 portfolio investments (Note 5), employee benefits (Note 12) and benefit liabilities (Note 13) are the most significant items based on accounting estimates.

Changes in Accounting Policies

Accounting Standards Adopted in the Current Period

The International Accounting Standards Board (IASB) published the International Accounting Standards (IAS 19), *Defined Benefit Plans: Employee Contributions,* effective for periods beginning on or after July 1, 2014. These amendments clarify the requirements of IAS 19 relating to contributions from employees and introduce a practical expedient such that contributions that are independent of the number of years of service may be recognised as a reduction of service cost in the period in which the related service is rendered.

The WCB has adopted the practical expedient as its accounting policy. This treatment is consistent with the WCB's practice before the amendments to IAS 19. Therefore, the initial application of the amendments has no effect on the WCB's financial statements.

As described in the funding policy note above, the formula for calculating the accident fund reserve target balance was revised in 2014. The prior method was based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. This policy change was effective October 1, 2014 and the 2013 accident fund reserve target balance has been restated from $356.6 million. As this is a calculation of the funding target only, there is no impact on the financial statements.



Future Accounting and Reporting Changes

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The WCB monitors the IASB work plans and publications to address any developments that may impact the organization.

The IASB published a revised exposure draft, IFRS 4, *Insurance Contracts,* in 2013. This revision aims to provide a consistent basis for accounting for insurance contracts. While the final standard has not been published, the proposed standard represents a major change in accounting for insurance contracts and is expected to have a significant impact on the financial reporting of entities such as the WCB. The effective date for this standard is expected to be January 1, 2018.

The IASB published IFRS 15, *Revenue from Contracts with Customers.* IFRS 15 provides an inclusive framework for the recognition, measurement and disclosure of revenue. The effective date of this standard is for annual periods beginning on or after January 1, 2017. As the WCB derives revenue primarily from insurance contracts and IFRS 15 does not apply to insurance contracts, this new standard will have no effect on the WCB's financial statements.

Specific Accounting Policies

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Receivables and other

Receivables are mainly assessed premiums due from employers, recorded at the estimated premium payable net of a provision for doubtful accounts. Sundry receivables consist of claim related overpayments, payroll related items and prepaid maintenance contracts.

Investment portfolio

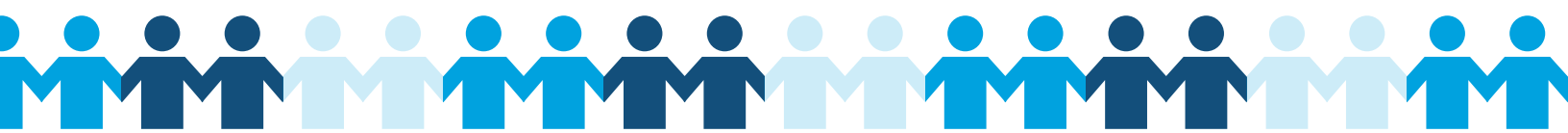
The investment portfolio is managed according to the objectives and policies established by the Statement of Investment Policies and Objectives. The statement acknowledges that there is no single asset class that directly matches the obligations and objectives of the WCB, and that a portfolio diversified across a number of distinct asset classes represents the optimal means of meeting the WCB's investment objectives. The investment portfolio is comprised of:

- Portfolio investments consisting of financial assets accounted for in accordance with IFRS 9 *Financial Instruments,* and
- Investment properties consisting of real estate assets accounted for in accordance with IAS 40, *Investment Properties.*

Portfolio Investments

Classification

The WCB's investments have been designated at fair value through profit or loss (FVTPL). As such, all investments are reported at fair value. Income from interest and dividends is recognized in the period earned, and changes in fair value are presented in the period in which they arise.



Recognition and measurement

Investments are stated at fair value, which is the market value.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

Investments denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Foreign currency exchange gains and losses are recorded in the period in which they arise.

Investment properties

The WCB owns real estate investment properties through its wholly owned real estate investment subsidiary. These properties are held to earn rentals or for capital appreciation or both, and are intended to be long term assets. The WCB views the investment properties as an integral component of the diversified investment portfolio with the same value and purpose as all other investment holdings.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises. Income received from property managers as an income distribution is recorded as investment income, as it is presumed to be the residual of rental income net of operating expenses. It is recorded in the period received, or accrued in the period in which it is expected to be received.

Deferred assessments

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable.

The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee.

Property, plant and equipment

Property, plant and equipment are valued at cost, less accumulated amortization and any accumulated impairment loss. Amortization is calculated on a straight line basis over the estimated useful life of the asset, as follows:

Building	40 years
Land	not amortized
Building renovations and leasehold improvements	2 to 10 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	5 years

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition is included in operating expenses.

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.



Intangible assets
Acquired intangible assets, primarily computer software, are valued at cost less accumulated amortization. Amortization is calculated on a straight line basis over the estimated useful life and included in operating expenses.

Internally generated intangible assets, primarily software and systems development, including professional fees incurred to implement these assets, are valued at cost and amortized over their useful lives. Amortization is calculated on a straight line basis over the estimated useful life, as follows:

Computer software	3 years
Internally generated systems development	10 years

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.

Payables and accruals
Payables and accruals are obligations to pay for goods and services acquired in the normal course of operations. The WCB records a liability and an expense for goods upon receipt or transfer of control, and for services when they are performed. Other payables include various payroll-related liabilities and deposits from self-insured employers. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period.

Workers' retirement annuity fund
In accordance with Section 42(2) of *The Workers Compensation Act,* where wage loss benefits are paid to a worker after a qualifying period, the WCB is required to invest on a worker's behalf an amount equal to a percentage between five per cent and seven per cent, to provide an annuity for the worker at retirement. In addition, the worker may contribute an amount of not more than the amount contributed by the WCB. This annuity fund is part of the WCB investment portfolio and is intended to establish or replace lost pension entitlement resulting from a work-related injury or illness.

Employee Benefits
The WCB has several employee benefit plans:

Short term benefits
Short term employee benefits are measured on an undiscounted basis and are expensed when the services are rendered. These benefits include wages, salary, vacation entitlements and group health plans.

Other benefit plans
The WCB sick leave plan is a multi-faceted benefit plan. Sick leave credits are earned and payable in the form of sick leave in the current year. Unused sick leave credits are accumulated and carried forward to future periods, and are available to be taken as sick leave when the current year entitlement is exhausted. For employees that meet established criteria upon termination or retirement, the sick leave plan represents a post-employment benefit plan that provides for payment of sick leave credits. For accounting purposes, it is treated as a defined benefit plan and the liability is valued on the basis of discount rates and other estimates that are consistent with the estimates used for defined benefit obligations. For this unfunded plan, where the WCB funds the obligation directly from its own resources, employee contributions are not required.

The WCB Retiree Healthcare Spending Account (the RHCSA) was introduced March 1, 2014. Eligible retirees receive a predetermined annual credit amount which may be used to cover healthcare expenses not covered by other plans. The RHCSA is a defined benefit plan. The WCB funds this plan directly via the plan administrator.

Pensions

The pension plan, comprised of the WCB Retirement Plan and the Supplementary Employee Retirement Plan, is funded by employee and employer contributions. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB, whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act,* will receive pension benefits based on their total pensionable earnings.

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year, using actuarial assumptions that are unbiased and mutually compatible. The assumptions represent management's best estimates of the variables that will determine the ultimate cost of post-employment benefits. Actuarial assumptions are comprised of demographic assumptions on matters such as mortality and employee turnover, and financial assumptions on matters such as salary and benefit levels, interest rates and return on investments. Given the long term nature of the plan and the use of these assumptions, the resulting estimates are subject to significant uncertainty.

The Projected Unit Credit Method is used to calculate the defined benefit obligations and current service costs. This method reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions regarding discount rates used to determine the present value of benefits, projected rates of salary growth and long term expected rate of return on plan assets.

Discount rates are based on the market yields of high-quality corporate bonds.

In accordance with IAS 19, the net interest approach is used to disaggregate the costs of the pension plan. The change in the net defined benefit liability is disaggregated into the following components:

- Service cost, or the additional liability that arises from employees providing service during the period
- Net interest or the interest expense on the net defined benefit liability calculated using the discount rate
- Remeasurements, which are other changes in the value of the defined benefit obligation such as changes in estimates and other changes in the value of plan assets.

Service cost and net interest are recognized in operating surplus whereas remeasurements are recognized in other comprehensive income. Employee contributions, which are independent of the number of years of service, are treated as a reduction of service cost.

When past service costs arise they are recognized immediately.



Benefit Liabilities
Under the provisions of the *Act,* the WCB has a legislated obligation to accept insurance risk from employers in exchange for premiums paid for WCB coverage.

The WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB at each year end. This valuation is conducted in accordance with accepted actuarial practice in Canada, and is subject to peer review by the WCB's consulting external actuary. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims. Differences arising from actual claims experience and assumptions used for the previous valuation, as well as the impacts of changes in legislation, policy, administrative practice or actuarial methods and assumptions, are recognized in the period that they occur.

The benefit liabilities also include an estimated liability for certain long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information currently available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities
Other financial assets and liabilities consist of cash, receivables and other, and payables and accruals. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

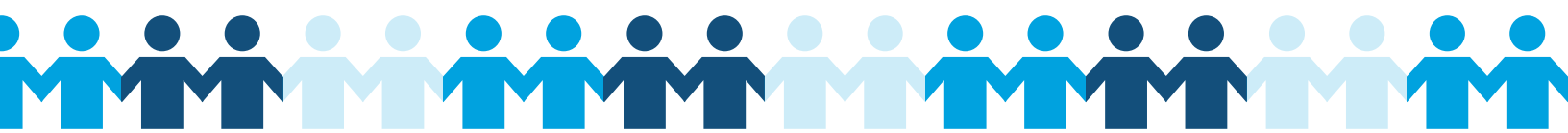
Accumulated Other Comprehensive Loss
Accumulated other comprehensive loss is a subsection of the funded position. It is comprised of cumulative remeasurements arising from changes in the value of defined benefit obligations that in accordance with IFRS are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue
The operations of the WCB are categorized, in accordance with the *Act,* into Class E (general employers pool) and several classes of self-insured employers.

General Employers Pool
Employers registered within Class E are subject to collective liability and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Premium revenue is fully earned and recognized over the period that coverage is provided. Premium revenue reported in the period is recorded net of uncollectable account write-offs, interest and penalties on overdue amounts and adjustments of premiums for prior periods.

Self-Insured Employers
Self-insured employers – principally government bodies and railways and their subsidiaries – are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred. Current costs are collected as billed while future costs are recorded as a deferred receivable.



The Government of Canada and its agencies are self-insured based on the *Government Employees Compensation Act*. Under this *Act,* the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in this province.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date.

3. CASH AND LINES OF CREDIT

Cash reported in the consolidated statement of financial position is comprised of:

	2014	2013
Cash in transit and in banks	$ 14,717	$ 12,263
Cheques issued and outstanding	(3,442)	(4,263)
Net operating cash flows	$ 11,275	$ 8,000

In addition, the WCB has established an operating line of credit with its principal banker in the amount of $3 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

The WCB did not utilize the credit facilities in 2014 or 2013.

4. RECEIVABLES AND OTHER

Receivables and other reported in the consolidated statement of financial position is comprised of:

	2014	2013
Premiums - Class E employers	$ 2,446	$ 27,902
Provision for doubtful accounts	(957)	(964)
	1,489	26,938
Current assessments - Self-insured employers	2,781	4,992
Sundry	1,712	1,733
	$ 5,982	$ 33,663



5. INVESTMENT PORTFOLIO

The investment portfolio reported in the comprehensive statement of financial position is comprised of:

	2014	2013
Portfolio investments	$ 1,388,893	$ 1,241,356
Investment properties	124,533	124,146
	$ 1,513,426	$ 1,365,502

Fair Value of the Investment Portfolio

	2014	2013
Equities		
Canadian	$ 229,834	$ 208,188
Private placements	4,689	7,794
U.S.	251,949	256,525
Europe, Australasia & Far East	124,923	120,499
Emerging markets	37,372	32,669
	648,767	625,675
Real estate (see table below)		
Portfolio investments	60,725	59,906
Investment properties	124,533	124,146
	185,258	184,052
Cash and short term investments	97,969	72,500
Infrastructure	41,783	-
Fixed income	539,649	483,275
Total	$ 1,513,426	$ 1,365,502

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2014	2013
Rental properties and other net assets	$ 244,564	$ 239,550
Mortgages payable on investment properties	(59,306)	(55,498)
Real estate investments	$ 185,258	$ 184,052

The following information represents key facts related to mortgages payable on rental properties:

Interest rates	From 3.59% to 5.71%
Interest terms	Variable and fixed
Maturity dates	From 2015 to 2024

For 2015, scheduled principal and interest payments on these mortgages total $10.1 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2015	2016	2017	2018	2019	Thereafter	Total
$ 7,869	$ 10,390	$ 1,600	$ 1,643	$ 7,499	$ 30,305	$ 59,306

Investment Income

Investment income was derived from the following sources:

	2014	2013
Canadian equities	$ 7,164	$ 6,082
Foreign equities	8,927	7,264
Cash and short term investments	484	432
Fixed income	19,648	19,629
Infrastructure	25	-
Real estate (see table below)	4,660	13,678
Market gains:		
Realized	64,160	34,869
Unrealized	28,326	80,713
Investment income	133,394	162,667
Less:		
Portfolio management expenses	6,108	5,171
Net investment income	$ 127,286	$ 157,496

Real Estate Income

The real estate income can be further broken down as follows:

	2014	2013
Rental income, net of expenses	$ 8,101	$ 8,715
Appraisal (losses) gains	(3,441)	4,963
	$ 4,660	$ 13,678

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2014	2013
Purchases of investments	$ 726,499	$ 668,578
Proceeds on disposal of investments	(667,383)	(617,165)
Net purchases of investments	$ 59,116	$ 51,413



Fair Value of Investments

For financial instruments measured at fair value in the statement of operations and accident fund reserve, disclosure on the fair value hierarchy is required.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted prices quoted in active markets for identical assets
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly
Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the WCB's financial assets within the fair value hierarchy as at December 31:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities				
Canadian	$ 229,834	$ -	$ -	$ 229,834
Private placements	95	-	4,594	4,689
U.S.	251,949	-	-	251,949
Europe, Australasia & Far East	124,923	-	-	124,923
Emerging markets	37,372	-	-	37,372
	644,173	-	4,594	648,767
Cash and short term investments	97,969	-	-	97,969
Fixed income	413,429	126,220	-	539,649
Infrastructure	-	-	41,783	41,783
Real estate	-	-	185,258	185,258
	$ 1,155,571	$ 126,220	$ 231,635	$ 1,513,426

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities				
Canadian	$ 208,188	$ -	$ -	$ 208,188
Private placements	415	-	7,379	7,794
U.S.	256,525	-	-	256,525
Europe, Australasia & Far East	120,499	-	-	120,499
Emerging markets	32,669	-	-	32,669
	618,296	-	7,379	625,675
Cash and short term investments	72,500	-	-	72,500
Fixed income	374,481	108,794	-	483,275
Real estate	-	-	184,052	184,052
	$ 1,065,277	$ 108,794	$ 191,431	$ 1,365,502

Measurement of Fair Value of Investments

Valuations are provided by investment managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investment, with the overall objective of maximizing the use of market-based information. Management is responsible for ensuring that the chosen valuation technique is appropriate in the circumstances.

The WCB uses the following techniques to determine the fair value measurements categorized in Level 2:

- The fair value of fixed income investments is determined using an income approach, calculating the present value of the future cash flows based on observable yield curves.

The WCB uses the following techniques to determine the fair value measurements categorized as Level 3:

- The fair value of private placement equity investments is determined by management based on financial information provided by individual capital fund managers, adjusted if deemed appropriate.
- The fair value of infrastructure is determined based on the underlying assets in the pooled fund using the most up-to-date information available provided by the pooled fund manager and adjusted by management for any other information available.
- The fair value of real estate investments is determined using an income approach based on estimated rental income of the properties. Properties are valued annually by independent appraisals. The most significant assumptions, all of which are unobservable, are estimated rental income, capitalization rates, discount rates and estimated vacancy rates. The estimated fair value of the real estate portfolio is sensitive to changes in these assumptions, and the fair value increases if estimated rental income increases, or the capitalization rate decreases. As the WCB is invested in a diversified real estate portfolio, assumptions are appropriate to the underlying asset, asset type and location. The following table illustrates the significant inputs and range of assumptions used in the valuation of real estate investments:

Estimated rental income	From $5.00/ sq. ft. to $25.00 / sq. ft.
Capitalization rates	From 5.88% to 7.75%

The following table reconciles the changes in the WCB's Level 3 fair value measurements to December 31:

	2014	2013
Balance at January 1	$ 191,431	$ 8,411
Reclassification from Level 2		168,204
Market (losses) gains:		
Unrealized	(4,663)	6,456
Purchases	51,613	14,593
Sales	(6,746)	(6,233)
Balance at December 31	$ 231,635	$ 191,431

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $42.6 million ($81 million in 2013) to specific investment projects to be financed from the existing portfolio or from available cash.



6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes, as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

	2014		2013	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviations	+/- 1 standard deviation	+/- 2 standard deviations
% change in benchmark	11.9%	23.8%	14.2%	28.4%
Canadian	$27.7 million	$55.4 million	$29.5 million	$59.0 million
% change in benchmark	11.6%	23.2%	12.5%	25.0%
U.S.	$31.3 million	$62.6 million	$33.1 million	$66.2 million
% change in benchmark	13.0%	26.0%	15.6%	31.2%
Europe, Australasia & Far East	$16.2 million	$32.5 million	$18.8 million	$37.6 million
% change in benchmark	13.4%	26.8%	16.9%	33.8%
Emerging markets	$5.0 million	$10.0 million	$5.5 million	$11.0 million

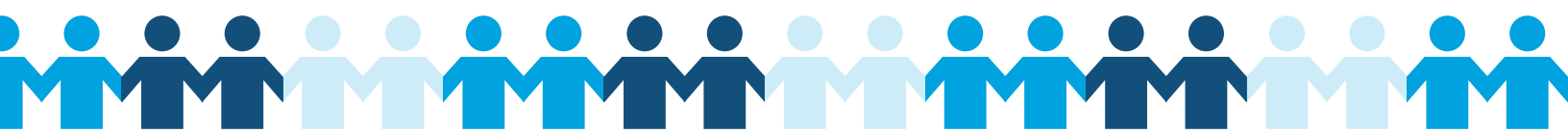
Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of the bond portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

Of the fixed income assets in the investment portfolio, 89 per cent (90 per cent in 2013) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2014, these loans amounted to $100.2 million ($103.5 million in 2013). As at December 31, 2014, total collateral pledged to the WCB amounted to $105.2 million ($108.7 million in 2013).



Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2014, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

WCB has exposure to the U.S. dollar, with USD-denominated holdings of $348.9 million CAD ($297.5 million CAD in 2013) or 23.1 per cent of the portfolio (21.8 per cent in 2013).

The table below presents the effects of a material change in the Canadian/U.S. dollar exchange rates:

	CAD/USD	
	2014	2013
10% appreciation in the Canadian dollar	$ (31.7 million)	$ (27.0 million)

Interest Rate Risk Management

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2014, the duration of the WCB's bond portfolio was 8.7 years (7.9 years in 2013).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent and 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

	2014		2013	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$18.1 million	$36.2 million	$14.9 million	$29.8 million

Liquidity Risk Management

Liquidity risk is the risk that the WCB will be unable to meet its financial obligations. To manage this risk, and avoid liquidation of portfolio assets under unfavourable conditions, the WCB maintains two credit facilities as discussed in Note 3.



7. DEFERRED ASSESSMENTS

The changes in deferred assessments were as follows:

	2014	2013
Balance at beginning of year	$ 70,136	$ 77,379
Increase (decrease) in future cost liability	6,596	(1,061)
Increase (decrease) in pension related transactions	1,941	(3,031)
Interest allocation	(1,083)	(3,151)
Net change in deferred assessments (Note 15)	7,454	(7,243)
Refund of accumulated excess pension income	29,632	-
Current pension deficit included in receivables and other	(949)	-
Balance at end of year	$ 106,273	$ 70,136

Due to a change in practice effective January 1, 2014, $29.6 million of accumulated excess pension income was returned to the self-insured employers in March 2014. This amount was previously included on a net basis with the deferred assessment balance.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment were as follows:

	2014					2013
	Building and land	Building renovations and leaseholds	Computer equipment	Furniture, fixtures and equipment	Total	Total
Cost						
As at January 1	$ 23,574	$ 3,262	$ 5,985	$ 2,707	$ 35,528	$ 34,892
Additions	-	1,451	885	396	2,732	2,782
Disposals	-	-	(313)	-	(313)	(2,146)
As at December 31	23,574	4,713	6,557	3,103	37,947	35,528
Amortization						
As at January 1	(1,124)	(2,085)	(4,977)	(2,428)	(10,614)	(11,401)
Amortization charge	(667)	(377)	(576)	(113)	(1,733)	(1,359)
Disposals	-	-	313	-	313	2,146
As at December 31	(1,791)	(2,462)	(5,240)	(2,541)	(12,034)	(10,614)
Net book value, as at December 31	$ 21,783	$ 2,251	$ 1,317	$ 562	$ 25,913	$ 24,914

9. INTANGIBLE ASSETS

The changes in intangible assets were as follows:

	2014			2013
	Computer software	Internally developed systems and software	Total	Total
Cost				
As at January 1	$ 3,671	$ 15,575	$ 19,246	$ 17,857
Additions	333	580	913	1,393
Disposals	(59)	(1,744)	(1,803)	(4)
As at December 31	3,945	14,411	18,356	19,246
Amortization				
As at January 1	(3,481)	(12,360)	(15,841)	(14,558)
Amortization charge	(157)	(657)	(814)	(1,287)
Disposals	59	1,744	1,803	4
As at December 31	(3,579)	(11,273)	(14,852)	(15,841)
Net book value, as at December 31	$ 366	$ 3,138	$ 3,504	$ 3,405

10. PAYABLES AND ACCRUALS

Payables and accruals are comprised of:

	2014	2013
Accounts payable and accrued liabilities	$ 3,538	$ 3,735
Research and Workplace Innovation Program	1,972	2,296
Deposits from self-insured employers	4,932	5,925
Other payables	1,334	1,135
Balance at end of year	$ 11,776	$ 13,091



11. WORKERS' RETIREMENT ANNUITY FUND

The changes in the workers' retirement annuity fund were as follows:

	2014	2013
Balance as at January 1	$ 24,666	$ 21,000
Investment income	2,344	2,826
WCB contributions	1,450	1,480
Workers' contributions	426	435
Benefits paid	(1,372)	(1,075)
Balance as at December 31	$ 27,514	$ 24,666

12. EMPLOYEE BENEFITS

Components of the employee benefits liability are as follows:

	2014	2013
Employee pension plan	$ 71,642	$ 34,355
Sick leave plan	11,331	9,910
Employee vacation entitlements	3,983	3,843
Retiree healthcare spending account	1,853	736
Other	462	380
As at December 31	$ 89,271	$ 49,224

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes, which was filed with the pension regulators, was as at December 31, 2013. This funding valuation showed a funding surplus of $0.5 million (2012 valuation, deficit of $14.7 million). The solvency deficit as at December 31, 2013 was $22.6 million (2012 valuation, deficit of $40.3 million). The WCB is not required to fund this deficiency as the WCB is exempt from the solvency and transfer deficiency provisions of the *Pension Benefits Act*.

Total cash payments for employee future benefits for 2014, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for unfunded plans, were $4.5 million ($5.4 million in 2013). Based on historical experience and expected salary expense, the WCB expects to fund $4.4 million in 2015.

The key actuarial assumptions used to value the employee benefit liabilities for accounting purposes are as follows:

	Pension Plan		Sick Leave Plan	
	2014	2013	2014	2013
Discount rate	4.00%	5.00%	4.00%	5.00%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%

The rates shown in the 2014 column were effective as of December 31, 2014. The rates were applied in determining the benefit plan balances at December 31, 2014. The rates shown in the 2013 column were effective at December 31, 2013 and were applied in determining the 2014 benefit plan expense.

The actuarial present value of the defined benefit obligation is sensitive to changes in actuarial assumptions, the most significant assumption being the discount rate. The following table illustrates the sensitivity of the defined benefit obligations to a one per cent change in the discount rate:

	2014		2013	
	+1.0%	-1.0%	+1.0%	-1.0%
Pension plan	$ (39,196)	$ 52,186	$ (35,679)	$ 35,693
Sick leave plan	(953)	2,060	(810)	938

The WCB's defined benefit plan expenses are as follows:

	Pension Plan		Sick Leave Plan	
	2014	2013	2014	2013
Current service cost	$ 6,027	$ 6,209	$ 462	$ 448
Net interest expense	1,550	2,170	487	447
Remeasurements	33,814	(20,793)	829	(843)
Total benefit plan expenses	$ 41,391	$ (12,414)	$ 1,778	$ 52

As at December 31, the funding status of the defined benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2014	2013	2014	2013
Fair value of plan assets	$ 163,454	$ 147,202	$ -	$ -
Defined benefit obligation	(235,096)	(181,557)	(11,331)	(9,910)
Net defined benefit liability	$ (71,642)	$ (34,355)	$ (11,331)	$ (9,910)



Details of the WCB's net defined benefit liability are as follows:

	Pension Plan		Sick Leave Plan	
	2014	2013	2014	2013
Balance at January 1	$ (34,355)	$ (52,059)	$ (9,910)	$ (10,006)
Benefit cost recognized in income	(7,577)	(8,379)	(949)	(895)
Remeasurements recognized in other comprehensive (loss) income	(33,814)	20,793	(829)	843
Employer contributions	4,104	5,290	357	148
Net change in net defined benefit liability	(37,287)	17,704	(1,421)	96
Net defined benefit liability at December 31	$ (71,642)	$ (34,355)	$ (11,331)	$ (9,910)

Details of the WCB's defined benefit obligations are as follows:

	Pension Plan		Sick Leave Plan	
	2014	2013	2014	2013
Balance at January 1	$ (181,557)	$ (173,077)	$ (9,910)	$ (10,006)
Current service cost	(8,627)	(8,604)	(462)	(448)
Interest expense	(8,994)	(7,723)	(487)	(447)
Transfers to the plan	(122)	(248)	-	-
Remeasurements consisting of:				
Actuarial (losses) gains	(39,253)	4,911	(829)	843
Benefits paid	3,457	3,184	357	148
Net change in defined benefit obligation	(53,539)	(8,480)	(1,421)	96
Defined benefit obligation at December 31	$ (235,096)	$ (181,557)	$ (11,331)	$ (9,910)

Details of the WCB's defined benefit plan assets are as follows:

	Pension Plan	
	2014	2013
Balance at January 1	$ 147,202	$ 121,018
Interest income	7,444	5,553
Employer contributions	4,104	5,290
Employee contributions	2,600	2,395
Transfers to the plan	122	248
Remeasurements consisting of:		
Actuarial gains	5,439	15,882
Benefits paid	(3,457)	(3,184)
Net change in plan assets	16,252	26,184
Plan assets at December 31	$ 163,454	$ 147,202

The fair value of the pension plan assets as at December 31 is:

	Pension Plan	
	2014	2013
Equity		
Canadian	$ 51,167	$ 47,370
Foreign (including U.S.)	44,648	46,351
	95,815	93,721
Fixed income	59,261	52,122
Cash and short term	8,378	1,359
Plan assets at December 31	$ 163,454	$ 147,202

The Plan assets are wholly invested in pooled funds. Therefore, at December 31, 2014 and 2013 the Plan held financial instruments valued using inputs that are observable for the asset either directly or indirectly (Level 2).



WCB Retiree Healthcare Spending Account (RHCSA)

Details of the WCB RHCSA are as follows:

	2014	2013
Balance at January 1	$ (736)	$ -
Benefit cost recognized in income	(953)	(736)
Remeasurements recognized in other comprehensive income	(164)	-
Employer contributions	-	-
Net change in net defined benefit liability	(1,117)	(736)
Defined benefit liability at December 31	$ (1,853)	$ (736)

Related Party Transactions – Pension Plan

By definition, the WCB pension plan is a related party to the WCB. Transactions between the related parties are detailed below:

	2014	2013
Transactions:		
Contributions from employees	$ 2,600	$ 2,395
Contributions from employer	4,104	5,290

There were no amounts outstanding as at December 31, 2014 or December 31, 2013.

13. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2014	2013
Discount rate	6.0%	6.0%
Inflation for CPI-indexed benefits	3.0%	3.0%
Inflation for wage-related benefits	4.0%	4.0%
Inflation for healthcare benefits	6.5%	6.5%

An analysis of the components of and changes in benefit liabilities is as follows:

	2014						2013
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 159,872	$ 461,531	$ 132,816	$ 273,015	$ 9,731	$ 1,036,965	$ 962,511
Add: Claim costs incurred							
Current year	104,290	16,389	3,595	57,658	1,680	183,612	175,953
Prior years	(43,788)	53,288	16,674	13,516	(1,202)	38,488	92,302
	60,502	69,677	20,269	71,174	478	222,100	268,255
Less: Claim payments made							
Current year	27,004	720	190	20,491	3	48,408	48,995
Prior years	28,932	52,137	13,494	33,810	1,602	129,975	144,806
	55,936	52,857	13,684	54,301	1,605	178,383	193,801
Balance at end of year	$ 164,438	$ 478,351	$ 139,401	$ 289,888	$ 8,604	$ 1,080,682	$ 1,036,965

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.



Included in the benefit liabilities balance is $55.1 million ($49.6 million in 2013) for the estimated long latent occupational disease liability. *The Workers Compensation Act* of Manitoba lists specific illnesses and injuries presumed to be caused by firefighting, unless the contrary is proven. In 2011, the *Act* was amended to add four cancers to the list and to extend the presumptions to certain personnel of the fire commissioner's office. Consistent with actuarial standards, a liability has been recorded with respect to the new cancers as at December 31, 2014.

Also included in the benefit liability is $90.9 million ($81.6 million in 2013) for the future cost of administering existing claims.

Sensitivity of Actuarial Assumptions

The most significant assumption in the determination of the benefit liabilities is the discount rate.

The following table shows the sensitivity of the benefit liabilities to an immediate one per cent increase or decrease in the key assumptions used to determine the liabilities:

Change in liability in millions

	2014		2013	
+/- % change on assumed rates	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	$ (78)	$ 92	$ (73)	$ 86
Wage inflation rate	41	(36)	38	(35)
General inflation rate	14	(12)	15	(13)
Healthcare inflation rate	35	(28)	31	(26)

An increase in the discount rate results in a decrease to the benefit liabilities and vice versa.

An increase to any of the inflation rates results in an increase to the benefit liabilities. Each inflation rate affects only those benefits that are directly impacted by that type of inflation. For example, healthcare inflation only affects healthcare liabilities.

Liability Adequacy Test

IFRS 4 *Insurance Contracts* requires an insurer to apply a liability adequacy test that meets specified minimum requirements, as follows:

a. the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and

b. if the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

If these minimum requirements are met, there are no further requirements.

The current claim benefit liability valuation meets the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required.

Claims Development

The table below compares actual claim liabilities to previous estimates back to the earliest period for which there is material uncertainty about the estimate and timing of claim payments.

Estimate of ultimate claims	Injury Year								
	2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014
End of injury year	$ 1,458,654	182,168	203,916	184,494	181,728	196,690	202,359	211,487	219,081
1 year later	1,516,628	191,645	187,514	165,260	171,672	182,934	204,976	203,221	-
2 years later	1,531,656	189,544	175,901	172,820	170,445	193,678	200,459	-	-
3 years later	1,540,794	187,199	185,187	173,058	183,276	190,184	-	-	-
4 years later	1,591,397	190,159	184,284	184,782	181,488	-	-	-	-
5 years later	1,672,185	190,595	199,761	183,809	-	-	-	-	-
6 years later	1,692,401	198,086	198,546	-	-	-	-	-	-
7 years later	1,786,175	197,405	-	-	-	-	-	-	-
8 years later	1,848,853	-	-	-	-	-	-	-	-

Cumulative claims paid	Injury Year								
	2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014
End of injury year	$ 158,624	46,859	50,599	48,096	46,249	47,401	47,263	47,333	47,500
1 year later	285,510	82,221	84,294	77,860	74,123	76,708	78,400	74,773	-
2 years later	383,157	96,974	96,378	87,285	84,207	86,321	88,071	-	-
3 years later	467,653	106,870	104,554	94,078	90,830	92,230	-	-	-
4 years later	547,097	113,748	110,788	99,426	95,642	-	-	-	-
5 years later	620,003	119,384	115,963	103,890	-	-	-	-	-
6 years later	688,743	123,961	120,129	-	-	-	-	-	-
7 years later	752,415	127,565	-	-	-	-	-	-	-
8 years later	811,184	-	-	-	-	-	-	-	-

	Injury Year									
	2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	Total
Cumulative estimate of ultimate claims	$ 1,848,853	197,405	198,546	183,809	181,488	190,184	200,459	203,221	219,081	$ 3,423,045
Less: Cumulative claims paid	811,184	127,565	120,129	103,890	95,642	92,230	88,071	74,773	47,500	1,560,984
Current year unpaid and unreported claims	1,037,669	69,840	78,416	79,920	85,846	97,954	112,387	128,449	171,581	1,862,062
Effect of discounting										(909,446)
Administration cost within benefit liability										90,858
Future dated long latency liability										37,208
Total benefit liabilities										$ 1,080,682



14. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 13 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	2014						2013
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 15,183	$ 50,765	$ 23,316	$ 42,507	$ 723	$ 132,494	$ 138,524
Add: Claim costs incurred							
Current year	9,428	3,945	788	7,322	95	21,578	23,791
Prior years	(1,882)	5,185	3,268	2,415	(143)	8,843	(2,247)
	7,546	9,130	4,056	9,737	(48)	30,421	21,544
Less: Claim payments made							
Current year	3,777	214	87	2,310	-	6,388	6,226
Prior years	3,703	4,573	3,225	5,340	55	16,896	21,348
	7,480	4,787	3,312	7,650	55	23,284	27,574
Balance at end of year	$ 15,249	$ 55,108	$ 24,060	$ 44,594	$ 620	$ 139,631	$ 132,494

Included in premiums and claim costs for self-insured employers are payments in the amount of $3.5 million ($3.8 million in 2013) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $20.4 million ($16.3 million in 2013) for self-insured employers' share of the long latent occupational disease liability and $10 million ($9.2 million in 2013) for the future cost of administering existing claims.

15. PREMIUM REVENUE

	2014	2013
Premiums - Class E employers	$ 253,733	$ 245,697
Assessments - Self-insured employers	25,213	27,327
Increase(decrease) in deferred assessments (Note 7)	7,454	(7,243)
Total premium revenue	$ 286,400	$ 265,781

16. OPERATING EXPENSES

	2014	2013
Salaries, employee benefits and training	$ 54,689	$ 53,547
Information technology service fees	1,600	1,729
Occupancy costs	2,792	2,143
Office supplies, services and projects	1,533	1,166
Communications	1,369	1,232
Professional fees	3,158	2,019
Donations	102	100
Amortization of capital assets	2,546	2,647
	67,789	64,583
Appeal Commission	1,307	1,311
Research and Workplace Innovation Program grants	974	948
Recoveries from the Government of Canada	(1,651)	(1,548)
SAFE Work Manitoba	3,938	-
Prevention and other (Note 17)	8,966	11,694
Total operating expenses	$ 81,323	$ 76,988

Of the total operating expenses, $6.3 million ($6.2 million in 2013) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.



17. RELATED PARTY TRANSACTIONS

The WCB is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government. As an agency of the Province of Manitoba, the WCB applies the exemption for government-related entities in IAS 24, *Related Party Disclosures*.

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that *Act* out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2014, the amount charged to operations under this provision was $9.1 million ($9.3 million in 2013).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2014, the amount charged to operations under this provision was $0.8 million ($0.7 million in 2013).

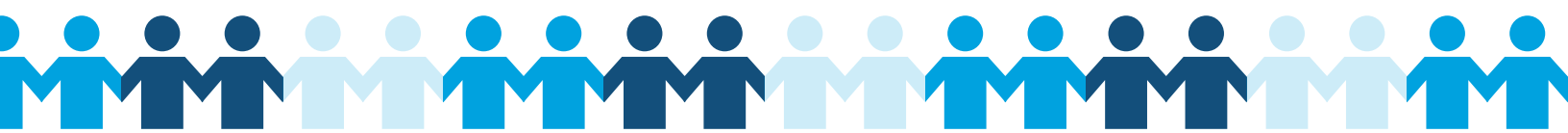
In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Accordingly, the Province of Manitoba was allocated $2.4 million ($2.4 million in 2013) of the total operating expenses (Note 16) based on their transaction volume. Balances resulting from transactions with the Province of Manitoba are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2014 are guaranteed debentures issued by the Province of Manitoba in the amount of $3.5 million ($2.1 million in 2013).

Other Related Party Disclosures

In addition to the related government entities above, the key management personnel of the WCB (comprised of the WCB executive personnel and the Board of Directors) are deemed related parties. By definition, close family members of the key management personnel are also related parties of the WCB. Any transactions or business relationships are incidental, and carried out at normal trade terms.

The WCB has a pension plan for the benefit of WCB employees, which is a related party by definition of IAS 24, *Related Party Disclosure.* Detailed information on transactions with the pension plan can be found in Note 12.



Key Management Compensation

The following table shows total compensation for the executive personnel of the WCB:

	2014	2013
Short term employee benefits	$ 1,498	$ 1,307
Post-employment benefits	322	297
	$ 1,820	$ 1,604

Short term employee benefits include salary, vacation, car allowances, group health and dental benefits, group life insurance, and the employer's share of contributions to the Canada Pension Plan and employment insurance. Post-employment benefits include the estimated current service cost accrued for pension and other post-employment benefits.

The following table shows the total compensation for the Board of Directors of the WCB:

	2014	2013
Fees	$ 160	$ 151
Benefits	2	2
	$ 162	$ 153

The Board of Directors is comprised of 10 members appointed by the Government of Manitoba. Members' remuneration is set out in Order in Council passed by Lieutenant Governor in Council.

18. COMMITMENTS

The WCB has signed operating leases for office premises and office equipment expiring at various times until December 31, 2023. The minimum lease obligations over the next five years are:

2015	2016	2017	2018	2019	Thereafter	Total
$ 1,207	$ 953	$ 927	$ 881	$ 559	$ 1,471	$ 5,998



19. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

20. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2014 or 2013.

