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SPECIAL OPERATING AGENCIES

Auditor's Report

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

(In thousands)

Financial Statements

Year Ended March 31, 2017

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Crown Lands and Property Agency (the Agency) and have been prepared in accordance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants 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.

Management met with the 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.

Exchange Chartered Professional Accountants, LLP as the Agency's appointed external auditors, have audited the financial statements. The Auditors' report is addressed to the financing authority 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 the Agency in accordance with Canadian Public Sector Accounting Standards.

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

CHARTERED PROFESSIONAL ACCOUNTANTS
BUSINESS & TECHNOLOGY CONSULTANTS
EXCHANGE GROUP

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Crown Lands and Property Agency (An Agency of the Government of Manitoba)

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, 2017 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, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
June 5, 2017

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Financial Position

March 31, 2017

(In thousands)

		2017		2016
FINANCIAL ASSETS				
Accounts receivable *(Note 3)*	$	543	$	569
Restricted cash *(Note 12)*		582		2,110
Severance pay benefits, vacation pay and banked time cash in trust *(Note 7)*		670		670
Assets held in trust *(Notes 4, 8)*		3		3
	$	1,798	$	3,352
LIABILITIES				
Working capital advance *(Note 9)*	$	3,020	$	1,455
Accounts payable and accrued liabilities *(Note 10)*		476		655
Deferred income		14		30
Trust fund liability *(Note 8)*		3		3
Severance pay liability *(Note 11)*		322		330
Client held funds *(Note 12)*		582		2,110
Deferred leases *(Note 13)*		46		95
Surplus land sales *(Note 5)*		863		2,297
		5,326		6,975
NET DEBT	$	(3,528)	$	(3,623)
NON-FINANCIAL ASSETS				
Prepaid expenses *(Note 3)*	$	99	$	43
Tangible capital assets *(Notes 3, 6)*		86		93
		185		136
ACCUMULATED DEFICIT	$	(3,343)	$	(3,487)

COMMITMENTS *(Note 14)*

ON BEHALF OF CROWN LANDS AND PROPERTY AGENCY

________________________ *Director*

________________________ *Director*

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Operations

Year Ended March 31, 2017

		Budget 2017		2017		2016
REVENUE *(Note 16)*	$	6,683	$	4,546	$	4,332
EXPENSES						
Advertising		18		4		17
Amortization		275		51		64
Computer maintenance costs		181		162		112
Contributed services		76		56		31
Desktop operating lease		218		185		178
Employee training		59		10		18
Insurance		4		4		4
Interest and bank charges		171		-		-
Interest on working capital advance		84		51		67
Meals and accommodations		7		3		2
Office		29		17		18
Postage		50		60		59
Printing		38		28		19
Professional fees		279		283		201
Publications		21		12		13
Relocation expense		4		2		4
Rental		281		286		274
Repairs and maintenance		30		20		28
Salaries and benefits		3,949		3,102		2,847
Telephone		42		44		41
Travel		76		22		26
		5,892		4,402		4,023
ANNUAL SURPLUS (DEFICIT)		791		144		309
ACCUMULATED DEFICIT - BEGINNING OF YEAR		(3,469)		(3,487)		(3,796)
ACCUMULATED DEFICIT - END OF YEAR	$	(2,678)	$	(3,343)	$	(3,487)

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Change in Net Debt

Year Ended March 31, 2017

	Budget 2017	**2017**	2016
ANNUAL SURPLUS (DEFICIT)	$ 791	**$ 144**	$ 309
Purchase of tangible capital assets	(3,075)	**(43)**	(15)
Amortization of tangible capital assets	275	**50**	64
Decrease (increase) in prepaid expenses	(195)	**(56)**	54
DECREASE (INCREASE) IN NET DEBT	(2,204)	**95**	412
NET DEBT - BEGINNING OF YEAR	(4,674)	**(3,623)**	(4,035)
NET DEBT - END OF YEAR	$ (6,878)	**$ (3,528)**	$ (3,623)

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Cash Flow

Year Ended March 31, 2017

(In thousands)

		2017		2016
OPERATING ACTIVITIES				
Cash receipts from customers	$	4,556	$	4,426
Cash paid to suppliers and employees		(4,536)		(3,685)
Interest paid		(51)		(67)
Increase (decrease) in deferred leases		(49)		13
Decrease in severance pay liability		(8)		(22)
Increase (decrease) in surplus land sales		(1,434)		2,390
Cash flow from (used by) operating activities		(1,522)		3,055
INVESTING ACTIVITY				
Purchase of tangible capital assets		(43)		(16)
INCREASE (DECREASE) IN CASH		(1,565)		3,039
WORKING CAPITAL ADVANCE - BEGINNING OF YEAR		(1,455)		(4,494)
WORKING CAPITAL ADVANCE - END OF YEAR	$	(3,020)	$	(1,455)

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)
Notes to Financial Statements

Year Ended March 31, 2017

(In thousands)

1. NATURE OF ORGANIZATION

The Crown Lands and Property Agency fits within two service sectors:

- Direct Public Services where the Agency provides mandated land administration services directly to external customers (individuals) on behalf of SD and MA.

- Internal Services to Government where the Agency provides mandated real estate related services to other government departments and agencies to support efficient management of government

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 processes all Crown Lands sales, leases and permits, and provides land appraisal, acquisition, expropriation and other services for the provincial government. The Agency's mission is to provide quality Crown land information and services to the public and government departments that are open, fair and transparent.

The Agency consolidates the services previously provided by Land 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 Infrastructure 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 Corporate Services Division of Manitoba Infrastructure under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of Corporate 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 economically dependent upon the Province of Manitoba, as 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).

See notes to financial statements

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.

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 and Sustainable Development is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of Manitoba Agriculture and Sustainable Development).

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

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Notes to Financial Statements

Year Ended March 31, 2017

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, 2017 (2016 - $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, 2016 is:

		2017	2016
Accounts receivable	$	543 $	569

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, 2017 (2016 - $NIL).

(continues)

See notes to financial statements

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. 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.

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Notes to Financial Statements

Year Ended March 31, 2017

6. TANGIBLE CAPITAL ASSETS

	Opening balance	Additions	Disposals	Closing balance
	2017			
Cost				
Equipment	$ 109	$ 11	$ -	$ **120**
Computer equipment	150	-	-	**150**
Computer software	98	13	-	**111**
Furniture and fixtures	176	19	-	**195**
	$ 533	$ 43	$ -	$ **576**
Accumulated amortization				
Equipment	$ 90	$ 14	$ -	$ **104**
Computer equipment	117	14	-	**131**
Computer software	74	10	-	**84**
Furniture and fixtures	159	12	-	**171**
	440	50	-	**490**
	$ 93	$ (7)	$ -	$ **86**
	2016			
Cost				
Equipment	$ 109	$ -	$ -	$ **109**
Computer equipment	141	9	-	**150**
Computer software	98	-	-	**98**
Furniture and fixtures	170	6	-	**176**
	$ 518	$ 15	$ -	$ **533**
Accumulated amortization				
Equipment	$ 73	$ 17	$ -	$ **90**
Computer equipment	100	17	-	**117**
Computer software	64	10	-	**74**
Furniture and fixtures	139	20	-	**159**
	376	64	-	**440**
	$ 142	$ (49)	$ -	$ **93**

See notes to financial statements

7. 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, up 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 up 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.

8. 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.

9. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $8,000 of which $3,020 was used as at March 31, 2017 (2016 - $1,455). The advance is unsecured, and interest is charged at Prime less 1% on the daily balance.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade accounts payable	$ **124**	$ 129
Accrued wages, vacation pay and banked time	**294**	466
Sick pay leave obligation	**57**	57
Goods and services tax	**1**	3
	$ **476**	$ 655

See notes to financial statements

11. 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:

	2017	2016
Balance, beginning of year	**$ 247**	$ 260
Actuarial loss (gain)	**-**	-
Benefits accrued	**19**	15
Interest on accrued benefits	**15**	16
Severance paid	**(32)**	(44)
Accrued benefit liability	**249**	247
Add: unamortized actuarial gains	**73**	83
Severance benefit liability	**$ 322**	$ 330

12. 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.

13. 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.

14. COMMITMENTS

During the year ended March 31, 2017, the Agency incurred costs of $286 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 signed a service agreement for the design and implementation of computer software. The total cost of the agreement is $308.

See notes to financial statements

15. 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.

16. RELATED PARTY TRANSACTIONS

The Agency provides services various other government departments. These departments make up approximately 98% of the revenue for the Agency. The Agency's ability to continue as a viable operation is dependent upon these transactions.

17. CONTINGENT LIABILITY

As at March 31, 2017, there were two outstanding claims. 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.

See notes to financial statements

Entrepreneurship Manitoba
Financial Statements
March 31, 2017

MNP LLP

Management's Responsibility

To the Special Operating Agencies Financing Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the 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.

MNP LLP is appointed 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 with management to discuss their audit findings.

June 22, 2017

Original Document Signed

Chief Executive Officer

Original Document Signed

Chief Financial Officer

Independent Auditors' Report

To the Special Operating Agencies Financing Authority and Entrepreneurship Manitoba:

We have audited the accompanying financial statements of Entrepreneurship Manitoba, a Special Operating Agency of the Government of the Province of Manitoba, which comprise the statement of financial position as at 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Entrepreneurship Manitoba as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
The comparative figures as at March 31, 2016 and for the year then ended were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion in their report dated May 30, 2016.

Winnipeg, Manitoba

June 22, 2017

MNP LLP

Chartered Professional Accountants

Entrepreneurship Manitoba
Statement of Financial Position
As at March 31, 2017

	2017 *(in thousands)*	2016 *(in thousands)*
Financial assets		
Current		
Cash and cash equivalents	**8,673**	8,449
Accounts receivable	**305**	324
Portfolio investments *(Note 3)*	**738**	735
Total financial assets	**9,716**	9,508
Liabilities		
Current		
Accounts payable and accruals	**393**	951
Accrued vacation entitlements	**433**	483
Provision for loan guarantees *(Note 4)*	**879**	831
Employee future benefits *(Note 5)*	**455**	496
Borrowings from the Province of Manitoba *(Note 6)*	**1,517**	1,847
Total financial liabilities	**3,677**	4,608
Net financial assets	**6,039**	4,900
Designated assets *(Note 8)*		
Non-financial assets		
Tangible capital assets *(Note 7)*	**6,349**	5,260
Inventories of supplies	**35**	39
Prepaid expenses	**11**	11
Total non-financial assets	**6,395**	5,310
Accumulated surplus	**12,434**	10,210

Entrepreneurship Manitoba
Statement of Operations
For the year ended March 31, 2017

	2017 Budget	2017 (in thousands)	2016 (in thousands)
Revenue			
Fees and services	9,215	10,293	9,801
Immigration settlement transfer	1,750	1,750	1,750
Investment income	25	35	43
	10,990	12,078	11,594
Expenses			
Amortization	8	6	8
Operating expenses *(Schedule 1)*	3,710	3,225	3,549
Salaries and employee benefits	4,356	4,123	4,400
	8,074	7,354	7,957
Net income before transfer to the Province of Manitoba	2,916	4,724	3,637
Transfer to the Province of Manitoba *(Note 9)*	2,500	2,500	2,500
Net income for the year	416	2,224	1,137
Accumulated surplus, beginning of year	9,363	10,210	9,073
Accumulated surplus, end of year	9,779	12,434	10,210

	2017	*2017*	*2016*
Net income for the year	**416**	**2,224**	1,137
Acquisition of tangible capital assets	**(1,665)**	**(1,095)**	(565)
Amortization of tangible capital assets	**8**	**6**	8
Net acquisition of tangible capital assets	**(1,657)**	**(1,089)**	(557)
Change in prepaid expenses during the year	**-**	**-**	1
Change in inventories of supplies during the year	**-**	**4**	2
Net acquisition of other non-financial assets	**-**	**4**	3
Increase (decrease) in net financial assets	**(1,241)**	**1,139**	583
Net financial assets, beginning of year	**3,888**	**4,900**	4,317
Net financial assets, end of year	**2,647**	**6,039**	4,900

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	2,224	1,137
Non-cash items		
Amortization	6	8
	2,230	1,145
Changes in working capital accounts		
Accounts receivable	19	(99)
Prepaid expenses	-	1
Inventories of supplies	4	2
Accounts payable and accrued liabilities	(558)	620
Provision for loan guarantees	48	48
Accrued vacation entitlements	(50)	82
Employee future benefits	(41)	66
	1,652	1,865
Financing activity		
Repayment of borrowings from the Province of Manitoba	(330)	(330)
Capital activity		
Acquisition of tangible capital assets	(1,095)	(565)
Investing activity		
Change in portfolio investments	(3)	710
Increase in cash and cash equivalents	224	1,680
Cash and cash equivalents, beginning of year	8,449	6,769
Cash and cash equivalents, end of year	8,673	8,449

1. Operations

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 Growth Enterprise and Trade and is under the policy direction of the Minister and the Deputy 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 for in its operating 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 including the following significant accounting policies:

Revenue recognition

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

Investment income and all other revenue is recognized on an accrual basis.

Expenses

Expenses

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

2. Significant accounting policies *(Continued from previous page)*

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.

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.

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:

	Method	***Rate***
Computer equipment and software	straight-line	5 years
Office equipment	straight-line	5 years
Furniture and fixtures	straight-line	5 years
Leasehold improvements	straight-line	5 years
System development costs	straight-line	15 years

In the year of acquisition amortization is taken at one-half of the rates noted above.

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.

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. Actual results may differ from these estimates.

3. Portfolio investments

Portfolio investments consist of deposits held with the Province of Manitoba, bearing interest at rates ranging from 0.63% to 0.69% per annum (2016 - 0.62% to 0.68% per annum), maturing between April 2017 and March 2018 (2016 - April 2016 and March 2017). Amounts with original maturities of three months or less are included in cash and cash equivalents.

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 1.00% 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 made 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.

As at March 31, 2017, there is a revolving authorized limit of $5,000, with debt totaling $3,779 (2016 - $3,561) being guaranteed under the Manitoba Business Start Loan Guarantee Program.

As at March 31, 2017, the Agency has recorded a provision of $879 for these loan guarantees (2016 - $831). The increase in the provision of $48 (2016 - $48) 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 $227 (2016 - $222) for total loan guarantee losses and payments during the year of $275 (2016 - $270).

As at March 31, 2017, 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 (2016 - $nil). Recoveries, if any, will be recognized in the period in which payments are received.

5. Employee future benefits

Included in employee future benefits are severance benefits of $396 (2016 - $437) and sick pay benefits of $59 (2016 - $59).

<u>Pension benefits</u>

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 of the Province of Manitoba (the "Province"), including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province, 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 2017 was $275 (2016 - $256). Under this agreement, the Agency has no further pension liability.

<u>Severance benefits</u>

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.

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, 2017 is $396 (2016 - $437), with the total actuarial losses of $168 (2016 - $168) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

5. Employee future benefits *(Continued from previous page)*

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2017 present value of the accrued severance benefit obligation include an annual rate of return of 6.00% (2016 - 6.00%) and annual salary increases of 3.75% (2016 - 3.75%).

The severance liability as at March 31, 2017 includes the following components:

	2017 *(in thousands)*	*2016* *(in thousands)*
Accrued benefit liability, beginning of year	**551**	496
Current period service costs	**33**	25
Interest on accrued benefits	**28**	30
Severance benefits paid	**(113)**	-
Accrued benefit liability, end of year	**499**	551
Less: unamortized actuarial losses	**(103)**	(114)
Severance benefit liability, end of year	**396**	437

The total expense related to severance benefits for the year ended March 31, 2017 includes current period service costs of $28 (2016 - $25), interest on accrued benefits of $33 (2016 - $30) and amortization of actuarial losses over EARSL of $11 (2016 - $11), for a total expense related to severance benefits of $72 (2016 - $66).

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, 2017 based on the valuation model is $59 (2016 - $59). The increase in the sick leave liability of $nil (2016 - $nil) 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:

	2017 *(in thousands)*	*2016* *(in thousands)*
Loan repayable in quarterly instalments of $33 plus interest at 4.00% per annum, maturing in 2021	**532**	665
Loan repayable in quarterly instalments of $49 plus interest at 3.00% per annum, maturing in 2022	**985**	1,182
	1,517	1,847

6. Borrowings from the Province of Manitoba *(Continued from previous page)*

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

2018	330
2019	330
2020	330
2021	330
2022	197

7. Tangible capital assets

	Cost	**Additions**	**Disposals**	**Accumulated amortization**	**2017 (in thousands) Net book value**
System development costs	**5,245**	**1,085**	**-**	**-**	**6,330**
Furniture and fixtures	**146**	**5**	**-**	**141**	**10**
Computer equipment and software	**118**	**-**	**-**	**118**	**-**
Leasehold improvements	**40**	**-**	**-**	**40**	**-**
Office equipment	**22**	**5**	**-**	**18**	**9**
	5,571	**1,095**	**-**	**317**	**6,349**

	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*2016 (in thousands) Net book value*
System development costs	4,686	559	-	-	5,245
Furniture and fixtures	146	-	-	139	7
Computer equipment and software	118	-	-	115	3
Leasehold improvements	40	-	-	40	-
Office equipment	16	6	-	17	5
	5,006	565	-	311	5,260

During the year, system development costs were capitalized in the amount of $1,085 (2016 - $559). The total cost of tangible capital assets not subject to amortization as at March 31, 2017 is $6,300 (2016 - $5,245). Amortization will commence when development is complete and the system is availbale for use.

8. Designated assets

As at March 31, 2017, the Agency has a total of $1,075 (2016 - $1,075) of its cash and cash equivalents and portfolio investments designated for specific purposes as described below.

The Agency has allocated $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, $213 was received from the Province of Manitoba for vacation and severance benefits transferred to the Agency relating to the reorganization effective April 1, 2013. 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.

Also relating to the reorganization effective April 1, 2013, $644 was received from the Province of Manitoba for the total provision for loan guarantees transferred to the Agency as of this date. This amount is also held in an interest bearing account until cash is required to discharge the related liabilities for loan guarantees.

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 (2016 - $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 (2016 - $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 carrying amount of the Agency's cash and cash equivalents, accounts receivable and portfolio investments best represents the maximum exposure to credit risk.

<u>Cash and cash equivalents and portfolio investments</u>: 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.

<u>Accounts receivable</u>: 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 best 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, 2017 is $nil (2016 - $nil). The entire balance of accounts receivable was current as of March 31, 2017.

Liquidity risk

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

The Agency manages the 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.

10. Financial instruments and financial risk management *(Continued from previous page)*

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 of cash and cash equivalents is considered to be low due to 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.

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 currency 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.

Entrepreneurship Manitoba
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2017

	2017 (in thousands)	2016 (in thousands)
Advertising and brochures	**17**	13
Audit fees	**9**	9
Bad debts	**1**	1
Bank and credit card charges	**77**	73
Commissioner for Oath and Notary Public fees	**148**	135
Communications and telephone	**73**	84
Computer expenses	**235**	151
Computer programming	**248**	243
Conference and convention registration fees	**1**	1
Consulting	**-**	25
Desktop support costs	**237**	232
Disaster recovery and electronic storage	**47**	55
Education and training expenses	**16**	29
Equipment maintenance and rentals	**6**	12
Grants and sponsorships	**68**	66
Hall rentals	**15**	17
Hospitality	**1**	1
Insurance	**13**	14
Interest on long-term debt	**58**	69
Legal services	**68**	68
Library materials	**18**	23
Loan guarantee losses and payments	**275**	270
Manitoba Business Links - net of recoveries	**201**	169
Miscellaneous	**82**	136
Name search applications	**167**	195
New system costs - BSI allocation	**502**	823
Occupancy	**299**	285
Payroll processing	**22**	21
Postage and courier	**81**	79
Promotional materials	**1**	7
Publications	**18**	22
Seminar hall rental	**13**	32
Stationary	**100**	101
Subscriptions	**25**	6
Translation services	**-**	5
Travel and transportation	**40**	51
Website hosting fees	**-**	5
Workshops	**43**	21
	3,225	3,549

FOOD DEVELOPMENT CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2017

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 May 11, 2017.

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 LLP, Chartered Professional Accountants, 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 presented, in all material respects, 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 the financial statements.

On behalf of Management of
Food Development Centre

Original Document Signed

Guy Van Den Bussche
Controller / 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 Initiatives

INDEPENDENT AUDITOR'S 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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 11, 2017
Winnipeg, Canada

Chartered Professional Accountants

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

Statement of Financial Position

(in thousands)

March 31, 2017

	2017 Actual	2016 Actual
Financial assets		
Cash and cash equivalents	$ 825	$ 203
Accounts receivable (Note 4)	581	1,475
Portfolio investments	41	41
	1,447	1,719
Liabilities		
Accounts payable and accrued liabilities (Note 5)	298	523
Deferred revenue	122	201
Accrued vacation and overtime entitlements	293	251
Employee future benefits (Note 7)	371	326
Borrowings from the Province of Manitoba (Note 8)	1,313	1,506
	2,397	2,807
Net (debt) financial assets	(950)	(1,088)
Non-financial assets		
Tangible capital assets (Note 9)	8,798	10,408
Prepaid expenses	34	39
	8,832	10,447
Accumulated surplus	$ 7,882	$ 9,359

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, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenue:			
Grants:			
Province of Manitoba operating grant	$ 2,020	$ 2,020	$ 2,020
Other grants	193	193	193
	2,213	2,213	2,213
Fee for service	1,002	1,080	952
Lease revenue	359	358	329
Administration fees (Note 11)	1,104	871	751
Donations and other	-	4	46
Investment income	4	3	2
	4,682	4,529	4,293
Expenses:			
Salaries and benefits	2,738	2,456	2,369
Supplies and project expenses	153	208	156
Purchased services	66	64	87
Travel and transportation	101	35	62
Courier	35	34	32
Marketing	55	37	23
Library publications	7	6	1
Occupancy expenses	398	360	317
Amortization of tangible capital assets	1,341	972	1,345
Write-down of tangible capital assets (Note 9)	-	646	-
Loss on disposal of tangible capital assets (Note 9)	-	25	-
Ag Weather Progam (Note 11)	200	144	69
Administrative expenses (Schedule 1)	929	1,019	905
	6,023	6,006	5,366
Net (loss) for the year	(1,341)	(1,477)	(1,073)
Accumulated surplus, beginning of year	9,229	9,359	10,432
Accumulated surplus, end of year	$ 7,888	$ 7,882	$ 9,359

See accompanying notes to financial statements.

Statement of Change in Net (Debt) Financial Assets

(in thousands)

Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Net (loss) for the year	$ (1,341)	$ (1,477)	$ (1,073)
Tangible capital assets:			
Acquisition of tangible capital assets	(52)	(59)	(77)
Disposals and write-downs of tangible capital assets	-	696	-
Amortization of tangible capital assets	1,341	972	1,345
Net acquisition of tangible capital assets	1,289	1,609	1,268
Other non-financial assets:			
Decrease in prepaid expenses	-	6	15
Net acquisition of other non-financial assets	-	6	15
Increase in net (debt) financial assets	(52)	138	210
Net (debt) financial assets, beginning of year	(1,165)	(1,088)	(1,298)
Net (debt) financial assets, end of year	$ (1,217)	$ (950)	$ (1,088)

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, 2017

	2017 Actual	2016 Actual
Cash provided by (applied to)		
Operating activities:		
Net (loss) for the year	$ (1,477)	$ (1,073)
Adjustments for:		
Amortization of tangible capital assets	972	1,345
Write-down of tangible capital assets	646	-
Loss on disposal of tangible capital assets	25	-
	166	272
Changes in the following:		
Accounts receivable	894	(465)
Accounts payable and accrued liabilities	(224)	32
Deferred revenue	(79)	129
Accrued vacation and overtime entitlements	42	(2)
Employee future benefits	45	31
Prepaid expenses	5	15
Cash provided by operating activities	849	12
Capital activities:		
Acquisition of tangible capital assets	(59)	(77)
Proceeds on disposal of tangible capital assets	25	-
Cash (applied to) capital activities	(34)	(77)
Financing activities:		
Repayment of borrowings from the Province of Manitoba	(193)	(247)
Cash (applied to) financing activities	(193)	(247)
Change in cash and cash equivalents	622	(312)
Cash and cash equivalents, beginning of year	203	515
Cash and cash equivalents, end of year	$ 825	$ 203

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 Manitoba Agriculture 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

<u>Government transfers</u>

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)

Fee for service

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

Lease revenue

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

Administration fees

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

Other revenue

Investment income and all other revenue is recognized on the accrual basis.

(b) Expenses

All expenses incurred for goods and services are recorded on the 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.

3. Summary of significant accounting policies (continued)

(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 benefits in future periods. The prepaid amount is recognized as an expense in the period the goods or services are consumed.

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	25 years

During the year ended March 31, 2017, the Centre changed its estimate for the useful life of its building improvements thereby increasing the period of amortization for these assets to 25 years from 15 years. This change in estimate resulted in a decrease in amortization expense of approximately $370 for the year.

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 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.

(in thousands)

3. Summary of significant accounting policies (continued)

(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. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2017	2016
Trade accounts receivable	$ 366	$ 407
Other receivables	28	1
Due from the Growing Forward Program (Note 11)	362	1,147
Allowance for doubtful accounts (Note 12)	(175)	(80)
	$ 581	$ 1,475

5. Accounts payable and accrued liabilities

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

	2017	2016
Trade payables and accrued liabilities	$ 288	$ 510
Provincial sales and goods and services taxes payable	10	13
	$ 298	$ 523

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 $210 was used at March 31, 2017 (2016 - $508).

(in thousands)

7. Employee future benefits

		2017		2016
Severance benefits	$	325	$	282
Sick pay benefits		46		44
	$	371	$	326

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 the year ended March 31, 2017 was $255 (2016 - $231). 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.

An actuarial report was completed for the severance pay liability as at 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, 2017 is $325 (2016 - $282), with the total net actuarial losses of $18 (2016 - $18) 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, 2017 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%

(in thousands)

7. Employee future benefits (continued)

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

	2017	2016
Accrued benefit liability, beginning of year	$ 298	$ 260
Current period service costs	24	22
Interest on accrued severance benefits	18	16
Accrued benefit liability, end of year	340	298
Less: unamortized actuarial losses	(15)	(16)
Severance benefit liability, end of year	$ 325	$ 282

Total severance benefits paid during the year ended March 31, 2017 were $nil (2016 - $nil). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2017	2016
Current period service costs	24	22
Interest on accrued severance benefits	$ 18	$ 16
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	$ 43	$ 39

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 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% (2016 - 5.00%) annual return and a 1.50% (2016 - 1.50%) annual salary increase. The Centre's sick leave benefit liability at March 31, 2017 is $46 (2016 - $44). The increase (decrease) in the sick leave benefit liability of $2 (2016 - decrease of $8) represents the total sick leave benefit expense (recovery) for the year.

(in thousands)

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:

	2017	2016
5.625% repayable in annual instalments of $175 principal plus interest, maturing in May 2019	$ 525	$ 700
5.8% repayable in annual instalments of $18 principal plus interest, maturing in April 2017	18	36
Currently interest only at prime less 0.75% payable quarterly with no scheduled principal repayments, maturing in March 2031	770	770
	$ 1,313	$ 1,506

Interest is measured using the effective interest method. During the year ended March 31, 2017, the Centre made principal payments of $nil (2016 - $54) on the loan with no scheduled principal repayments.

Approximate scheduled principal repayments in each of the next five years, or until maturity, are as follows:

Year	Amount
2018	$ 193
2019	175
2020	175

(in thousands)

9. Tangible capital assets

	2017			
	Opening Balance	Additions	Write-downs/ Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 6,935	$ 13	$ (696)	$ 6,252
Computer hardware and software	96	-	-	96
Building improvements	14,061	46	-	14,107
	$ 21,092	$ 59	$ (696)	$ 20,455
Accumulated Amortization				
Equipment - commercial and product development	$ (4,006)	$ (409)	$ -	$ (4,415)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(6,582)	(563)	-	(7,146)
	$ (10,684)	$ (972)	$ -	$ (11,657)
Net book value	$ 10,408	$ (913)	$ (696)	$ 8,798

During the year ended March 31, 2017, commercial and product development equipment with an original cost of $696 was written down to its estimated value of $50 resulting in a write-down of $646 recognized as an expense for the year. Subsequently, the asset was sold for proceeds of $25 resulting in a loss on disposal of $25 also recognized as an expense for the year. As at March 31, 2017, the total cost of tangible capital assets not subject to amortization is $106 (2016 - $802).

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 6,858	$ 77	$ -	$ 6,935
Computer hardware and software	96	-	-	96
Building improvements	14,061	-	-	14,061
	$ 21,015	$ 77	$ -	$ 21,092
Accumulated Amortization				
Equipment - commercial and product development	$ (3,603)	$ (403)	$ -	$ (4,006)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(5,640)	(942)	-	(6,582)
	$ (9,339)	$ (1,345)	$ -	$ (10,684)
Net book value	$ 11,676	$ (1,268)	$ -	$ 10,408

10. Designated assets

The Centre has allocated $41 (2016 - $41) of its portfolio investments as designated assets for cash received from the Province of Manitoba for 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 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

The Centre has total administration fee revenue of $871 (2016 - $751) from administering the following programs during the year:

(a) 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 Centre's administration of the Growing Forward 2 Program runs from April 1, 2013 to March 31, 2018.

The administration fee under the current Growing Forward 2 Program is based on recoveries of certain expenses included in a Memorandum of Understanding between the Centre and Manitoba Agri-Food and Rural Development, now Manitoba Agriculture. The recoveries include specified percentages of certain salaries and administrative costs incurred by the Centre as well as full recovery of any direct program costs. The total administration fees received or receivable for the year ended March 31, 2017 pursuant to the Growing Forward 2 Program are $713 (2016 - $675), with $346 (2016 - $362) being recoveries of direct salaries and program costs. 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, 2017 is $362 (2016 - $1,147).

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 financial statements of the Centre. As at March 31, 2017, the total funds on deposit relating to Growing Forward funding is $10,640 (2016 - $13,995). These funds are not included in the financial statements of the Centre.

(b) Ag Weather Program

Pursuant to a Memorandum of Understanding between Manitoba Agri-Food and Rural Development (MAFRD), Manitoba Infrastructure and Transportation (MIT) and the Centre, the Centre is administering the incremental operating costs incurred by MIT pursuant to a partnership agreement between MAFRD and MIT relating to an enhanced wireless network of weather monitoring stations in Manitoba. Given the strategic relationship between MAFRD and MIT to improve weather information to Manitoba clients, the Centre has been authorized to administer the incremental operating costs incurred by MIT in order to ensure the administration is consistent with the existing Growing Forward 2 initiative (above). The administration fee under the current Ag Weather Program is based on 10% of all funds administered on behalf of MIT. The Centre's administration of the Ag Weather Program runs from April 28, 2015 to March 31, 2018. For the year ended March 31, 2017, total expenses incurred by the Centre relating to the Ag Weather Program amounted to $144 (2016 - $69) resulting in total administration fees received or receivable of $158 (2016 - $76).

(in thousands)

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 (2016 - $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 are cash and cash equivalents, accounts receivable and portfolio investments.

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

	2017	2016
Cash and cash equivalents	$ 825	$ 203
Accounts receivable	581	1,475
Portfolio investments	41	41
	$ 1,447	$ 1,719

Cash and cash equivalents and portfolio investments: The Centre is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and 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 due. The Centre manages this credit risk through close monitoring of any 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 as at March 31, 2017 is $175 (2016 - $80) with changes to the allowance for doubtful accounts during the year as follows:

	2017	2016
Balance, beginning of the year	$ 80	$ 68
Provision for receivable impairment	102	14
Amounts written off during the year	(7)	(2)
Balance, end of the year	$ 175	$ 80

(in thousands)

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts as at March 31, 2017 is as follows:

	Accounts Receivable	Allowance	Net
Current	$ 509	$ (53)	$ 456
30-60 days past the billing date	123	(51)	72
61-90 days past the billing date	38	(36)	2
Over 90 days past the billing date	86	(35)	51
Balance, end of the year	$ 756	$ (175)	$ 581

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 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 Centre's net income (loss) 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, 2016 have been reclassified to conform to the financial statement presentation adopted for the current year.

Schedule of Administrative Expenses — Schedule 1

(in thousands)

Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Accreditation and licensing fees	$ 12	$ 7	$ 8
Advisory committee fees	2	1	1
Bad debt expense	5	102	14
Bank charges	4	4	4
Computer expenses	115	107	127
Equipment rental and repairs	140	135	168
Insurance	84	80	74
Interest on borrowings	72	46	58
Memberships	7	5	6
Postage, office and telephone	60	58	51
Professional fees	40	36	32
Property taxes	310	288	312
Repairs and maintenance	65	131	44
Training	13	19	6
	$ 929	$ 1,019	$ 905

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

Financial Statements

(In Thousands)

Year Ended March 31, 2017

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 22, 2017.

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 22, 2017

Grant Thornton

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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, 2017, 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, 2017 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.

Grant Thornton LLP

Winnipeg, Manitoba
June 22, 2017

Chartered Professional Accountants

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Financial Position

(In Thousands)

March 31, 2017

		March 31, 2017		March 31, 2016
FINANCIAL ASSETS				
Cash	$	2,677	$	2,546
Accounts receivable (*Note 6)*		-		313
		2,677		2,859
LIABILITIES				
Accounts payable and accruals		165		213
Severance liability *(Note 7)*		35		24
Unearned revenue *(Note 8)*		5		-
		205		237
NET FINANCIAL ASSETS		2,472		2,622
ACCUMULATED SURPLUS	$	2,472	$	2,622

See accompanying notes to financial statements.

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GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Operations
(In Thousands)

For the Year Ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
REVENUE			
Government funding	-	**54**	340
Non-government funding	2,767	**2,600**	2,379
	2,767	**2,654**	2,719
EXPENSES			
Advertising and promotion	25	**21**	37
Community program sponsorship	30	**-**	-
Computer	40	**63**	49
Contracted services	44	**41**	82
Office	86	**26**	32
Professional fees	35	**20**	13
Program supplies and services	2,314	**1,877**	1,793
Rent	37	**-**	-
Salaries and benefits	700	**736**	608
Training	10	**6**	2
Travel	25	**14**	33
	3,346	**2,804**	2,649
ANNUAL (DEFICIT) SURPLUS	(579)	**(150)**	70
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,622	**2,622**	2,552
ACCUMULATED SURPLUS, END OF YEAR	$ 2,043	**$ 2,472**	$ 2,622

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, 2017

	2017 Budget	2017 Actual	2016 Actual
Annual (Deficit) Surplus	$ (579)	**$ (150)**	$ 70
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(579)	**(150)**	70
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,622	**2,622**	2,552
NET FINANCIAL ASSETS, END OF YEAR	$ 2,043	**$ 2,472**	$ 2,622

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, 2017

	2017 Actual	2016 Actual
Cash provided by (applied to):		
Operating		
Annual (Deficit) Surplus	**$ (150)**	$ 70
Change in:		
Accounts receivable	**313**	192
Accounts payable and accruals	**(48)**	81
Severance liability	**11**	11
Unearned revenue	**5**	-
Cash provided by operating activities	**131**	354
INCREASE IN CASH	**131**	354
CASH - BEGINNING OF YEAR	**2,546**	2,192
CASH - END OF YEAR	**$ 2,677**	$ 2,546

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 Sustainable Development 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 Sustainable Development 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.

The designation of the Agency as a special operating agency under *The Special Operating Agencies Financing Authority Act* was revoked by a Manitoba Order in Council dated April 5, 2017 and its operating charter was cancelled effective the end of the day April 12, 2017. As at the end of the day on April 12, 2017, the net assets of the Agency were transferred to SOAFA (Note 5). Effective April 13, 2017, the former operations of the Agency will continue to operate as a branch of the Department of Sustainable Development.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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. 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 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 (2016 - $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.

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

	2017	2016
Cash	$2,677	$2,546
Accounts receivable	-	313
	$2,677	$2,859

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

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

Accounts receivable: Green Manitoba is not exposed to significant credit risk as the balance is typically 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, 2017 was $0 (2016 - $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.

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. SUBSEQUENT EVENT - TRANSFER OF ASSETS AND LIABILITIES TO SOAFA

Upon cancellation of the Agency's operating charter effective April 12, 2017, the following assets and liabilities will be transferred to SOAFA:

FINANCIAL ASSETS:	As at March 31, 2017	April 1–12, 2017 activity	**As at April 12, 2017**
Cash	$ 2,677	$ (28)	**$ 2,649**
Accounts receivable	-	-	**-**
	2,677	(28)	**2,649**
LIABILITIES:			
Accounts payable and accruals	165	8	**173**
Severance liability	35	-	**35**
Unearned revenue	5	-	**5**
	205	8	**213**
Total net assets transferred to SOAFA at April 12, 2017	$ 2,472	$ (36)	**$ 2,436**

6. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2017	2016
Sustainability (various)	$ -	$ 13
WRARS (Waste)	-	300
	$ -	$ 313

7. 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, 2017 was $35 (2016 - $24). The actuarial loss of $63 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, 2014 valuation, and in the determination of the March 31, 2017 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:

	2017	2016
Accrued benefit liability	**$73**	$66
Less: unamortized actuarial losses	**(38)**	(42)
Severance benefit liability	**$35**	$24

During the year no severance benefits were paid (2016 - $0) were paid. The total expenses related to severance benefits at March 31 include the following components:

	2017	2016
Interest on obligation	**$4**	$4
Current period benefit cost	**3**	2
Amortization of actuarial gain over EARSL	**4**	5
Total expense related to severance benefit	**$11**	$11

8. UNEARNED REVENUE

Unearned revenues are set aside for specific purposes as required by funding agreements. The unearned revenue balance is comprised of the following amounts:

	Opening balance	Funds received	Transfer to revenue	Closing balance
Heating, Refrigeration, and Air Conditioning Institute of Canada (HRAI)	$ -	$ 10	$ (5)	$ 5

9. 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, 2017 (2016 - $0).

10. 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 $50 (2016 - $42).

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

11. CONTRACTUAL OBLIGATIONS

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

Description (year authorized)	**Amount Authorized**	**Obligation Mar. 31, 2017**
Organizations (TBD) – CR&D research and demonstration projects (2012)	$ 50	**$ 50**
MEIA – CR&D & ICI Waste (2013)	50	**5**
MIT – Green Building Market Study (2014)	35	**9**
Solid Waste Area Management Project – S.W.A.M.P (2015)	25	**5**
Churchill Waste Management Enhancement (2015)	50	**50**
MEIA & Manitoba Home Builders Association (2016)	50	**30**
Parks Propane Bottle Collection System (2013)	25	**23**
Organizations (TBD) – Manitoba Compost Incentive Payment Program (2016)	300	**103**
Manitoba Compost – CDEM Waste diversion initiative (2016)	100	**25**
Manitoba Compost - Legislative Compost Project (2014)	20	**15**
Manitoba Compost - School Organics Project (2014)	10	**1**
Manitoba Compost - Communities in Bloom (2015)	30	**15**
Manitoba Compost - Winnipeg Harvest - Blue Box Garden & Compost System (2014)	25	**10**
Manitoba Compost – CCC – Agro-economic evaluation of CQA (2015)	75	**60**
Manitoba Compost - CCC - Compost Training/Compost Matters Conference (2014)	25	**10**
Manitoba Compost – School Compost Program (2015)	20	**20**
Manitoba Compost – Climate Protocols & Carbon Credit Analysis (2015)	25	**25**
Manitoba Compost – Fish Waste Composting – Hecla Park (2015)	25	**25**
Organizations (TBD) Northern Remote recycling Support (2011)	50	**21**
MESDWG – Public Education Project (2013)	20	**5**
PIN Printer Paper (Green Government)(2014)	20	**11**
Waste Management Events (2015)	40	**27**
Take Pride Winnipeg - Province-wide Litter Clean-up and Education Program (2015)	100	**10**
Winnipeg 4R Depot (2015)	150	**30**
Mother Earth Recycling – Mattress Recycling (2015)	250	**25**
Capital Region Committee – Development of Capital Region Waste Plan (2015)	100	**10**
Manitoba Association of Regional Recyclers – Base Grant (2015)	25	**3**
MESDWG – Promotion of Sustainability Education (2015)	75	**55**
EECOM – 2016 Conference (2015)	20	**4**
AMM/SWANA – Landfill Operator Training Support (2015)	35	**28**
University of Manitoba – Northern Scrap Metal Recycling (2015)	10	**2**
CleanFARMS – Phase II (2016)	100	**65**
WRARS Program Audit (2016)	50	**50**
WRARS Database development + ReTRAC Subscription (2016)	15.5	**3**
Blue Sky Opportunities – WRAPP Project (2015)	25	**5**
City of Morden - Curbside Organic Collection System (2015)	100	**25**
RM of Hanover - Organic Waste Depots (2015)	15.5	**4**
University of Manitoba – Waste Audit & Feasibility Study (2015)	40	**10**
Climate Change Branch – Winnipeg Airport Authority Electrification Project (2015)	300	**300**
	$ 2,481	**$ 1,174**

Industrial Technology Centre

An Agency of the Government of Manitoba

Financial Statements
For the Year Ended March 31, 2017

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

May 31, 2017

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BDO Canada LLP
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, 2017, 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.

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, 2017, 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 Professional Accountants

Winnipeg, Manitoba
May 31, 2017

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2017
(In Thousands)

	March 31, 2017	March 31, 2016
Financial Assets		
Cash and cash equivalents	$ 229	$ 453
Accounts receivable	265	210
Portfolio investments	103	103
	597	766
Liabilities		
Accounts payable and accruals	347	399
Unearned revenue	-	-
Employee future benefits (Note 6)	342	325
Borrowings from the Province of Manitoba (Note 7)	-	-
	689	724
Net Debt	(92)	42
Non-financial Assets		
Prepaid expenses	50	41
Tangible capital assets (Note 8)	638	769
	688	810
Accumulated Surplus	$ 596	$ 852

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, 2017
(In Thousands)

	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba	$ 730	$ 730	$ 730
Fee for service	2,051	1,818	1,986
Other	55	60	58
Total revenue	2,836	2,608	2,774
Expense			
Advertising and promotion	56	55	54
Amortization	311	262	290
Audit and legal	12	8	11
Bad debts	2	-	-
Building maintenance	58	69	57
Computer	20	23	20
Equipment	55	64	60
Fees and memberships	40	37	35
Insurance	37	35	34
Interest and service charges	5	5	5
Library	22	20	20
Office	53	47	53
Professional development	20	6	26
Project supplies and subcontract	95	60	102
Purchased services	10	5	5
Rent and property tax	278	296	274
Salaries and benefits	1,692	1,685	1,676
Travel	25	34	43
Utilities	45	53	47
Total expense	2,836	2,764	2,812
Annual surplus (deficit), before transfer of funds to the Province of Manitoba	-	(156)	(38)
Transfer of funds to the Province of Manitoba	100	100	100
Annual surplus (deficit)	(100)	(256)	(138)
Accumulated surplus, beginning of year	890	852	990
Accumulated surplus, end of year	$ 790	$ 596	$ 852

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, 2017
(In Thousands)

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit)	$ (100)	$ (256)	$ (138)
Tangible capital assets			
Acquisition of tangible capital assets	(250)	(131)	(185)
Amortization of tangible capital assets	311	262	290
Net acquisition of tangible capital assets	61	131	105
Other non-financial assets			
Increase in prepaid expense	-	(9)	(5)
Net acquisition of other non-financial assets	-	(9)	(5)
(Increase) decrease in net debt	(39)	(134)	(38)
Net debt, beginning of year	71	42	80
Net debt, end of year	$ 32	$ (92)	$ 42

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, 2017
(In Thousands)

	2017 Actual	2016 Actual
Cash provided by (applied to):		
Operating		
Annual surplus (deficit)	$ (256)	$ (138)
Amortization of tangible capital assets	262	290
	6	152
Change in:		
Accounts receivable	(55)	17
Accounts payable and accruals	(52)	(156)
Unearned revenue	-	-
Employee future benefits	17	22
Prepaid expenses	(9)	(5)
Cash provided by (applied to) operating activities	(93)	30
Capital		
Acquisition of tangible capital assets	(131)	(185)
Cash applied to capital activities	(131)	(185)
Increase (decrease) in cash	(224)	(155)
Cash and cash equivalents at beginning of year	453	608
Cash and cash equivalents at end of year	$ 229	$ 453

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 Growth, Enterprise and Trade under the general direction of the Executive Director, Enterprise.

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 Growth, Enterprise and Trade 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 Growth, Enterprise and Trade 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 2016).

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.

(In Thousands)

4. Financial Instruments and Financial Risk Management (continued)

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

	2017	2016
Cash and cash equivalents	$ 229	$ 453
Accounts receivable	265	210
Portfolio investments	103	103
	$ 597	$ 766

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, 2017 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.

(In Thousands)

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, 2017 working capital advances were nil (Nil in 2016). The line bears interest at prime less 1% and is not secured by specific assets.

6. Employee Future Benefits

	2017	2016
Severance benefits	$ 319	$ 296
Sick pay benefits	23	29
	$ 342	$ 325

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 2017 is $111 ($98 in 2016). 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, 2017 is $319 ($296 in 2016), with an actuarial adjustment being amortized over the 15-year expected average remaining service life (EARSL) of the employee group.

(In Thousands)

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, 2017 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:

	2017	2016
Accrued benefit liability		
Balance, beginning of year	$ 284	$ 259
Actuarial gain	-	-
Benefits accrued	10	9
Interest on accrued benefits	16	16
Severance paid	-	-
Balance, end of year	310	284
Add: Unamortized actuarial gains	9	12
Severance benefit liability	$ 319	$ 296

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

	2017	2016
Interest on obligation	$ 16	$ 16
Current period benefit cost	10	9
Amortization of actuarial gains over EARSL	(3)	(4)
Total expense related to severance benefit	$ 23	$ 21

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.

(In Thousands)

7. Borrowings from the Province of Manitoba

The Industrial Technology Centre has authorized loan authority of $910 under The Loan Act, 2016. This loan authority is unutilized as at March 31, 2017.

8. Tangible Capital Assets

				2017
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,674	102	-	2,776
Computer equipment and software	436	19	-	455
Leasehold improvements	280	10	-	290
	3,423	131	-	3,554
Accumulated Amortization				
Furniture and fixtures	29	4	-	33
Office and laboratory equipment	2,028	225	-	2,253
Computer equipment and software	382	24	-	406
Leasehold improvements	215	9	-	224
	2,654	262	-	2,916
Net	$ 769	$ (131)	$ -	$ 638

(In Thousands)

8. Tangible Capital Assets (continued)

				2016
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,501	173	-	2,674
Computer equipment and software	424	12	-	436
Leasehold improvements	280	-	-	280
	3,238	185	-	3,423
Accumulated Amortization				
Furniture and fixtures	26	3	-	29
Office and laboratory equipment	1,791	237	-	2,028
Computer equipment and software	354	28	-	382
Leasehold improvements	193	22	-	215
	2,364	290	-	2,654
Net	$ 874	$ (105)	$ -	$ 769

9. Designated Assets

The Agency has allocated $103 ($103 in 2016) 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:

2018	$ 194
2019	194
2020	194
2021	194
2022	194

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS
An Agency of the Government of Manitoba

Financial Statements
For the year ended March 31, 2017

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 of MERLIN:

Original Document Signed

Kiley Bender, Acting Chief Operating Officer

Original Document Signed

David Olafson, Controller

May 31, 2017

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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, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained 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, 2017, 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 Professional Accountants

Winnipeg, Manitoba
May 31, 2017

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Financial Position

(In Thousands)

March 31		**2017**		2016
Financial Assets				
Cash and cash equivalents (Note 6)	**$**	**384**	$	86
Accounts receivable		**452**		131
Portfolio investments		**47**		47
		883		264
Liabilities				
Accounts payable and accruals		**511**		331
Unearned revenue		**856**		818
Employee future benefits (Note 7)		**155**		142
		1,522		1,291
Net debt		**(639)**		(1,027)
Non-financial Assets				
Prepaid expenses		**590**		742
Tangible capital assets (Note 8)		**655**		647
		1,245		1,389
Accumulated surplus	**$**	**606**	$	362

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	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba	$ 346	$ 346	$ 346
Fee for goods and services	4,719	5,300	4,841
Other	-	2	3
	5,065	5,648	5,190
Expense			
Advertising and promotion	14	20	21
Amortization	274	272	223
Audit and legal fees	11	12	17
Communication and bandwidth	195	194	193
Cost of purchases for resale	1,966	2,421	1,790
Course delivery	20	54	105
Equipment repair and maintenance	335	318	319
Manitoba Network connections	600	715	789
Occupancy	78	75	70
Office and miscellaneous	48	43	42
Professional development	30	2	24
Purchased services	55	30	206
Salaries and benefits	1,411	1,235	1,341
Travel	28	13	19
	5,065	5,404	5,159
Annual surplus	-	244	31
Accumulated surplus, beginning of year	356	362	331
Accumulated surplus, end of year	$ 356	$ 606	$ 362

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	2017 Budget	2017 Actual	2016 Actual
Annual surplus	**$ -**	**$ 244**	$ 31
Tangible Capital Assets			
Acquisition of tangible capital assets	**(300)**	**(280)**	(456)
Amortization of tangible capital assets	**274**	**272**	223
Net acquisition of tangible capital assets	**(26)**	**(8)**	(233)
Other Non-financial Assets			
(Increase) decrease in prepaid expenses	**160**	**152**	(401)
(Increase) decrease in net debt	**134**	**388**	(603)
Net debt, beginning of year	**(991)**	**(1,027)**	(424)
Net debt, end of year	**$ (857)**	**$ (639)**	$ (1,027)

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	2017	2016
Cash provided by (applied to):		
Operating Activities		
Annual surplus	**$ 244**	$ 31
Amortization of tangible capital assets	**272**	223
	516	254
Changes in:		
Accounts receivable	**(796)**	190
Accounts payable and accruals	**180**	(262)
Unearned revenue	**513**	23
Employee future benefits	**13**	(27)
Prepaid expenses	**152**	(401)
Cash provided by (applied to) operating activities	**578**	(223)
Capital Activities		
Acquisition of tangible capital assets	**(280)**	(456)
Increase (decrease) in cash and cash equivalents	**298**	(679)
Cash and cash equivalents, beginning of year	**86**	765
Cash and cash equivalents, end of year	**$ 384**	$ 86

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 April 1, 2015, MERLIN operates as part of Finance 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 Finance 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 year the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year as at March 31, 2017 and 2016.

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.

(In Thousands)

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:

	2017	2016
Cash and cash equivalents	**$ 384**	$ 86
Accounts receivable	**452**	131
Portfolio investments	**47**	47
Maximum exposure to credit risk	**$ 883**	$ 264

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 balance at March 31, 2017 was $16.

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, 2017 working capital advances were $NIL ($NIL in 2016). 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.

(In Thousands)

7. Employee Future Benefits

		2017		2016
Severance benefits	**$**	**141**	$	128
Sick pay benefits		**14**		14
	$	**155**	$	142

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 2017 was $93 ($90 in 2016). 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.

(In Thousands)

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, 2017 was $141 ($128 in 2016), 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, 2017 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:

	2017	2016
Accrued benefit liability		
Balance, beginning of year	**$ 135**	$ 160
Benefits accrued	**4**	4
Interest on accrued benefits	**8**	10
Severance paid	**(1)**	(39)
Balance, end of year	**146**	135
Less unamortized actuarial losses	**(5)**	(7)
Severance benefit liability	**$ 141**	$ 128

7. Employee Future Benefits (continued)

Severance Benefits (continued)

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

		2017		2016
Interest on obligation	**$**	**8**	$	10
Current period benefit cost		**4**		4
Amortization of actuarial losses over EARSL		**2**		1
Total expense related to severance benefit	**$**	**14**	$	15

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.

(In Thousands)

8. Tangible Capital Assets

	2017			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Computer hardware	**$ 1,772**	**$ 280**	**$ -**	**$ 2,052**
Computer software	**110**	**-**	**-**	**110**
Equipment and furniture	**48**	**-**	**-**	**48**
Leaseholds	**20**	**-**	**-**	**20**
	1,950	**280**	**-**	**2,230**
Accumulated Amortization				
Computer hardware	**1,141**	**267**	**-**	**1,408**
Computer software	**99**	**3**	**-**	**102**
Equipment and furniture	**43**	**2**	**-**	**45**
Leaseholds	**20**	**-**	**-**	**20**
	1,303	**272**	**-**	**1,575**
Net book value	**$ 647**	**$ 8**	**$ -**	**$ 655**

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 1,332	$ 440	$ -	$ 1,772
Computer software	96	14	-	110
Equipment and furniture	46	2	-	48
Leaseholds	20	-	-	20
	1,494	456	-	1,950
Accumulated Amortization				
Computer hardware	923	218	-	1,141
Computer software	96	3	-	99
Equipment and furniture	41	2	-	43
Leaseholds	20	-	-	20
	1,080	223	-	1,303
Net book value	$ 414	$ 233	$ -	$ 647

(In Thousands)

9. Designated Assets

MERLIN has allocated $47 ($47 in 2016) 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:

2018	$	36

MANITOBA FINANCIAL SERVICES AGENCY

Financial Statements

For the year ended March 31, 2017

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, CPA, CMA, Deputy Director Operations and Controller

MAY 31, 2017

Date

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BDO Canada LLP
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 **MANITOBA FINANCIAL SERVICES AGENCY** which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules or exhibits on pages 16 - 17 of the **MANITOBA FINANCIAL SERVICES AGENCY**'s financial statements.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2017

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

March 31		2017		2016
Financial Assets				
Cash and cash equivalents (Note 5)	**$**	**21,506**	$	23,058
Accounts receivable (Note 6)		**71**		26
Portfolio investments		**1,019**		1,019
		22,596		24,103
Liabilities				
Accounts payable and accrued liabilities		**33**		194
Accrued vacation entitlements		**302**		301
Accrued salaries and benefits		**-**		227
Employee future benefits (Note 7)		**500**		454
		835		1,176
Net financial assets		**21,761**		22,927
Non-financial Assets				
Tangible capital assets (Note 8)		**72**		98
Prepaid expenses		**52**		166
		124		264
Accumulated surplus	**$**	**21,885**	$	23,191

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	**2017**	**2017**	2016
	Budget	**Actual**	Actual
Revenue			
Fees	**$ 17,983**	**$ 20,760**	$ 19,286
Interest	**55**	**114**	117
Miscellaneous	**12**	**28**	15
	18,050	**20,902**	19,418
Expenses			
Amortization - capital assets	**22**	**27**	27
CSA initiatives*	**101**	**71**	71
Contract services	**354**	**278**	246
Education/Information initiatives	**196**	**45**	73
Miscellaneous	**40**	**25**	26
Office materials and supplies	**90**	**69**	65
Premises	**541**	**547**	536
Professional services	**159**	**303**	120
Research resources	**58**	**46**	54
Salaries and benefits	**4,355**	**3,806**	3,756
Staff development and professional dues	**110**	**30**	41
Telecommunications	**83**	**77**	77
Travel	**113**	**84**	63
	6,222	**5,408**	5,155
Annual operating surplus	**11,828**	**15,494**	14,263
Transfer to the Province of Manitoba (Note 11)	**11,800**	**11,800**	11,800
Annual surplus	**28**	**3,694**	2,463
Accumulated surplus, beginning of year	**19,745**	**23,191**	20,728
Additional Transfer to the Province of Manitoba (Note 11)	**5,000**	**5,000**	-
Accumulated surplus, end of year	**$ 14,773**	**$ 21,885**	$ 23,191

* 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	2017 Budget	2017 Actual	2016 Actual
Annual surplus	**$ 28**	**$ 3,694**	$ 2,463
Tangible Capital Assets			
Amortization of tangible capital assets	**22**	**27**	27
Net change in tangible capital assets	**22**	**27**	27
Other Non-financial Assets			
Increase in prepaid expense	**-**	**113**	(112)
Net acquisition of other non-financial assets	**-**	**113**	(112)
Increase in net financial assets	**50**	**3,834**	2,378
Net financial assets, beginning of year	**22,927**	**22,927**	20,549
Additional transfer to the Province of Manitoba	**(5,000)**	**(5,000)**	-
Net financial assets, end of year	**$ 17,977**	**$ 21,761**	$ 22,927

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	**2017**	2016
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	**$ 3,694**	$ 2,463
Amortization of tangible capital assets	**27**	27
	3,721	2,490
Changes in non-cash working capital balances		
Accounts receivable	**(45)**	15
Prepaid expenses	**113**	(112)
Accounts payable and accrued liabilities	**(161)**	97
Accrued vacation entitlements	**1**	(5)
Accrued salaries and benefits	**(227)**	135
Employee future benefits	**46**	54
	3,448	2,674
Cash Flows from Financing Activities		
Transfer to Province of Manitoba	**(5,000)**	-
Increase (decrease) in cash and cash equivalents	**(1,552)**	2,674
Cash and cash equivalents, beginning of year	**23,058**	20,384
Cash and cash equivalents, end of year	**$ 21,506**	$ 23,058
Supplementary Information		
Interest received	**$ 113**	$ 120

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

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

<u>Revenue</u>

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.

(in thousands)

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:

	2017	2016
Cash and cash equivalents	**$ 21,506**	$ 23,058
Accounts receivable	**71**	26
Portfolio investments	**1,019**	1,019
	$ 22,596	$ 24,103

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, 2017 (Nil in 2016).

Liquidity Risk

Liquidity can be defined as an organization's ability 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.

(in thousands)

For the year ended March 31, 2017

6. Accounts Receivable

		2017		2016
Accrued interest	**$**	**16**	$	16
Trade		**55**		10
	$	**71**	$	26

7. Employee Future Benefits

<u>Pension Benefits</u>

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 2017 was $216 ($222 in 2016). Under this Agreement, the Agency has no further pension liability.

<u>Severance Benefits</u>

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, 2017 is $500 ($454 in 2016). The actuarial loss of $39 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

(in thousands)

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, 2017 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:

	2017	2016
Accrued benefit liability		
Balance, beginning of year	**$ 497**	$ 447
Benefits accrued	**26**	23
Interest on accrued benefits	**30**	27
Severance paid	**(14)**	-
Balance, end of year	**539**	497
Less unamortized actuarial losses	**(39)**	(43)
Severance benefit liability	**$ 500**	$ 454

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

	2017	2016
Interest on obligation	**$ 30**	$ 27
Current period benefit cost	**26**	23
Amortization of actuarial losses over EARSL	**4**	4
Total expense related to severance benefit	**$ 60**	$ 54

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.

(in thousands)

8. Tangible Capital Assets

2017

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 61	$ -	$ -	$ 61
Furniture and fixtures	221	-	-	221
Leasehold improvements	74	-	-	74
Computer hardware	143	-	-	143
Computer software	869	-	-	869
	1,368	-	-	1,368
Accumulated Amortization				
Office equipment	47	4	-	51
Furniture and fixtures	174	14	-	188
Leasehold improvements	40	7	-	47
Computer hardware	143	-	-	143
Computer software	866	1	-	867
	1,270	26	-	1,296
Net book value	$ 98	$ (26)	$ -	$ 72

2016

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 61	$ -	$ -	$ 61
Furniture and fixtures	221	-	-	221
Leasehold improvements	74	-	-	74
Computer hardware	143	-	-	143
Computer software	869	-	-	869
	1,368	-	-	1,368
Accumulated Amortization				
Office equipment	43	4	-	47
Furniture and fixtures	160	14	-	174
Leasehold improvements	33	7	-	40
Computer hardware	142	1	-	143
Computer software	865	1	-	866
	1,243	27	-	1,270
Net book value	$ 125	$ (27)	$ -	$ 98

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 2016) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of $750 ($750 in 2016) 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 2016) 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.

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 $547 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 $16,800 ($11,800 in 2016). The Treasury Board has approved payments of $16,800 for the year ended March 31, 2017.

12. 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, 2017 ($500 in 2016).

The Agency incurred no interest charges during the year (Nil in 2016).

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

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Fees	$ 16,160	$ 18,933	$ 17,548
Interest	55	114	117
Miscellaneous	-	2	1
	16,215	19,049	17,666
Expenses			
Amortization - capital assets	22	27	27
CSA initiatives*	101	71	71
Contract services	316	243	215
Education/Information initiatives	196	45	70
Miscellaneous	38	21	23
Office materials and supplies	80	57	57
Premises	406	443	442
Professional membership and dues	76	20	23
Professional services	120	152	51
Research resources	57	45	52
Salaries and benefits	3,502	3,080	3,060
Staff development and professional dues	25	8	16
Telecommunications	71	66	65
Travel	102	75	61
	5,112	4,353	4,233
Annual operating surplus	$ 11,103	$ 14,696	13,433

* Canadian Securities Administrators

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

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Fees	$ 1,823	$ 1,827	$ 1,738
Miscellaneous	12	26	14
	1,835	1,853	1,752
Expenses			
Contract services	38	35	31
Miscellaneous	2	4	3
Office materials and supplies	10	12	12
Premises	135	104	94
Professional services	39	151	69
Research resources	1	1	1
Salaries and benefits	853	726	696
Staff development and professional dues	9	2	2
Telecommunications	12	11	12
Travel	11	9	2
	1,110	1,055	922
Annual operating surplus	$ 725	$ 798	$ 830

MANITOBA LEARNING RESOURCE CENTRE
An Agency of the Government of Manitoba
Province of Manitoba

Financial Statements

For the year ended March 31, 2017

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Learning Resource Centre
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Manitoba Learning Resource Centre which comprise the statement of financial position as at March 31, 2017, 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 Learning Resource Centre as at March 31, 2017, 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
September 7, 2017
Winnipeg, Manitoba

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

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Financial Position

(in thousands)

March 31	2017	2016
Financial assets		
Cash	**$ 4**	$ 3
Accounts receivable	**343**	845
Portfolio investments	**64**	64
Inventories for resale	**2,310**	2,374
	2,721	3,286
Liabilities		
Working capital advance (Note 5)	**1,615**	1,934
Accounts payable and accruals	**453**	575
Customer deposit accounts	**91**	174
Accrued severance liability (Note 6)	**57**	53
	2,216	2,736
Net financial assets	**505**	550
Non-financial assets		
Prepaid expenses	**6**	4
Tangible capital assets (Note 7)	**30**	35
	36	39
Accumulated surplus	**$ 541**	$ 589

Designated assets (Note 8)

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Operations and Accumulated Surplus

(in thousands)

Year Ended March 31	2017 Budget	**2017 Actual**	2016 Actual
Sales	$ 7,612	**$ 7,368**	$ 7,215
Cost of goods sold			
Inventory, beginning of year	2,804	**2,374**	2,511
Purchases	6,218	**6,265**	6,035
Transportation in	43	**38**	35
Transportation out	107	**93**	91
	9,172	**8,770**	8,672
Inventory, end of year	2,529	**2,310**	2,374
Cost of goods sold	6,643	**6,460**	6,298
Gross profit	969	**908**	917
General and administrative expenses			
Amortization	17	**9**	11
Bad debts	-	**33**	8
Computer expense	79	**56**	60
Employee benefits	80	**79**	73
Interest	38	**25**	30
Marketing	11	**-**	2
Office	18	**13**	15
Office occupancy	49	**49**	49
Postage	2	**2**	2
Professional services	14	**14**	14
Salaries	377	**373**	360
Telephone	7	**6**	6
Training	4	**1**	-
Travel	10	**6**	6
Warehouse occupancy	89	**89**	89
Warehouse service	201	**201**	201
	996	**956**	926
Annual deficit	(27)	**(48)**	(9)
Accumulated surplus, beginning of year	510	**589**	598
Accumulated surplus, end of year	$ 483	**$ 541**	$ 589

See accompanying notes to the financial statements.

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Change in Net Financial Assets

(in thousands)

Year Ended March 31	2017 Budget	**2017 Actual**	2016 Actual
Annual deficit	$ (27)	**$ (48)**	$ (9)
Tangible capital assets			
Acquisition of tangible capital assets	(42)	**(4)**	(19)
Amortization of tangible capital assets	17	**9**	11
Net acquisition of tangible capital assets	(25)	**5**	(8)
Other non-financial assets			
(Increase) decrease in prepaid expense	(4)	**(2)**	5
Net acquisition of other non-financial assets	(4)	**(2)**	5
Decrease in net financial assets	(56)	**(45)**	(12)
Net financial assets, beginning of year	451	**550**	562
Net financial assets, end of year	$ 395	**$ 505**	$ 550

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	2017	2016
Increase in cash		
Operating		
Annual deficit	$ (48)	$ (9)
Amortization of tangible capital assets	9	11
	(39)	2
Changes in		
Accounts receivable	502	29
Inventories for resale	64	137
Accounts payable and accruals	(122)	210
Customer deposit accounts	(83)	(3)
Accrued severance liability	4	2
Prepaid expenses	(2)	5
	324	382
Capital		
Acquisition of tangible capital assets	(4)	(19)
Financing		
Repayment of working capital advance	(319)	(363)
Increase in cash	1	-
Cash, beginning of year	3	3
Cash, end of year	$ 4	$ 3

Supplemental cash flow information:

	2017	2016
Interest received	$ 3	$ 5
Interest paid	$ 26	$ 28

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education and Training. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba. In December 2016, under The Statutes Correction and Minor Amendments Act (Education Act), the name of the entity was officially changed to the Manitoba Learning Resource Centre (LRC).

Effective April 1, 1996, the LRC 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 LRC 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 LRC through working capital advances. This financial framework enables the LRC to operate in a business-like manner according to public policy expectations.

A Management Agreement between the SOAFA and the Minister of Education, being the Minister responsible for the Agency at that time, assigns responsibility to the LRC to manage and account for the LRC's related assets and operations on behalf of SOAFA.

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

The LRC 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 public sector accounting standards 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 LRC. 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 LRC records its financial assets at cost, which include cash, portfolio investments, accounts receivable and inventories for resale. The LRC 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 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 LRC did not incur any re-measurement gains and losses during the year (2016 - $nil).

Financial risk management - overview

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

(in thousands)

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 LRC to credit risk consist principally of cash, portfolio investments and accounts receivable.

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

	2017	2016
Cash	**$ 4**	$ 3
Accounts receivable	**343**	845
Portfolio investments	**64**	64
	$ 411	$ 912

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

Accounts receivable: The LRC 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 LRC manages this credit risk through close monitoring of overdue accounts.

The LRC 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	$ 82
Provision for receivable impairment	100
Amounts written off	-
Balance, end of the year	$ 182

4. Financial instruments and financial risk management (continued)

Liquidity risk

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

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

(in thousands)

5. Working capital advance

The LRC has an authorized line of working capital advances of $3,500, of which $1,615 was used as of March 31, 2017 (2016 - $1,934).

6. Accrued severance liability

Effective April 1, 1998, the LRC 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 LRC's actuarially determined net liability for accounting purposes as at March 31, 2017 was $57 (2016 - $53), with the actuarial gain of $30 (2016 - $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, 2017 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:

	2017	2016
Accrued benefit liability	$ 45	$ 39
Unamortized actuarial gains	12	14
Severance benefit liability	$ 57	$ 53

(in thousands)

6. Accrued severance liability (continued)

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

	2017	2016
Interest on obligation	**$ 3**	$ 2
Employer service cost	**3**	3
Severance payout	**-**	-
Amortization of actuarial gains over EARSL	**(2)**	(2)
Total expense related to severance benefit	**$ 4**	$ 3

7. Tangible capital assets

	2017				2016
	Opening Balance	Additions	Disposals	Closing Balance	Closing Balance
Cost					
Computer equipment	$ 155	$ -	$ -	**$ 155**	$ 155
Computer software	128	4	-	**132**	128
Office equipment and furniture	48	-	-	**48**	48
Video recording equipment	51	-	-	**51**	51
Total cost	382	4	-	**386**	382
Accumulated Amortization					
Computer equipment	155	-	-	**155**	155
Computer software	100	7	-	**107**	100
Office equipment and furniture	43	1	-	**44**	43
Video recording equipment	49	1	-	**50**	49
Total accumulated amortization	347	9	-	**356**	347
Net	$ **35**	$ **(5)**	$ -	**$ 30**	$ 35

8. Designated assets

The LRC has allocated $64 (2016 - $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 LRC prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the LRC'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 LRC is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The LRC 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 LRC 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 LRC, through the Civil Service Superannuation Fund. At December 31, 2015, the Fund had a deficit of $3.9 billion.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the LRC transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the LRC is required to pay annually to the Province an amount equal to its employees' current pension contributions. The amount paid for 2017 was $28 (2016 - $24). Under this agreement, the LRC 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 LRC.

MATERIALS DISTRIBUTION AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2017

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 May 17, 2017.

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 LLP, Chartered Professional Accountants, 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 Auditor's 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	Original Document Signed
David Bishop Chief Operating Officer	Joel Hershfield, CPA, CMA Manager of Finance and Technology

MAGNUS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

ADVISORY · ASSURANCE & ACCOUNTING · TAXATION · TRANSACTION CONSULTING

INDEPENDENT AUDITOR'S 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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 17, 2017
Winnipeg, Canada

Chartered Professional Accountants

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

Statement of Financial Position
(in thousands)
March 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents	$ 406	$ 504
Accounts receivable (Note 4)	1,855	2,768
Portfolio investments	512	512
Inventories held for resale (Note 6)	1,634	1,651
	4,407	5,435
Liabilities		
Accounts payable and accrued liabilities	2,217	2,910
Employee future benefits (Note 7)	761	765
	2,978	3,675
Net financial assets	1,429	1,760
Non-financial assets		
Tangible capital assets (Note 8)	2,780	2,416
Prepaid expenses	162	126
	2,942	2,542
Accumulated surplus	$ 4,371	$ 4,302

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, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenue:			
Warehouse sales (Schedule 1)	$ 15,400	$ 16,234	$ 16,070
Service revenue (Schedule 1)	13,078	12,385	12,698
Investment income	-	3	3
	28,478	28,622	28,771
Expenses:			
Cost of sales	11,951	12,993	12,749
Salaries and benefits	5,519	5,357	5,313
Occupancy costs	1,158	1,148	1,204
Operating expenses (Schedule 2)	8,888	8,174	8,504
Administrative expenses (Schedule 2)	630	681	704
	28,146	28,353	28,474
Net income before transfer of funds to the Province of Manitoba	332	269	297
Transfer of funds to the Province of Manitoba (Note 11)	200	200	200
Net income for the year	132	69	97
Accumulated surplus, beginning of year	4,303	4,302	4,205
Accumulated surplus, end of year	$ 4,435	$ 4,371	$ 4,302

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Net income for the year	$ 132	$ 69	$ 97
Tangible capital assets			
Acquisition of tangible capital assets	(1,174)	(1,748)	(1,388)
Disposals of tangible capital assets	-	80	65
Amortization of tangible capital assets	1,165	1,304	1,220
Net acquisition of tangible capital assets	(9)	(364)	(103)
Other non-financial assets			
(Increase) decrease in prepaid expenses	5	(36)	116
Net acquisition of other non-financial assets	5	(36)	116
Change in net financial assets	128	(331)	110
Net financial assets, beginning of year	2,448	1,760	1,650
Net financial assets, end of year	$ 2,576	$ 1,429	$ 1,760

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, 2017

	2017	2016
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 69	$ 97
Adjustments for:		
Amortization	1,304	1,220
(Gain) on disposal of tangible capital assets (Note 8)	(12)	(10)
	1,361	1,307
Changes in the following:		
Accounts receivable	913	(831)
Inventories held for resale	17	(146)
Prepaid expenses	(36)	116
Accounts payable and accrued liabilities	(693)	297
Employee future benefits	(4)	29
Cash provided by operating activities	1,558	772
Capital activities:		
Acquisition of tangible capital assets	(1,748)	(1,388)
Proceeds on disposal of tangible capital assets	92	75
Cash (applied to) capital activities	(1,656)	(1,313)
Change in cash and cash equivalents	(98)	(541)
Cash and cash equivalents, beginning of year	504	1,045
Cash and cash equivalents, end of year	$ 406	$ 504

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands)

Year ended March 31, 2017

1. Nature of organization

The Government of Manitoba established a central warehouse operation in 1974 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 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 responsible for the Agency assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency is now part of the Department of Finance under the general direction of the Associate Deputy Minister, Central 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 and when collection is reasonably assured.

Service revenue

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

Other revenue

Investment income and all other revenue is recognized on the accrual basis.

(b) Expenses

Accrual basis of accounting

All expenses incurred for goods and services are recognized on the 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
Mail finishing 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. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

(in thousands)

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2017	2016
Trade accounts receivable	$ 1,920	$ 2,833
Allowance for doubtful accounts	(65)	(65)
	$ 1,855	$ 2,768

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, 2017 (2016 - $nil).

6. Inventories held for resale

	2017	2016
Medical supplies	$ 866	$ 775
Health equipment	150	168
Stationary	408	451
Janitorial	207	253
Furniture	3	4
	$ 1,634	$ 1,651

7. Employee future benefits

	2017	2016
Severance benefits	$ 691	$ 695
Sick pay benefits	70	70
	$ 761	$ 765

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 the year ended March 31, 2017 was $366 (2016 - $318). Under this agreement, the Agency has no further pension liability.

(in thousands)

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, 2017 is $691 (2016 - $695), with the total net actuarial losses of $38 (2016 - $38) 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, 2017 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:

	2017	2016
Accrued benefit liability, beginning of year	$ 711	$ 685
Interest on accrued severance benefits	43	41
Current period service costs	34	30
Severance benefits paid during the year	(83)	(45)
Accrued benefit liability, end of year	705	711
Less: unamortized actuarial losses	(14)	(16)
Severance benefit liability, end of year	$ 691	$ 695

(in thousands)

7. Employee future benefits (continued)

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

	2017	2016
Interest on accrued severance benefits	$ 43	$ 41
Current period service costs	34	30
Amortization of actuarial losses over EARSL	2	3
Total expense related to severance benefits	$ 79	$ 74

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, 2017 based on the valuation model is $70 (2016 - $70). The increase (decrease) in the sick leave benefit liability of $nil (2016 - $nil) represents the total sick leave benefit expense (recovery) for the year.

(in thousands)

8. Tangible capital assets

	2017			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 279	$ 31	$ -	$ 310
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,147	7	-	1,154
Office equipment	64	-	-	64
Mail finishing equipment	542	-	-	542
Rental equipment	11,646	1,662	(80)	13,228
Warehouse equipment	1,323	48	-	1,371
	$ 15,166	$ 1,748	$ (80)	$ 16,834
Accumulated amortization				
Computer equipment	$ (253)	$ (9)	$ -	$ (262)
Furniture and fixtures	(163)	(1)	-	(164)
Leasehold improvements	(900)	(37)	-	(937)
Office equipment	(64)	-	-	(64)
Mail finishing equipment	(363)	(34)	-	(397)
Rental equipment	(10,022)	(1,150)	-	(11,172)
Warehouse equipment	(985)	(73)	-	(1,058)
	$ (12,750)	$ (1,304)	$ -	$ (14,054)
Net book value	$ 2,416	$ 444	$ (80)	$ 2,780

During the year ended March 31, 2017, rental equipment additions totaling $80 were sold for proceeds of $92 resulting in a gain on disposal of tangible capital assets of $12 included in total health equipment sales for the year.

(in thousands)

8. Tangible capital assets (continued)

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 279	$ -	$ -	$ 279
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,142	5	-	1,147
Office equipment	64	-	-	64
Mail finishing equipment	542	-	-	542
Rental equipment	12,411	1,362	(2,127)	11,646
Warehouse equipment	1,302	21	` -	1,323
	$ 15,905	$ 1,388	$ (2,127)	$ 15,166
Accumulated amortization				
Computer equipment	$ (245)	$ (8)	$ -	$ (253)
Furniture and fixtures	(162)	(1)	-	(163)
Leasehold improvements	(863)	(37)	-	(900)
Office equipment	(64)	-	-	(64)
Mail finishing equipment	(320)	(43)	-	(363)
Rental equipment	(11,034)	(1,051)	2,062	(10,022)
Warehouse equipment	(905)	(80)	-	(985)
	$ (13,593)	$ (1,220)	$ 2,062	$ (12,750)
Net book value	$ 2,312	$ 168	$ (65)	$ 2,416

During the year ended March 31, 2016, rental equipment additions totaling $65 were sold for proceeds of $75 resulting in a gain on disposal of tangible capital assets of $10 included in total health equipment sales for the year. In addition, fully amortized rental equipment with an original cost of $2,062 was written off during the year ended March 31, 2016.

9. Designated assets

The Agency has allocated $412 (2016 - $412) of its portfolio investments totaling $512 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(s)

The Agency leases space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg, MB; and 340 - 9th Street, Brandon, MB. Occupancy charges for the year ending March 31, 2018 for these locations are estimated to be $nil (2017 actual - $10).

(in thousands)

11. Transfer of funds to the Province of Manitoba

During the year ended March 31, 2017, with Lieutenant-Governor approval by Order in Council, the Agency transferred $200 (2016 - $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 (2016 - $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 primarily of cash and cash equivalents, accounts receivable and portfolio investments.

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

	2017	2016
Cash and cash equivalents	$ 406	$ 504
Accounts receivable	1,855	2,768
Portfolio investments	512	512
	$ 2,773	$ 3,784

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, 2017 is $65 (2016 - $65). The total provision for receivable impairment during the year was $nil (2016 - $nil) and there were no reversals of previously recognized impairments during the current or prior year.

(in thousands)

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2017 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 1,719	$ -	$ 1,719
30-60 days past the billing date	179	(43)	136
61-90 days past the billing date	14	(14)	-
90 days past the billing date	8	(8)	-
Balance, end of the year	$ 1,920	$ (65)	$ 1,855

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. Budget information

The budget information for the year ended March 31, 2017 has been restated to reflect the transfer payment to the Province of Manitoba as an expense for the year in accordance with Canadian public sector accounting standards.

Schedule of Warehouse Sales and Service Revenue
(in thousands)
Year ended March 31, 2017 — Schedule 1

	2017	2016
Warehouse sales:		
Medical supplies	$ 7,330	$ 6,828
Stationery	4,612	4,558
Janitorial	2,234	2,184
Health equipment	1,466	1,519
Furniture	575	902
Special projects	17	79
	$ 16,234	$ 16,070
Service revenue:		
Mail services	$ 5,181	$ 6,017
Home care equipment rentals	3,955	3,769
Manitoba Textbook Bureau	290	290
Freight	1,005	935
Moving	601	513
Storage	388	404
Vaccine program	637	546
Copy centre	10	8
Disposal services	81	7
Other revenue and recoveries	237	209
	$ 12,385	$ 12,698

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

Schedule of Operating and Administrative Expenses
(in thousands)
Year ended March 31, 2017 — Schedule 2

	2017	2016
Operating expenses:		
Amortization	$ 1,304	$ 1,220
Copy centre	5	5
Equipment rentals	140	167
Freight	2,011	1,869
Mail services	3,979	4,558
Moving expenses	430	371
Vehicle	124	146
Warehouse supplies	181	168
	$ 8,174	$ 8,504
Administrative expenses:		
Computer	$ 236	$ 228
Miscellaneous	16	22
Office	296	305
Professional fees	12	12
Promotion and marketing	25	54
SOAFA fees	-	2
Telephone	91	74
Training	5	7
	$ 681	$ 704

OFFICE OF THE FIRE COMMISSIONER

FINANCIAL STATEMENTS

MARCH 31, 2017

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 May 23, 2017.

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 LLP, Chartered Professional Accountants, 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 Auditor's 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	Original Document Signed
David Schafer	Cindy Giesbrecht
Fire Commissioner	Director of Support Services

INDEPENDENT AUDITOR'S 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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 23, 2017
Winnipeg, Canada

Chartered Professional Accountants

Statement of Financial Position

(in thousands)

March 31, 2017

	2017 Actual	2016 Actual
Financial assets		
Cash and cash equivalents	$ 20,266	$ 18,724
Accounts receivable (Note 4)	872	608
Portfolio investments	787	787
	21,925	20,119
Liabilities		
Accounts payable and accrued liabilities (Note 5)	1,666	1,956
Deferred revenue and government grants (Note 6)	763	549
Employee future benefits (Note 7)	1,044	984
	3,473	3,489
Net financial assets	18,452	16,630
Non-financial assets		
Tangible capital assets (Note 8)	7,508	7,102
Prepaid expenses	128	120
Inventories of supplies	334	334
	7,970	7,556
Accumulated surplus	$ 26,422	$ 24,186

Designated assets (Note 9)
Commitments (Note 10)

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, 2017

		2017 Budget		2017 Actual		2016 Actual
Revenue (Schedule 1):						
Government grants/transfers:						
Province of Manitoba	$	130	$	305	$	130
Federal Government		400		480		146
		530		785		276
Fees and other revenue		17,821		18,292		17,571
Investment income		40		48		58
		18,391		19,125		17,905
Expenses:						
Salaries and employee benefits		10,848		10,087		10,354
Mutual Aid expenses		360		286		230
Transportation (Schedule 2)		845		582		536
Communications (Schedule 3)		380		415		320
Supplies and services (Schedule 4)		2,106		1,942		1,997
Minor capital expenses		150		293		100
Amortization of tangible capital assets		900		839		731
Loss on disposal of tangible capital assets		10		17		-
Other operating expenses (Schedule 5)		1,465		1,478		1,196
		17,064		15,939		15,464
Net income before transfer of funds to the Province of Manitoba		1,327		3,186		2,441
Transfer of funds to the Province of Manitoba (Note 11)		950		950		750
Net income for the year		377		2,236		1,691
Accumulated surplus, beginning of year		24,232		24,186		22,495
Accumulated surplus, end of year	$	24,609	$	26,422	$	24,186

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Net income for the year	$ 377	$ 2,236	$ 1,691
Tangible capital assets:			
Acquisitions of tangible capital assets	(2,615)	(1,319)	(621)
Disposals of tangible capital assets	179	74	-
Amortization of tangible capital assets	900	839	731
Net acquisition of tangible capital assets	(1,536)	(406)	110
Other non-financial assets:			
(Increase) in prepaid expenses	-	(8)	(10)
Decrease (increase) in inventories of supplies	-	-	(66)
Net acquisition of other non-financial assets	-	(8)	(76)
Change in net financial assets	(1,159)	1,822	1,725
Net financial assets, beginning of year	15,747	16,630	14,905
Net financial assets, end of year	$ 14,588	$ 18,452	$ 16,630

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, 2017

	2017 Actual	2016 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 2,236	$ 1,691
Adjustments for:		
Amortization of tangible capital assets	839	731
Loss on disposal of tangible capital assets	17	-
	3,092	2,422
Changes in the following:		
Accounts receivable	(264)	335
Accounts payable and accrued liabilities	(290)	(87)
Deferred revenue and government grants	214	12
Employee future benefits	60	108
Prepaid expenses	(8)	(10)
Inventories of supplies	-	(66)
Cash provided by operating activities	2,804	2,714
Capital activities:		
Acquisitions of tangible capital assets	(1,319)	(621)
Proceeds on disposal of tangible capital assets	57	-
Cash (applied to) capital activities	(1,262)	(621)
Change in cash and cash equivalents	1,542	2,093
Cash and cash equivalents, beginning of year	18,724	16,631
Cash and cash equivalents, end of year	$ 20,266	$ 18,724

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands)

Year ended March 31, 2017

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 Agency to manage and account for the related assets and operations on behalf of the Financing Authority. The Agency does not hold title to these 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 former 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 Agency is now part of the Department of Growth, Enterprise and Trade and is ultimately under the policy direction of the Minister of Growth, Enterprise and Trade. 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

<u>Government grants/transfers</u>

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% (2016 - 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 2016 calendar year is recognized as revenue in the fiscal year ending March 31, 2017 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.

Inspection technical services revenue 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.

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

Tuition fees, emergency services and other conferences revenue are recognized on the accrual basis.

Amounts received in advance for tuition fees, conferences and inspection technical services are deferred on the statement of financial position and recognized as revenue during the period the revenue relates to.

Investment income and all other revenue 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 benefits 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.

(in thousands)

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. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

4. Accounts receivable

	2017	2016
Financial Institutions Branch of the Department of Finance - Fire Prevention Levy	$ 291	$ 102
National Search and Rescue Secretariat - New Search and Rescue Initiative	176	139
Trade accounts receivable	724	601
Allowance for doubtful accounts (Note 13)	(319)	(234)
	$ 872	$ 608

5. Accounts payable and accrued liabilities

	2017	2016
Trade payables and accruals	$ 817	$ 388
Vacation and overtime entitlements	840	866
Accrued salaries and benefits	-	638
City of Winnipeg - professional services	-	53
Provincial sales and other taxes payable	9	11
	$ 1,666	$ 1,956

(in thousands)

6. Deferred revenue and government grants

Included in deferred revenue and government grants at year end is $250 (2016 - $nil) relating to funding received from Public Safety Canada for the Heavy Urban Search and Rescue Program for which the related eligible expenditures have not been incurred. Pursuant to the funding agreement, these expenditures along with all final reports must be submitted to Public Safety Canada by June 30, 2017.

7. Employee future benefits

	2017	2016
Severance benefits	$ 893	$ 835
Sick pay benefits	151	149
	$ 1,044	$ 984

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 the year ended March 31, 2017 was $704 (2016 - $661). 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 expected and/or because of changes in the 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 at 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, 2017 is $893 (2016 - $835), with the net actuarial losses of $220 (2016 - $220) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

(in thousands)

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, 2017 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:

	2017	2016
Accrued benefit liability, beginning of year	$ 969	$ 887
Current period service costs	62	57
Interest on accrued severance benefits	58	53
Severance benefits paid	(76)	(28)
Accrued benefit liability, end of year	1,013	969
Less: unamortized actuarial losses	(120)	(134)
Severance benefit liability, end of year	$ 893	$ 835

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

	2017	2016
Current period service costs	$ 62	$ 57
Interest on accrued severance benefits	58	53
Amortization of actuarial losses over EARSL	14	15
Total expense related to severance benefits	$ 134	$ 125

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% (2016 - 5.00%) annual return and a 3.00% (2016 - 3.00%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2017 based on the valuation model is $151 (2016 - $149). The increase in the sick leave benefit liability of $2 (2016 - $11) represents the total sick leave benefit expense for the year.

(in thousands)

8. Tangible capital assets

	2017			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,873	$ -	$ (38)	$ 7,835
Practical training site	2,848	-	(76)	2,772
Equipment	3,859	356	(1,172)	3,043
Fire engines	1,827	539	(248)	2,118
Other vehicles	1,450	154	(344)	1,260
Air compressors	1,269	251	(129)	1,391
Furniture	345	19	(70)	294
Computer equipment and software	588	-	(87)	501
Leasehold improvements	74	-	-	74
	$ 20,133	$ 1,319	$ (2,164)	$ 19,288
Accumulated amortization				
Buildings	$ (3,500)	$ (216)	$ 36	$ (3,680)
Practical training site	(1,914)	(88)	74	(1,928)
Equipment	(3,129)	(126)	1,127	(2,128)
Fire engines	(1,585)	(204)	242	(1,547)
Other vehicles	(1,305)	(42)	317	(1,030)
Air compressors	(856)	(115)	142	(829)
Furniture	(193)	(28)	67	(154)
Computer equipment and software	(535)	(14)	85	(464)
Leasehold improvements	(14)	(6)	-	(20)
	$ (13,031)	$ (839)	$ 2,090	$ (11,780)
Net book value	$ 7,102	$ 480	$ (74)	$ 7,508

(in thousands)

8. Tangible capital assets (continued)

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,845	$ 28	$ -	$ 7,873
Practical training site	2,726	122	-	2,848
Equipment	3,640	219	-	3,859
Fire engines	1,707	120	-	1,827
Other vehicles	1,450	-	-	1,450
Air compressors	1,151	118	-	1,269
Furniture	331	14	-	345
Computer equipment and software	588	-	-	588
Leasehold improvements	74	-	-	74
	$ 19,512	$ 621	$ -	$ 20,133
Accumulated amortization				
Buildings	(3,271)	(229)	-	(3,500)
Practical training site	(1,816)	(98)	-	(1,914)
Equipment	(2,985)	(144)	-	(3,129)
Fire engines	(1,528)	(57)	-	(1,585)
Other vehicles	(1,243)	(62)	-	(1,305)
Air compressors	(781)	(75)	-	(856)
Furniture	(156)	(37)	-	(193)
Computer equipment and software	(512)	(23)	-	(535)
Leasehold improvements	(8)	(6)	-	(14)
	$ (12,300)	$ (731)	$ -	$ (13,031)
Net book value	$ 7,212	$ (110)	$ -	$ 7,102

9. Designated assets

The Agency has allocated $787 (2016 - $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, 2017, $559 (2016 - $559) is designated for the vacation entitlements and severance pay benefits accumulated to March 31, 1998 for certain of its employees and $228 (2016 - $228) is designated for the severance pay benefits accumulated to April 1, 2011 for employees transferred from the former Mechanical and Engineering Branch, now Inspection Technical Services. These amounts are held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

(in thousands)

10. 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.

The Agency has entered into leases on a fleet of 39 vehicles.

These leases give rise to lease commitments as follows:

2018	$	206
2019		155
2020		113
2021		89
2022		64
Thereafter		40

11. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $950 (2016 - $750) of its surplus funds to the Province of Manitoba.

12. Professional services - Growth, Enterprise and Trade

The Agency has a professional services agreement with the Department of Growth, Enterprise and Trade for the provision of legislation and policy services to the Agency for total fees of $75 for the year ended March 31, 2017. In the prior year, a similar agreement was in place also for legislation and policy services. The amount paid pursuant to this professional services agreement for the year ended March 31, 2017 was $75 (2016 - $75). As at year end, all amounts owing pursuant to this agreement have been paid.

13. 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 (2016 - $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 primarily of cash and cash equivalents, accounts receivable and portfolio investments.

(in thousands)

13. Financial instruments and financial risk management (continued)

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

	2017	2016
Cash and cash equivalents	$ 20,266	$ 18,724
Accounts receivable	872	608
Portfolio investments	787	787
	$ 21,925	$ 20,119

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held primarily 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, 2017 is $319 (2016 - $234). The change in the allowance for doubtful accounts during the year is as follows:

	2017	2016
Balance, beginning of the year	$ 234	$ 381
Provision for receivable impairment	85	-
Reversals of previously recognized impairments	-	(147)
Balance, end of the year	$ 319	$ 234

Bad debt expense for the year also includes $25 (2016 - $21) of adjustments to accounts receivable for total bad debt expense for the year of $110 (2016 - net recovery of $126).

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2017 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 752	$ -	$ 752
30-60 days past the billing date	74	-	74
61-90 days past the billing date	46	-	46
Over 90 days past the billing date	319	(319)	-
Balance, end of the year	$ 1,191	$ (319)	$ 872

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.

13. 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.

14. Comparative information

Certain of the amounts for the year ended March 31, 2016 have been reclassified to conform to the financial statement presentation adopted in the current year.

Schedule 1 - Revenue
(in thousands)
Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenue:			
Government grants/transfers:			
Province of Manitoba:			
Indigenous and Municipal Relations - Mutual Aid	$ 130	$ 130	$ 130
Sustainable Development - Emergency Response Cost Recovery	-	150	-
Sustainable Development - FireSmart Initiative	-	25	-
Total Province of Manitoba	130	305	130
Federal Government:			
Public Safety Canada - New Initiative Fund	-	176	146
Public Safety Canada - Heavy Urban Search and Rescue Program	400	304	-
Total Federal Government	400	480	146
Fees and other revenue:			
Insurance Levy	8,661	8,816	8,364
Inspection technical services	5,700	5,967	5,195
Codes and standards	2,300	2,291	2,755
Tuition fees	1,000	983	971
Fire inspections, investigations and reports	140	183	211
Emergency services and other conferences	-	-	3
Other revenue	20	52	72
Total fees and other revenue	17,821	18,292	17,571
Investment income	40	48	58
	$ 18,391	$ 19,125	$ 17,905

Schedule 2 - Transportation Expenses

(in thousands)

Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Transportation expenses:			
Vehicle leases	$ 550	$ 361	$ 385
Travel	250	152	126
Fuel - owned vehicles	40	16	14
Emergency response	-	53	10
Boards and committees	5	-	1
	$ 845	$ 582	$ 536

Schedule 3 - Communications Expenses

(in thousands)

Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Communications expenses:			
Communications	$ 200	$ 176	$ 172
Postage and courier	60	93	81
Marketing	50	50	16
Public education material	70	96	51
	$ 380	$ 415	$ 320

Schedule 4 - Supplies and Services Expenses
(in thousands)
Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Supplies and services expenses:			
Supplies	$ 250	$ 217	$ 196
Repairs and maintenance	250	337	330
Rent	350	389	394
Professional services - Growth, Enterprise and Trade (Note 12)	75	75	75
Professional fees - contracted services	425	347	472
Professional fees - legal and audit	75	87	84
Mutual Aid - air compressor maintenance	120	122	138
Fuel - training supplies	40	21	15
Utilities	90	99	92
Other	31	33	20
Emergency response	400	215	181
	$ 2,106	$ 1,942	$ 1,997

Schedule 5 - Other Operating Expenses
(in thousands)
Year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Other operating expenses:			
Desktop management	$ 605	$ 509	$ 521
Travel	300	367	316
Bad debt expense (recovery)	50	110	(126)
Property taxes	184	154	165
Insurance	140	137	141
Clothing	65	66	59
Publications	25	46	41
Professional development	60	52	42
Boards and committees	6	-	1
Seminar and conference registration	10	6	8
Memberships and subscriptions	7	10	9
Mutual Aid - meetings	3	2	2
Other	10	19	17
	$ 1,465	$ 1,478	$ 1,196

Pineland Forest Nursery
An Agency of the Government of Manitoba
Financial Statements
March 31, 2017

Management's Responsibility

Pineland Forest Nursery's (the Nursery) 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 Nursery'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 May 12, 2017.

Management maintains internal controls to properly safeguard the Nursery'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 Nursery'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 Nursery 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 Nursery's management,

Original Document Signed

Michael Doig,
Acting General Manager

Winnipeg, Manitoba
May 12, 2017

Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Pineland Forest Nursery:

We have audited the accompanying financial statements of Pineland Forest Nursery, which comprise the statement of financial position as at March 31, 2017 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, 2017 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

May 12, 2017

MNP LLP

Chartered Professional Accountants

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2017

	2017	*2016*
	(in thousands)	*(in thousands)*
Financial assets		
Portfolio investments	**187**	187
Accounts receivable *(Note 4)*	**536**	1,344
	723	1,531
Liabilities		
Working capital advances (Note 5)	**3,661**	3,929
Accounts payable and accruals	**196**	289
Unearned revenue	**932**	936
Employee future benefits (Note 6)	**387**	357
Borrowings from the Province of Manitoba (Note 7)	**882**	1,027
	6,058	6,538
Net Debt	**(5,335)**	(5,007)
Non-financial assets		
Inventories held for use	**194**	312
Prepaid expenses	**9**	9
Tangible capital assets (Note 8)	**1,454**	1,511
	1,657	1,832
Accumulated Deficit	**(3,678)**	(3,175)

Designated assets (Note 9)

Approved by:

Original Document Signed

General Manager / Chief Operating Officer

Original Document Signed

Acting Manager of Administration

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery

An Agency of the Government of Manitoba

Statement of Operations and Accumulated Deficit

For the year ended March 31, 2017

	2017 Budget (in thousands)	**2017 Actual (in thousands)**	2016 Actual (in thousands)
Revenues - Private Sector			
Overwinter	996	**831**	1,029
Current	136	**191**	204
Seed services	50	**84**	76
Other	5	**13**	10
	1,187	**1,119**	1,319
Revenues - Province of Manitoba			
Overwinter	588	**625**	505
Current	1	**107**	41
Seed services	5	**34**	36
Other	50	**23**	182
	644	**789**	764
Total revenues	1,831	**1,908**	2,083
Operating Expenses (Schedule 1)	700	**833**	775
General administrative expenses			
Amortization	226	**110**	249
Interest - operating and capital loan	172	**113**	113
Salaries, wages and benefits	1,252	**1,355**	1,411
	1,650	**1,578**	1,773
Total expenses	2,350	**2,411**	2,548
Net loss	(519)	**(503)**	(465)
Accumulated deficit, beginning of year	(3,175)	**(3,175)**	(2,710)
Accumulated deficit, end of year	(3,694)	**(3,678)**	(3,175)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Change in Net Debt
For the year ended March 31, 2017

	2017 Budget (in thousands)	***2017 Actual (in thousands)***	*2016 Actual (in thousands)*
Net loss	(519)	**(503)**	(465)
Tangible capital assets			
Acquisition of tangible capital assets	(150)	**(53)**	(51)
Amortization of tangible capital assets	226	**110**	249
	76	**57**	198
Other non-financial assets			
(Increase) decrease in inventories held for use	-	**118**	(74)
Decrease in prepaid expense	-	**-**	14
	-	**118**	(60)
Decrease (increase) in net debt	(443)	**(328)**	(327)
Net debt, beginning of year	(5,007)	**(5,007)**	(4,680)
Net debt, end of year	(5,450)	**(5,335)**	(5,007)

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Cash Flows
For the year ended March 31, 2017

	2017 Actual (in thousands)	2016 Actual (in thousands)
Cash provided by (applied to):		
Operating		
Net loss	**(503)**	(465)
Amortization of tangible assets	**110**	249
	(393)	(216)
Change in:		
Accounts receivable	**808**	(413)
Accounts payable and accruals	**(93)**	50
Unearned revenue	**(4)**	363
Employee future benefits	**30**	8
Inventories	**118**	(74)
Prepaid expenses	**-**	14
	466	(268)
Capital		
Acquisition of tangible capital assets	**(53)**	(51)
Financing		
Debt repayments to the Province of Manitoba	**(145)**	(145)
Increase (decrease) in cash resources	**268**	(464)
Working capital advances, beginning of year	**(3,929)**	(3,465)
Working capital advances, end of year	**(3,661)**	(3,929)

The accompanying notes are an integral part of these financial statements

1. Nature of Organization

In 1953, Pineland Provincial Forestry Nursery was established to meet all the forest 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 Sustainable Development 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 the department of Manitoba Sustainable Development under the general direction of the Assistant Deputy Minister of Sustainable Development 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 revenue 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.

Portfolio investments

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 and are recorded at cost.

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	4-20%
Equipment	20-30%

Amortization on current year additions is pro-rated on the length of time in use in the current year.

During the year ended March 31, 2017, the Nursery changed its estimates relating to the useful lives of certain buildings thereby changing the rate of amortization from 10-20% on a declining balance to 4% on a declining balance. This change in estimate resulted in a decrease in amortization expense of approximately $107,000 for the 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 accruals and borrowings from the Province of Manitoba. 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 accruals and borrowings from the Province of Manitoba 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.

(In thousands)

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:

	2017	*2016*
Portfolio investments	**187**	187
Accounts receivable	**536**	1,344
	723	1,531

Portfolio investments: The Nursery is not exposed to significant credit risk as these amounts are held by the Minister of Finance. Portfolio investments have a fixed interest rate of 0.69% and mature March 2018.

Accounts receivable: Accounts receivable from two customers represents 69% (2016 - 80%) of total accounts receivable as at March 31, 2017. 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.

(In thousands)

3. Financial Instruments and Financial Risk Management *(Continued from previous page)*

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

	2017	2016
Balance, beginning of the year	**43**	43
Provision for (recovery of) receivable impairment	**-**	-
Amounts written off	**-**	-
Balance, end of the year	**43**	43

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

	2017	2016
Trade receivable:		
Province of Manitoba	**1**	666
Other	**263**	406
	264	1,072
Allowance for doubtful accounts	**(43)**	(43)
	221	1,029
Unbilled revenue	**307**	306
Goods and Services Tax receivable	**8**	9
	536	1,344

(In thousands)

5. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $5,000 (2016 - $5,000) of which $3,661 was advanced at March 31, 2017 (2016 - $3,929). The indebtedness bears interest at prime less 1% (2016 – prime less 1%).

6. Employee future benefits

	2017	*2016*
Severance benefits	**366**	334
Sick pay benefits	**21**	23
	387	357

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 2017 was $88 (2016 - $81).

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, 2014. 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, 2017 was $366 (2016 - $334), 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, 2014 valuation, and in the determination of the March 31, 2017 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%

(In thousands)

6. Employee future benefits *(Continued from previous page)*

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

	2017	*2016*
Capital purchase loan payable in monthly installments of $6,317, plus interest at 5.125%, due July 2023.	**480**	556
Capital purchase loan payable in monthly installments of $2,727, plus interest at 4.875%, due July 2023.	**207**	240
Capital purchase loan payable in monthly installments of $1,786, plus interest at 4.875%, due July 2023.	**136**	157
Capital purchase loan payable in monthly installments of $1,250, plus interest at 3.875%, due February 2021.	**59**	74
	882	1,027

Principal repayments in each of the next five years are estimated as follows:

2018	145
2019	145
2020	145
2021	142
2022	130

(In thousands)

8. Tangible capital assets

2017

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	**6,254**	**9**	**-**	**6,263**
Equipment	**2,134**	**44**	**-**	**2,178**
Total cost	**8,388**	**53**	**-**	**8,441**
Accumulated Amortization				
Buildings	**4,877**	**73**	**-**	**4,950**
Equipment	**2,000**	**37**	**-**	**2,037**
Total accumulated amortization	**6,877**	**110**	**-**	**6,987**
Net				
Buildings	**1,377**	**(64)**	**-**	**1,313**
Equipment	**134**	**7**	**-**	**141**
Total	**1,511**	**(57)**	**-**	**1,454**

2016

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	6,225	29	-	6,254
Equipment	2,112	22	-	2,134
Total cost	8,337	51	-	8,388
Accumulated Amortization				
Buildings	4,669	208	-	4,877
Equipment	1,959	41	-	2,000
Total accumulated amortization	6,628	249	-	6,877
Net				
Buildings	1,556	(179)	-	1,377
Equipment	153	(19)	-	134
Total	1,709	(198)	-	1,511

9. Designated assets

The Nursery has allocated $187 (2016 - $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, 2017

	2017 Budget (In thousands)	**2017 Actual (In thousands)**	2016 Actual (In thousands)
Operating expenses			
Departmental services and professional fees	25	**26**	23
Freight	20	**29**	27
Marketing	5	**4**	11
Natural gas and hydro, Biomass fuel	200	**292**	206
Office	40	**32**	33
Property taxes and insurance	60	**55**	59
Repairs and maintenance	150	**179**	178
Supplies	190	**209**	226
Travel	10	**7**	12
	700	**833**	775

Public Guardian and Trustee of Manitoba

The Public Guardian and Trustee of Manitoba
An Agency of the Province of Manitoba

Financial Statements
March 31, 2017

Public Guardian and
Trustee of Manitoba

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 September 8, 2017. 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, 2017, 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, 2017, 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
September 8, 2017
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, 2017
(In Thousands)

	March 31, 2017	March 31, 2016
Financial assets		
Cash and cash equivalents (Note 5)	$ 4,966	$ 5,257
Portfolio investments (Note 10)	515	515
Accounts receivable (Note 6)	1,199	1,002
	6,680	6,774
Liabilities		
Accounts payable and accrued liabilities (Note 7)	569	1,073
Employee future benefits (Note 8)	682	657
	1,251	1,730
Net financial assets	5,429	5,044
Non-financial assets		
Prepaid expenses	7	5
Tangible capital assets (Note 9)	61	60
	68	65
Accumulated surplus	$ 5,497	$ 5,109

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, 2017
(In Thousands)

	2017 Budget (Note 18)	2017 Actual	2016 Actual
Revenue			
Fees and other revenue (Note 12)	$ 7,030	$ 7,086	$ 6,996
Investment income	51	57	67
Total revenue	7,081	7,143	7,063
Expenses			
Amortization of tangible capital assets (Note 9)	25	25	21
Accommodation costs (Note 11)	411	403	438
Other administration expenses (Note 13)	1,217	1,072	1,137
Salaries and benefits	5,098	4,871	5,113
Pension benefits (Note 14)	330	384	345
Total expenses	7,081	6,755	7,054
Annual surplus	0	388	9
Accumulated surplus, beginning of year	5,109	5,109	5,100
Accumulated surplus, end of period year	$ 5,109	$ 5,497	$ 5,109

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, 2017
(In Thousands)

	2017 Actual	2016 Actual
Cash provided by (applied to)		
Operating		
Annual surplus	$ 388	$ 9
Amortization of tangible capital assets	25	21
	413	30
Changes in non-cash working capital balances:		
Accounts receivable	(197)	45
Accounts payable and accrued liabilities	(504)	246
Employee future benefits	25	(46)
Prepaid expenses	(2)	2
Cash provided by operating activities	(265)	277
Capital		
Acquisition of tangible capital assets	(26)	(18)
Cash applied to capital activities	(26)	(18)
Net increase (decrease) in cash	(291)	259
Cash and cash equivalents		
Beginning of year	5,257	4,998
End of year	$ 4,966	$ 5,257
Supplemental cash flow information		
Interest received	$ 58	$ 67

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, 2017
(In Thousands)

	2017 Budget (Note18)	2017 Actual	2016 Actual
Annual Surplus	$	$ 388	$ 9
Tangible capital assets			
Acquisition of tangible capital assets	(15)	(26)	(18)
Amortization of tangible capital assets	25	25	21
Net change in tangible capital assets	10	(1)	3
Other non-financial assets			
Decrease (increase) in prepaid expenses		(2)	2
Net change in other non-financial assets		(2)	2
Net increase in net financial assets	10	385	14
Net financial assets, beginning of year	5,044	5,044	5,030
Net financial assets, end of year	$ 5,054	$ 5,429	$ 5,044

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, 2017
(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 Document management	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 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, and accrued severance benefits costs.

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, 2017, 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.

(In Thousands)

The Agency did not incur any re-measurement gains and losses during the year ended March 31, 2017 (2016 - $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:

	2017	2016
Cash and cash equivalents	$4,966	$5,257
Portfolio investments	515	515
Accounts receivable	1,199	1,002
	$6,680	$6,774

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 aging of fees receivable and allowance for doubtful accounts on the accrued administration fees as at March 31, 2017 was as follows:

	Net	Allowance
Current (note 6)	$1,251	$ 80
30-60 days past the billing date	-	-
61-90 days past the billing date	-	-
More than 90 days past the billing date	-	-
	$1,251	$ 80

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

	2017	2016
Cash	$ 3,241	$ 3,832
Demand deposits	1,725	1,425
	$ 4,966	$ 5,257

(In Thousands)

6. Accounts receivable

	2017	2016
Fees receivable	$ 1,251	$ 1,012
Allowance for doubtful accounts	(80)	(42)
	1,171	970
Interest receivable	15	16
Advances to clients	7	10
Cost recoveries	6	6
	$ 1,199	$ 1,002

7. Accounts payable and accrued liabilities

	2017	2016
Operating expenses payable	$ 134	$ 285
Salaries and benefits payable	0	339
Vacation entitlements earned	402	416
GST payable to Canada Revenue Agency	33	33
	$ 569	$ 1,073

8. Employee future benefits

	2017	2016
Severance benefits	$ 587	$ 562
Sick pay benefits	95	95
	$ 682	$ 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.

(In Thousands)

The Agency's actuarially determined net liability for accounting purposes as at March 31, 2017 was $690 (2016 - $679). 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 $59 (2016 – $126).

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

	2017	2016
Balance beginning of year	$ 679	$ 734
Benefits accrued	29	27
Interest on accrued benefits	41	44
Severance paid	(59)	(126)
Accrued benefit liability	690	679
Less: unamortized actuarial losses	(103)	(117)
Severance benefit liability	$ 587	$ 562

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

	2017	2016
Interest on obligation	$ 41	$ 44
Employer service cost	29	27
Amortization of actuarial loss over EARSL	14	14
Total expense related to severance benefits	$ 84	$ 85

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2017 present value of the accrued severance benefit obligation were:

	2017	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%

(In Thousands)

Sick pay benefits

Agency provides its employees with sick leave benefits that accumulate but do not vest. The liability for accumulating, non-vesting sick pay benefits is based upon a review of past experience to extrapolate a liability based upon expected future utilization of currently accumulated benefit. The Agency is presenting the sick pay benefit liability at the 2017 value $95.

9. Tangible capital assets

	2017			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 343	$ -	$ -	$ 343
Computer hardware and software	123	-	-	123
Document management		17	-	17
Leasehold improvements	94	9	-	103
Total cost	$ 560	$ 26	$ -	$ 586
Accumulated amortization				
Furnishings and equipment	$ 309	$ 7	$ -	$ 316
Computer hardware and software	121	1	-	122
Document management		3	-	3
Leasehold improvements	70	14	-	84
Total accumulated amortization	$ 500	$ 25	$ -	$ 525
Net book value	$ 60	$ 1	$ -	$ 61

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 327	$ 16	$ -	$ 343
Computer hardware and software	121	2	-	123
Leasehold improvements	94	-	-	94
Total cost	$ 542	$ 18	$ -	$ 560
Accumulated amortization				
Furnishings and equipment	$ 300	$ 9	$ -	$ 309
Computer hardware and software	120	1	-	121
Leasehold improvements	59	11	-	70
Total accumulated amortization	$ 479	$ 21	$ -	$ 500
Net book value	$ 63	$ (3)	$ -	$ 60

(In Thousands)

10. Designated portfolio investments

Portfolio investments consist of designated assets and non-redeemable investments and guaranteed investment certificates. The Agency has allocated $515 (2016 - $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 during the year amounted to $3 (2016 - $5)

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 $438 for the year ended March 31, 2018.

12. Fees and other revenue

	2017	2016
Administration	$ 6,141	$ 5,987
Legal fees	373	404
Income taxes	279	317
Inspection	293	288
	$ 7,086	$ 6,996

(In Thousands)

13. Other administration expenses

	2017	2016
Computer expenses	$ 631	$ 599
Courier charges	9	8
Insurance, loss, damage	31	21
Office supplies	79	80
Other	5	2
Personnel expenses	27	26
Photocopies	2	0
Postage	73	81
Professional fees	41	156
Publications	2	2
Public communications	11	8
Records Centre charges	34	29
Rentals, equipment	1	3
Repairs and maintenance	8	8
Support services - Department of Justice	21	21
Telephone	52	52
Travel	45	41
	$ 1,072	$ 1,137

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 $384 (2016 - $345). Under this agreement, the Agency has no further pension liability. As at December 31, 2016 the Civil Service Superannuation Fund had a deficit of $4.3 billion.

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 $102 (2016 - $37). These amounts are not reflected in these financial statements.

17. Estates and trusts under administration

The client assets under administration at March 31, 2017 totaled approximately $260,000 (2016 - $244,000). 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.

19. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

(An Agency of the Manitoba Government)

Financial Statements

Year Ended March 31, 2017

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 29, 2017.

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

Sean Savage
A/Chief Operating Officer

Original Document Signed

Joel Hershfield
A/Manager, Finance and Administration

Winnipeg, Manitoba
June 29, 2017

626 Henry Avenue Winnipeg, MB R3A 1P7
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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Vehicle and Equipment Management Agency (VEMA):

We have audited the accompanying financial statements of Vehicle and Equipment Management Agency (VEMA) (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), which comprise the statement of financial position as at March 31, 2017, 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.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Vehicle and Equipment Management Agency (VEMA) (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), as at March 31, 2017, 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 29, 2017

MNP LLP

Chartered Professional Accountants

MNP LLP

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Financial Position

(In Thousands)

March 31, 2017

	March 31 2017	March 31 2016
FINANCIAL ASSETS		
Cash and cash equivalents	**$ 447**	$ 1,345
Receivables *(Note 5)*	**6,069**	5,670
Portfolio investments *(Notes 6 and 10)*	**1,433**	1,433
Inventory for resale	**4,553**	4,666
	12,502	13,114
LIABILITIES		
Working capital advances *(Note 7)*	**955**	-
Accounts payable and accrued liabilities	**4,314**	9,788
Unearned revenue	**3,294**	3,966
Severance pay liability *(Note 6)*	**1,500**	1,531
Borrowings from the Province of Manitoba *(Note 8)*	**119,131**	112,521
	129,194	127,806
NET DEBT	**(116,692)**	(114,692)
NON-FINANCIAL ASSETS		
Prepaid expenses	**2,831**	2,867
Tangible capital assets *(Note 9)*		
Vehicles and equipment	**139,371**	137,179
Office and shop equipment	**406**	432
Computer hardware and software	**4**	1
Leasehold improvements	**223**	161
	140,004	137,773
	142,835	140,640
ACCUMULATED SURPLUS	**$ 26,143**	$ 25,948

Designated assets *(Note 10)*
Commitments *(Note 11)*

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Operations

(In Thousands)

Year Ended March 31, 2017

	2017 Projected	**2017 Actual**	2016 Actual
REVENUES			
Vehicle and equipment utilization	$ 55,950	**$ 58,110**	$ 55,758
Fuel billings	18,600	**19,058**	18,228
Insurance and other billings	4,600	**5,151**	4,845
Other revenue (Page 18)	9,665	**9,362**	9,742
	88,815	**91,681**	88,573
EXPENSES			
Salaries and wages	10,000	**9,188**	9,651
Vehicle and equipment operating expenses (Page 18)	65,634	**69,457**	66,636
Administrative expenses (Page 18)	6,426	**6,344**	6,504
Community service	40	**61**	27
Interest expense	4,200	**3,936**	3,867
	86,300	**88,986**	86,685
INCOME FROM OPERATIONS	2,515	**2,695**	1,888
Transfers during the year to the Province of Manitoba	2,500	**2,500**	2,500
NET INCOME (LOSS)	15	**195**	(612)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	25,913	**25,948**	26,560
ACCUMULATED SURPLUS, END OF YEAR	$ 25,928	**$ 26,143**	$ 25,948

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Change in Net Debt

(In Thousands)

Year Ended March 31, 2017

	2017 Projected	2017 Actual	2016 Actual
Net income (loss)	$ 15	**$ 195**	$ (612)
Tangible capital assets			
Acquisition of tangible capital assets	(38,624)	**(33,118)**	(43,686)
Amortization of tangible capital assets	25,000	**27,590**	26,437
Gain on disposal of tangible capital assets, net	(750)	**(768)**	(966)
Proceeds from disposal of tangible capital assets	4,004	**4,065**	3,884
Net acquisition of tangible capital assets	(10,370)	**(2,231)**	(14,331)
Decrease (increase) in prepaid expenses during the year	-	**36**	(71)
INCREASE IN NET DEBT	(10,355)	**(2,000)**	(15,014)
NET DEBT, BEGINNING OF YEAR	(110,246)	**(114,692)**	(99,678)
NET DEBT, END OF YEAR	$ (120,601)	**$ (116,692)**	$ (114,692)

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2017

Cash provided by (applied to):		**2017**		2016
OPERATING ACTIVITIES				
Net income (loss)	**$**	**195**	$	(612)
Amortization of tangible capital assets		**27,590**		26,437
Gain on disposal of tangible capital assets, net		**(768)**		(966)
Increase in severance pay liability		**124**		126
Payment of severance pay benefits		**(155)**		(136)
		26,986		24,849
Change in:				
Receivables		**(399)**		221
Inventory for resale		**113**		(876)
Accounts payable and accrued liabilities		**(5,474)**		5,786
Unearned revenue		**(672)**		1,425
Prepaid expenses		**36**		(71)
Cash provided by operating activities		**20,590**		31,334
CAPITAL ACTIVITIES				
Proceeds from disposal of tangible capital assets		**4,065**		3,884
Acquisition of vehicles and equipment		**(32,967)**		(43,563)
Acquisition of office and shop equipment		**(59)**		(98)
Acquisition of computer hardware and software		**(4)**		-
Acquisition of leasehold improvements		**(88)**		(25)
Cash applied to capital activities		**(29,053)**		(39,802)
FINANCING ACTIVITIES				
Borrowings from the Province of Manitoba		**27,000**		29,000
Debt repayments to the Province of Manitoba		**(20,390)**		(17,179)
Cash provided by financing activities		**6,610**		11,821
INCREASE (DECREASE) IN CASH		**(1,853)**		3,353
CASH AND CASH EQUIVALENTS, NET OF WORKING CAPITAL ADVANCES (WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS), BEGINNING OF YEAR		**1,345**		(2,008)
CASH AND CASH EQUIVALENTS, NET OF WORKING CAPITAL ADVANCES (WORKING CAPITAL ADVANCES, NET OF CASH AND CASH EQUIVALENTS), END OF YEAR	**$**	**(508)**	$	1,345

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 Minister. As of April 1, 2015, the Agency was transitioned from Infrastructure and Transportation to the Department of Finance, and is now under the general direction of the Associate Deputy Minister, Central Services Division, and ultimately the policy direction of the Secretary to Treasury Board and the Minister 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.

(In Thousands)

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, 2017 (2016 - $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, 2017, is:

	2017	2016
Cash and cash equivalents	**$ 447**	$ 1,345
Receivables	**6,069**	5,670
Portfolio investments	**1,433**	1,433
	$ 7,949	$ 8,448

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, 2017 (2016 - $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.

(In Thousands)

5. RECEIVABLES

	March 31 2017	March 31 2016
Trade	**$ 5,196**	$ 2,386
Accrued trade	**123**	2,534
Insurance rebate receivable	**750**	750
	$ 6,069	$ 5,670

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, and in the determination of the March 31, 2017, 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%

(In Thousands)

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:

	2017	2016
Severance pay liability, beginning of year	**$ 1,531**	$ 1,541
Benefits and interest accrued during the year	**124**	126
Severance benefits paid during the year	**(155)**	(136)
	$ 1,500	$ 1,531

7. WORKING CAPITAL ADVANCES

The Agency had an authorized line of working capital advances of $10,000 through March 31, 2017, $955 of which was used as of that date (2016 - $nil). As of April 1, 2017, the authorized line of working capital advances was reduced to $5,000. 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:

Interest rate	Semi-annual payment ($)	Maturity date	**2017**	2016
2.5625%	271	September 30, 2016	**$ -**	$ 268
2.05%	581	September 30, 2016	**-**	576
3.45%	186	March 31, 2017	**-**	362
2.375%	213	March 31, 2017	**-**	419
2.25%	269	September 30, 2017	**266**	788
2.125%	530	September 30, 2017	**524**	1,556
2.125%	212	March 31, 2018	**417**	825
2.2%	232	September 30, 2018	**682**	1,125
2.75%	754	September 30, 2018	**2,201**	3,619

(In Thousands)

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

2.5%	535	September 30, 2019	**2,578**	3,565
2.5%	482	September 30, 2019	**2,320**	3,208
2.625%	272	March 31, 2020	**1,559**	2,052
1.875%	631	September 30, 2020	**4,258**	5,425
1.8125%	265	March 31, 2021	**2,036**	2,522
2.125%	530	March 31, 2021	**4,042**	5,000
2%	267	September 30, 2021	**2,283**	2,763
2.3125%	269	September 30, 2021	**2,288**	2,766
1.875%	789	September 30, 2021	**6,781**	-
2.25%	478	March 31, 2022	**4,500**	-
2.8%	526	September 30, 2022	**5,333**	6,218
2.4375%	338	March 31, 2023	**3,750**	-
4.875%	237	September 30, 2023	**2,613**	2,947
3.4%	102	September 30, 2023	**1,182**	1,343
2.625%	488	September 30, 2023	**5,796**	6,604
5%	334	March 31, 2024	**3,910**	4,366
4.875%	192	March 31, 2024	**2,254**	2,519
2.625%	349	March 31, 2024	**4,431**	5,000
4.5%	162	September 30, 2024	**2,039**	2,263
2.3%	516	September 30, 2024	**7,070**	-
2.75%	263	March 31, 2025	**3,750**	-
4%	201	September 30, 2025	**2,872**	3,150
3.9%	158	September 30, 2025	**2,263**	2,484
4.55%	162	March 31, 2026	**2,375**	2,584
3.3%	213	September 30, 2027	**3,748**	4,043
3.25%	127	September 30, 2027	**2,247**	2,424
3.375%	86	March 31, 2028	**1,561**	1,676
5%	80	March 31, 2030	**1,510**	1,591
			95,439	86,051
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	**23,692**	26,470
Amount of borrowings owing to the Province of Manitoba at year-end			**$ 119,131**	$ 112,521

Unused loan authority of $6,000 was available to VEMA as of March 31, 2016. An additional $29,000 of loan authority availability was approved in The Loan Act, 2016, with $15,000 of the combined availability drawn down on

(In Thousands)

8. BORROWINGS FROM THE PROVINCE OF MANITOBA *(continued)*

September 30, 2016, and a further $12,000 of the availability drawn down on March 31, 2017. Unused loan authority available as of March 31, 2017, was $8,000.

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, 2017, principal repayments in each of the next five years on the combined outstanding balances owing to the Province of Manitoba are as follows:

2018	$	21,567
2019		19,986
2020		18,578
2021		16,946
2022		13,932

9. TANGIBLE CAPITAL ASSETS

	2017			
Cost	Opening balance	Additions	Disposals	**Closing balance**
Vehicles and equipment	$ 270,507	$ 32,967	$ (25,495)	**$ 277,979**
Office and shop equipment	1,724	59	-	**1,783**
Computer hardware and software	399	4	(9)	**394**
Leasehold improvements	919	88	-	**1,007**
	273,549	33,118	(25,504)	**281,163**
Accumulated amortization				
Vehicles and equipment	133,328	27,478	(22,198)	**138,608**
Office and shop equipment	1,292	85	-	**1,377**
Computer hardware and software	398	1	(9)	**390**
Leasehold improvements	758	26	-	**784**
	135,776	27,590	(22,207)	**141,159**
Net book value	$ 137,773	$ 5,528	$ (3,297)	**$ 140,004**

(In Thousands)

9. TANGIBLE CAPITAL ASSETS *(continued)*

	2016			
Cost	Opening balance	Additions	Disposals	Closing balance
Vehicles and equipment	$ 243,928	$ 43,563	$ (16,984)	$ 270,507
Office and shop equipment	1,626	98	-	1,724
Computer hardware and software	399	-	-	399
Leasehold improvements	894	25	-	919
	246,847	43,686	(16,984)	273,549
Accumulated amortization				
Vehicles and equipment	121,074	26,320	(14,066)	133,328
Office and shop equipment	1,208	84	-	1,292
Computer hardware and software	395	3	-	398
Leasehold improvements	728	30	-	758
	123,405	26,437	(14,066)	135,776
Net book value	$ 123,442	$ 17,249	$ (2,918)	$ 137,773

10. DESIGNATED ASSETS

The Agency has allocated $1,433 (2016 - $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 2017/18 are established annually based on the approved budget for the Accommodation Services division of Central Services, Finance. Occupancy charges for 2017/18 are estimated at $2,500 for the year, to be paid in quarterly instalments during 2017/18.

(b) VEMA's approved 2017/18 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 2017 was $787 (2016 - $730).

VEHICLE AND EQUIPMENT MANAGEMENT AGENCY

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2017

	2017 Projected	2017 **Actual**	2016 Actual
OTHER REVENUE			
Autopac service	$ 750	**$ 779**	$ 640
Gain on disposal of tangible capital assets, net	750	**768**	966
Garage regular service	5,000	**4,968**	5,353
Insurance premium rebates	1,500	**1,670**	1,575
Interest income	15	**9**	9
Other service revenue	150	**156**	106
Radio Services	1,500	**1,012**	1,093
	$ 9,665	**$ 9,362**	$ 9,742
VEHICLE AND EQUIPMENT OPERATING EXPENSES			
Amortization of tangible capital assets	$ 24,900	**$ 27,478**	$ 26,320
Fuel	19,000	**18,848**	18,222
Insurance premiums	5,000	**5,625**	5,279
Licenses	160	**149**	151
Repairs and maintenance	16,574	**17,357**	16,664
	$ 65,634	**$ 69,457**	$ 66,636
ADMINISTRATIVE EXPENSES			
Amortization of tangible capital assets	$ 100	**$ 112**	$ 117
Fleet management information system	450	**431**	466
Human resource overhead	2,400	**2,384**	2,306
Occupancy costs	2,600	**2,488**	2,498
Other costs	350	**386**	412
Professional fees	20	**28**	20
SOAFA charges	6	**7**	6
Supplies and materials	300	**236**	453
Telephone and communication	200	**272**	226
	$ 6,426	**$ 6,344**	$ 6,504

VITAL STATISTICS AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

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 2, 2017.

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 2, 2017

BULAT & POUSTIE
CHARTERED PROFESSIONAL ACCOUNTANTS

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Winnipeg, Manitoba R3J 3Y1

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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, 2017 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Bulat & Poustie

June 2, 2017
Winnipeg, Manitoba

CHARTERED PROFESSIONAL ACCOUNTANTS

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF FINANCIAL POSITION
(in thousands)
AS AT MARCH 31, 2017

		2017		2016
FINANCIAL ASSETS				
Cash and cash equivalents, note 6	$	**299**	$	216
Accounts receivable, note 7		**140**		114
Portfolio investments		**94**		94
Inventories for resale		**139**		194
		672		618
LIABILITIES				
Accounts payable and accruals	$	**37**	$	325
Unearned revenue		**173**		132
Accrued unused vacation entitlements		**193**		197
Employee future benefits, note 8		**280**		247
		683		901
NET DEBT		**(11)**		(283)
NON-FINANCIAL ASSETS				
Prepaid expenses		**64**		85
Tangible capital assets, note 9		**488**		579
		552		664
ACCUMULATED SURPLUS	$	**541**	$	381

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, 2017

	2017 Budget	**2017 Actual**	2016 Actual
REVENUE			
Net sales	$ 3,605	**$ 3,747**	$ 3,604
Proceeds from government departments	430	**300**	334
Interest	1	**1**	1
	4,036	**4,048**	3,939
EXPENSES			
Salaries and employee benefits	2,369	**2,382**	2,347
Operating expenses, Schedule 1	1,306	**1,126**	1,125
Amortization	145	**120**	150
Funeral Board of Manitoba operating grant	140	**140**	160
	3,960	**3,768**	3,782
Net income before the transfer of funds to the Province of Manitoba	76	**280**	157
Transfer of funds to the Province of Manitoba, note 12	120	**120**	220
NET INCOME (LOSS)	(44)	**160**	(63)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	381	**381**	444
ACCUMULATED SURPLUS, END OF YEAR	$ 337	**$ 541**	$ 381

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, 2017

	2017 Budget	**2017 Actual**	2016 Actual
NET INCOME (LOSS)	$ (44)	**$ 160**	$ (63)
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	-	**(29)**	(4)
Amortization of tangible capital assets	140	**120**	150
Net acquisition of tangible capital assets	140	**91**	146
OTHER NON-FINANCIAL ASSETS			
Decrease in prepaid expenses	-	**21**	3
DECREASE (INCREASE) IN NET DEBT	96	**272**	86
NET DEBT, BEGINNING OF YEAR	(283)	**(283)**	(369)
NET DEBT, END OF YEAR	$ (187)	**$ (11)**	$ (283)

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Actual	2016 Actual
CASH PROVIDED BY (APPLIED TO):		
OPERATING		
Net income (loss)	$ 160	$ (63)
Amortization of tangible capital assets	120	150
	280	87
Changes in the following:		
Accounts receivable	(26)	59
Inventories for resale	55	(9)
Accounts payable and accruals	(288)	191
Unearned revenue	40	(4)
Accrued unused vacation entitlements	(3)	23
Employee future benefits	33	(20)
Prepaid expenses	21	3
	112	330
CAPITAL		
Acquisition of tangible capital assets	(29)	(4)
INCREASE IN CASH AND CASH EQUIVALENTS	83	326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	216	(110)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 299	$ 216

Supplementary information:

	2017	2016
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 (2016 - $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.

(in thousands)

Financial Instruments and Financial Risk Management - continued

The maximum exposure of the Agency to credit risk at year end is:

	2017	2016
Cash on hand and balances in bank, note 6	$ **299**	$ 216
Accounts receivable	**140**	114
Portfolio investments	**94**	94
	$ **533**	$ 424

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, 2017 was:

	Net	**Allowance**
Current	$ **100**	$ -
31-60 days past billing date	**12**	-
61-90 days past billing date	**11**	-
Greater than 90 days past the billing date	**17**	-
Balance, end of the year	$ **140**	$ -

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

	2017	2016
Balance, beginning of the year	$ **1**	$ 2
Amounts written off	**(1)**	-
Amounts recovered	**-**	(1)
Balance, end of the year	$ **-**	$ 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 $32 for the year ended March 31, 2017 (2016 - $39).

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 $5 for the year ended March 31, 2017 (2016 - $5).

(in thousands)

6. CASH AND CASH EQUIVALENTS, AND BANK INDEBTEDNESS

		2017		2016
Cash on hand and balances in bank less outstanding cheques	$	299	$	216

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 $212 limit (2016 - $212) for working capital advances and a capital supply of $250 for the Agency. At March 31, 2017 the Agency has accessed working capital advances of $nil (2016 - $nil).

7. ACCOUNTS RECEIVABLE

		2017		2016
Trade	$	140	$	115
Less: Allowance for doubtful accounts		-		1
	$	140	$	114

8. EMPLOYEE FUTURE BENEFITS

		2017		2016
Severance benefits	$	243	$	210
Sick pay benefits		37		37
	$	280	$	247

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 2017 was $154 (2016 - $139). Under this agreement, the Agency has no further pension liability.

(in thousands)

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, 2017 was $243 (2016 - $210). 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, 2017 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:

	2017	2016
Balance, beginning of year	$ 210	$ 229
Actuarial loss	47	53
Benefits accrued	15	12
Interest on accrued benefits	13	17
Severance paid	(2)	(55)
Accrued benefit liability	283	256
Less: unamortized actuarial losses	(40)	(46)
Severance benefit liability	$ 243	$ 210

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

	2017	2016
Interest on obligation	$ 13	$ 17
Current period benefit cost	15	12
Amortization of actuarial gain over EARSL	6	6
Total expense related to severance benefits	$ 34	$ 35

(in thousands)

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

	2017			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ 25	$ -	$ 2,580
Furniture and fixtures	133	1	-	134
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	448	-	-	448
Office equipment	218	3	-	221
Security equipment	75	-	-	75
	5,147	29	-	5,176
Accumulated amortization				
Data conversion	2,235	64	-	2,299
Furniture and fixtures	125	2	-	127
Information system	1,453	34	-	1,487
Leasehold improvements	99	-	-	99
National Routing System	368	16	-	384
Office equipment	213	4	-	217
Security equipment	75	-	-	75
	4,568	120	-	4,688
Net book value	$ 579	$ (91)	$ -	$ 488

(in thousands)

Tangible Capital Assets - continued

	2016			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	129	4	-	133
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	448	-	-	448
Office equipment	218	-	-	218
Security equipment	75	-	-	75
	5,143	4	-	5,147
Accumulated amortization				
Data conversion	2,154	81	-	2,235
Furniture and fixtures	124	1	-	125
Information system	1,411	42	-	1,453
Leasehold improvements	98	1	-	99
National Routing System	348	20	-	368
Office equipment	208	5	-	213
Security equipment	75	-	-	75
	4,418	150	-	4,568
Net book value	$ 725	$ (146)	$ -	$ 579

10. DESIGNATED ASSETS

The Agency has allocated $94 (2016 - $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, 2018 are estimated to be $189 (2017 - $189).

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 $120 (2016 - $220) 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, 2017

	2017 Budget	**2017 Actual**	2016 Actual
Accommodation	$ 180	**$ 189**	$ 189
Bad debts (recovery)	1	**-**	(1)
Central government charges	47	**43**	46
Computer information system	260	**249**	243
Digital imaging	11	**14**	64
Office equipment support	23	**21**	24
Office supplies	20	**24**	21
Other operating expenses	161	**44**	101
Printed material supplies	212	**212**	130
Professional fees	93	**41**	48
Telecommunications	54	**51**	53
Training	6	**1**	2
Transportation and freight	238	**237**	205
	$ 1,306	**$ 1,126**	$ 1,125

Special Operating Agencies Financing Authority
Non-consolidated Statement of Financial Position
As at March 31, 2017
(Unaudited)

	March 31, 2017	March 31, 2016
Financial Assets		
Cash and cash equivalents	$ 449,459	$ 579,831
Liabilities		
Accounts payable and accruals	31,129	144,211
Accumulated Surplus	$ 418,330	$ 435,620

Special Operating Agencies Financing Authority
Non-consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2017
(Unaudited)

	2017	2016
Revenue		
Annual levies	-	13,326
Total revenue	-	13,326
Expense		
Supplies and services	17,290	17,799
Other operating	-	63,623
Total expense	17,290	81,422
Net loss	(17,290)	(68,096)
Accumulated surplus, beginning of year	435,620	503,716
Accumulated surplus, end of year	$ 418,330	$ 435,620

États financiers de
Université de Saint-Boniface

31 mars 2017

Deloitte S.E.N.C.R.L./s.r.l.
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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 2017, 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 2017, 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.

Le 27 juin 2017

Comptables professionnels agréés

Winnipeg, Manitoba

Université de Saint-Boniface
État de la situation financière
au 31 mars 2017

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2017 Total	2016 Total
		$	$	$	$	$	$
Actif							
À court terme							
Encaisse		1 440 888	—	—	—	1 440 888	1 176 314
Comptes à recevoir et autres actifs	3	932 817	12 923	167 922	—	1 113 662	1 275 728
		2 373 705	12 923	167 922	—	2 554 550	2 452 042
Placements	4	25 050 679	—	—	17 040 365	42 091 044	38 572 530
Immobilisations	5	—	—	26 965 996	—	26 965 996	26 458 380
Interfonds		(17 720 142)	18 143 464	(167 922)	(255 400)	—	—
		9 704 242	18 156 387	26 965 996	16 784 965	71 611 590	67 482 952
Passif							
À court terme							
Comptes à payer et frais courus		4 004 979	39 831	—	—	4 044 810	4 010 799
Revenus reportés		347 833	—	—	—	347 833	310 485
Contributions reportées	6	1 280 528	—	—	—	1 280 528	767 500
		5 633 340	39 831	—	—	5 673 171	5 088 784
Engagements	8						
Soldes de fonds							
Non grevés d'affectations		2 051 966	—	—	—	2 051 966	2 045 848
Grevés d'affectations	9	—	18 116 556	—	—	18 116 556	16 939 267
Investis en immobilisations		—	—	26 965 996	—	26 965 996	26 458 380
De dotation	10	—	—	—	15 126 619	15 126 619	14 346 551
		2 051 966	18 116 556	26 965 996	15 126 619	62 261 137	59 790 046
Gains de réévaluation cumulés		2 018 936	—	—	1 658 346	3 677 282	2 604 122
		9 704 242	18 156 387	26 965 996	16 784 965	71 611 590	67 482 952

Les notes complémentaires font partie intégrante des états financiers.

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 2017

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2017 Total
		$	$	$	$	$
Revenus						
Subventions						
Provinciales		17 683 069	—	2 420	—	17 685 489
Fédérales		3 782 992	542 195	355 154	—	4 680 341
Droits de scolarité		5 249 700	—	—	—	5 249 700
Autres revenus		1 414 307	55 616	—	2 216	1 472 139
Revenus de placement	4	1 640 173	—	—	1 088 059	2 728 232
Loyers et stationnement		685 348	—	—	—	685 348
Dons		20 300	531 094	—	200 760	752 154
		30 475 889	1 128 905	357 574	1 291 035	33 253 403
Dépenses						
Salaires et avantages sociaux		22 963 315	546 112	—	—	23 509 427
Matériel et autres		4 115 988	77 891	—	141 776	4 335 655
Amortissement des immobilisations		—	—	1 130 160	—	1 130 160
Déplacements et conférences		641 865	63 994	—	—	705 859
Services publics		576 698	—	—	—	576 698
Bourses et prix		58 528	53 850	—	412 135	524 513
		28 356 394	741 847	1 130 160	553 911	30 782 312
Excédent (insuffisance) des revenus sur les dépenses avant les virements		2 119 495	387 058	(772 586)	737 124	2 471 091
Virements						
Intérêts		(364 566)	364 566	—	—	—
Allocations pour projets futurs		(1 473 500)	1 473 500	—	—	—
Allocations pour coûts indirects		50 400	(50 400)	—	—	—
Financement de projets		(115 009)	115 009	—	—	—
Reclassification de restrictions		—	(42 944)	—	42 944	—
Achats ou virements d'immobilisations		(210 702)	(1 069 500)	1 280 202	—	—
		(2 113 377)	790 231	1 280 202	42 944	—
Excédent des revenus sur les dépenses, déduction faite des virements		6 118	1 177 289	507 616	780 068	2 471 091
Solde de fonds au début		2 045 848	16 939 267	26 458 380	14 346 551	59 790 046
Solde de fonds à la fin		2 051 966	18 116 556	26 965 996	15 126 619	62 261 137

Université de Saint-Boniface

État des résultats et de l'évolution des soldes de fonds (suite)

Exercice terminé le 31 mars 2017

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2016 Total
		$	$	$	$	$
Revenus						
Subventions						
Provinciales		17 551 389	—	749 936	—	18 301 325
Fédérales		3 815 260	589 337	—	—	4 404 597
Droits de scolarité		5 354 722	—	—	—	5 354 722
Autres revenus		1 462 081	112 758	43 422	2 957	1 621 218
Revenus de placement	4	1 380 104	—	—	943 829	2 323 933
Loyers et stationnement		737 088	—	—	—	737 088
Dons		5 475	538 098	—	301 791	845 364
		30 306 119	1 240 193	793 358	1 248 577	33 588 247
Dépenses						
Salaires et avantages sociaux		22 635 139	517 832	—	—	23 152 971
Matériel et autres		4 333 731	92 640	—	135 666	4 562 037
Amortissement des immobilisations		—	—	1 205 543	—	1 205 543
Déplacements et conférences		624 692	71 634	—	—	696 326
Services publics		564 468	—	—	—	564 468
Bourses et prix		37 863	76 450	—	374 058	488 371
		28 195 893	758 556	1 205 543	509 724	30 669 716
Excédent (insuffisance) des revenus sur les dépenses avant les virements		2 110 226	481 637	(412 185)	738 853	2 918 531
Virements						
Intérêts		(169 028)	169 028	—	—	—
Allocations pour projets futurs		(1 604 000)	1 604 000	—	—	—
Financement de projets		75 158	(75 158)	—	—	—
Reclassification de restrictions		—	(63 716)	—	63 716	—
Achats ou virements d'immobilisations		(408 948)	(251 000)	659 948	—	—
		(2 106 818)	1 383 154	659 948	63 716	—
Excédent des revenus sur les dépenses, déduction faite des virements		3 408	1 864 791	247 763	802 569	2 918 531
Solde de fonds au début		2 042 440	15 074 476	26 210 617	13 543 982	56 871 515
Solde de fonds à la fin		2 045 848	16 939 267	26 458 380	14 346 551	59 790 046

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface
État des gains de réévaluation
Exercice terminé le 31 mars 2017

	2017			2016
	Fonds de fonctionnement général	**Fonds de dotation**	**Total**	Total
	$	**$**	**$**	$
Gains de réévaluation cumulés au début	**1 377 474**	**1 226 648**	**2 604 122**	5 336 782
Gains nets (pertes nettes) non réalisé(e)s sur le portefeuille de placements	**1 383 933**	**961 810**	**2 345 743**	(1 808 422)
Gains nets réalisés sur le portefeuille de placements, reclassés aux résultats	**(742 471)**	**(530 112)**	**(1 272 583)**	(924 238)
Gains nets (pertes nettes) de réévaluation	**641 462**	**431 698**	**1 073 160**	(2 732 660)
Gains de réévaluation cumulés à la fin	**2 018 936**	**1 658 346**	**3 677 282**	2 604 122

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface
État des flux de trésorerie
Exercice terminé le 31 mars 2017

	2017	2016
	$	$
Activités d'exploitation		
Excédent des revenus sur les dépenses avant les virements	**2 471 091**	2 918 531
Éléments hors caisse		
Amortissement des immobilisations	**1 130 160**	1 205 543
Contributions reportées comptabilisées aux revenus	**(776 872)**	(410 000)
	2 824 379	3 714 074
Variation des éléments hors caisse du fonds de roulement de fonctionnement		
Comptes à recevoir et autres actifs	**162 066**	(138 426)
Comptes à payer et frais courus	**34 011**	(5 100)
Revenus reportés	**37 348**	90 449
	3 057 804	3 660 997
Activités de financement		
Contributions reportées – apports reçus	**1 289 900**	586 000
Activités d'investissement		
Augmentation nette des placements	**(2 445 354)**	(2 055 947)
Achats d'immobilisations	**(1 637 776)**	(1 453 306)
	(4 083 130)	(3 509 253)
Augmentation nette de l'encaisse	**264 574**	737 744
Encaisse au début	**1 176 314**	438 570
Encaisse à la fin	**1 440 888**	1 176 314

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 son 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.

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 à l'appui 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. 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. Les apports affectés dans le Fonds des immobilisations, dans les Fonds affectés et dans le Fonds de dotation, sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

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 la Formation du Manitoba. 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 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.

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, puisqu'ils sont tous affectés, ils sont comptabilisés à titre de revenus dans le Fonds de dotation.

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 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 2017 est de 160 450 $ (160 450 $ au 31 mars 2016).

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités de l'Université. Comme ces apports ne peuvent faire l'objet d'une estimation raisonnable, ils ne sont pas constatés dans les états financiers de l'Université.

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, 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.

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 3,05 % au 31 mars 2017 (3,05 % au 31 mars 2016) 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 2017 ni au 31 mars 2016.

3. Comptes à recevoir et autres actifs

	2017	2016
	$	$
Gouvernement fédéral	**528 275**	623 743
Gouvernement provincial	**88 500**	—
Frais étudiants	**121 407**	107 436
Divers	**313 559**	437 360
Provision pour créances douteuses	**(96 167)**	(72 408)
	955 574	1 096 131
Frais payés d'avance	**158 088**	179 597
	1 113 662	1 275 728

4. Placements

	2017	2016
	$	$
Encaisse et marché monétaire	**1 482 154**	1 539 426
Titres à revenus fixes	**18 723 368**	16 472 456
Actions canadiennes	**7 859 916**	6 831 875
Actions étrangères – américaines	**4 725 456**	5 169 209
Actions étrangères – autres	**8 038 958**	7 362 457
Placements alternatifs	**1 261 192**	1 197 107
	42 091 044	38 572 530

Les titres à revenus fixes portent intérêt à des taux variant de 1,90 % à 6,63 % (de 1,95 % à 6,63 % en 2016) et viennent à échéance entre mars 2018 et juin 2108 (mai 2016 et juin 2108 en 2016).

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.

4. Placements (suite)

Les revenus de placement sont composés des intérêts, des dividendes et des gains nets réalisés, comme présenté ci-dessous :

			2017	2016
	Fonds de fonctionnement général	Fonds de dotation	Total	Total
	$	$	$	$
Intérêts	**334 722**	**192 848**	**527 570**	543 922
Dividendes	**562 980**	**365 099**	**928 079**	855 773
Gains nets réalisés	**742 471**	**530 112**	**1 272 583**	924 238
	1 640 173	**1 088 059**	**2 728 232**	2 323 933

5. Immobilisations

	Terrain	Immeubles et améliorations	Terrain de stationnement	Équipement et ameublement	Équipement informatique	Total
	$	$	$	$	$	$
Coût						
Solde au début	480 330	33 732 857	952 389	7 336 005	2 914 013	45 415 594
Ajouts : achats	—	1 155 590	—	295 358	186 828	1 637 776
Moins : sorties	—	—	—	(34 352)	—	(34 352)
Solde à la fin	480 330	34 888 447	952 389	7 597 011	3 100 841	47 019 018
Amortissement cumulé						
Solde au début	—	10 345 262	326 448	5 791 435	2 494 069	18 957 214
Ajouts : amortissement	—	580 394	47 619	315 973	186 173	1 130 159
Moins : vente ou cession	—	—	—	(34 351)	—	(34 351)
Solde à la fin	—	10 925 656	374 067	6 073 057	2 680 242	20 053 022
Valeur comptable nette au 31 mars 2017	480 330	23 962 791	578 322	1 523 954	420 599	26 965 996
Valeur comptable nette au 31 mars 2016	480 330	23 387 595	625 941	1 544 570	419 944	26 458 380

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 :

	2017	2016
	$	$
Solde au début	**767 500**	591 500
Apports reçus	**1 289 900**	586 000
Virements aux revenus	**(776 872)**	(410 000)
Changement net	**513 028**	176 000
Solde à la fin	**1 280 528**	767 500

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 par l'Université et ses employés, selon le cas.

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 et est comptabilisée dans les comptes à payer et frais courus.

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	
	2016	2015
	$	$
Actif net disponible pour le service de prestations au début	**26 633 446**	27 799 522
Cotisations		
Promoteur	**1 377 671**	1 319 933
Participants	**1 377 671**	1 319 933
Autres	**41 819**	57 534
Revenus de placement nets	**1 528 130**	1 246 187
Prestations versées	**(3 896 404)**	(5 109 663)
	428 887	(1 166 076)
Actif net disponible pour le service de prestations à la fin	**27 062 333**	26 633 446

Les cotisations patronales pour l'exercice terminé le 31 mars 2017 se sont élevées à 1 364 571 $ (1 334 231 $ en 2016) 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 et contrats d'entretien

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 contrats ainsi exigibles s'élèvent à moins de 230 000 $ 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 :

	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
				2017
	$ (note 9 b)	$ (note 9 c)	$ (note 9 d)	$
Revenus				
Subventions fédérales	–	–	542 195	542 195
Autres revenus	–	–	55 616	55 616
Dons	–	531 094	–	531 094
	–	531 094	597 811	1 128 905
Dépenses				
Salaires et avantages sociaux	–	–	546 112	546 112
Matériel et autres	–	–	77 891	77 891
Déplacements et conférences	–	–	63 994	63 994
Bourses et prix	–	53 850	–	53 850
	–	53 850	687 997	741 847
Excédent (insuffisance) des revenus sur les dépenses avant les virements	–	477 244	(90 186)	387 058
Virements				
Intérêts	364 566	–	–	364 566
Allocations pour projets futurs	1 473 500	–	–	1 473 500
Allocations pour coûts indirects	–	–	(50 400)	(50 400)
Financement de projets	–	(50 000)	165 009	115 009
Reclassification de restrictions	–	(42 944)	–	(42 944)
Achats ou virements d'immobilisations	(1 069 500)	–	–	(1 069 500)
	768 566	(92 944)	114 609	790 231
Excédent des revenus sur les dépenses, déduction faite des virements	768 566	384 300	24 423	1 177 289
Solde de fonds au début	15 535 194	921 172	482 901	16 939 267
Solde de fonds à la fin	16 303 760	1 305 472	507 324	18 116 556

9. Solde des fonds affectés (suite)

				2016
	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
	$ (note 9 b)	$ (note 9 c)	$ (note 9 d)	$
Revenus				
Subventions fédérales	—	—	589 337	589 337
Autres revenus	—	—	112 758	112 758
Dons	—	538 098	—	538 098
	—	538 098	702 095	1 240 193
Dépenses				
Salaires et avantages sociaux	—	—	517 832	517 832
Matériel et autres	—	1 100	91 540	92 640
Déplacements et conférences	—	—	71 634	71 634
Bourses et prix	—	76 450	—	76 450
	—	77 550	681 006	758 556
Excédent des revenus sur les dépenses avant les virements	—	460 548	21 089	481 637
Virements				
Intérêts	169 028	—	—	169 028
Allocations pour projets futurs	1 604 000	—	—	1 604 000
Financement de projets	(50 000)	(75 158)	50 000	(75 158)
Reclassification de restrictions	—	(63 716)	—	(63 716)
Achats ou virements d'immobilisations	(251 000)	—	—	(251 000)
	1 472 028	(138 874)	50 000	1 383 154
Excédent des revenus sur les dépenses, déduction faite des virements	1 472 028	321 674	71 089	1 864 791
Solde de fonds au début	14 063 166	599 498	411 812	15 074 476
Solde de fonds à la fin	15 535 194	921 172	482 901	16 939 267

9. Solde des fonds affectés (suite)

b) Fonds grevé d'affectations d'origine interne

						2017	2016
	Bourses et prix	Campagnes futures/ Appariement de dons	Projets stratégiques	Projets d'immo-bilisations importants	Financement de transition de programmes et de services	Total	Total
	$	$	$	$	$	$	$
Excédent des revenus sur les dépenses avant virements	—	—	—	—	—	—	—
Virements							
Intérêts	67 475	22 645	30 844	179 787	63 815	364 566	169 028
Allocations pour projets futurs	—	—	—	1 473 500	—	1 473 500	1 604 000
Financement de projets	—	—	—	—	—	—	(50 000)
Achats ou virements d'immobilisations	—	—	—	(1 069 500)	—	(1 069 500)	(251 000)
Excédent des revenus sur les dépenses, déduction faite des virements	67 475	22 645	30 844	583 787	63 815	768 566	1 472 028
Solde au début	2 933 706	984 568	1 341 046	7 501 315	2 774 559	15 535 194	14 063 166
Solde à la fin	3 001 181	1 007 213	1 371 890	8 085 102	2 838 374	16 303 760	15 535 194

9. Solde des fonds affectés (suite)

b) 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 2,3 % (1,1 % en 2016). 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 :

i) Recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs;

ii) 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;

iii) 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.

c) 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)

d) 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**	**2017**	2016
	$	**$**	**$**	$
Encaisse	**1 440 888**	**—**	**1 440 888**	1 176 314
Comptes à recevoir	**—**	**955 574**	**955 574**	1 096 131
Placements	**42 091 044**	**—**	**42 091 044**	38 572 530
Comptes à payer et frais courus	**—**	**(4 044 810)**	**(4 044 810)**	(4 010 799)
	43 531 932	**(3 089 236)**	**40 442 696**	36 834 176

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 instruments financiers comptabilisés à la juste valeur dans l'état de la situation financière sont classés selon la hiérarchie suivante :

				2017
	Niveau 1	**Niveau 2**	**Niveau 3**	**Total**
	$	**$**	**$**	**$**
Encaisse	**1 440 888**	**—**	**—**	**1 440 888**
Placements	**22 106 484**	**19 984 560**	**—**	**42 091 044**
	23 547 372	**19 984 560**	**—**	**43 531 932**

				2016
	Niveau 1	Niveau 2	Niveau 3	Total
	$	$	$	$
Encaisse	1 176 314	—	—	1 176 314
Placements	20 902 964	17 669 566	—	38 572 530
	22 079 278	17 669 566	—	39 748 844

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.

Aux 31 mars, le classement par échéances des comptes à recevoir est le suivant :

	2017	2016
	$	$
Courant	**356 428**	610 103
De 30 à 59 jours	**226**	918
De 60 à 89 jours	**256 625**	261 533
90 jours et plus	**438 462**	295 985
	1 051 741	1 168 539

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.

11. Instruments financiers (suite)

Risque de taux d'intérêt (suite)

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 :

	2017	2016
	$	$
Moins de 90 jours	**119 100**	384 298
90 jours à un an	**784 025**	—
Plus de un an à 5 ans	**3 024 055**	3 525 777
Plus de 5 ans à 10 ans	**3 999 242**	4 776 045
Plus de 10 ans	**5 036 934**	5 069 353
Sans échéance	**5 760 012**	2 716 983
	18 723 368	16 472 456

	2017	2016
	$	$
Placements associés à un taux d'intérêt	**18 723 368**	16 472 456
Placements non associés à un taux d'intérêt	**23 367 676**	22 100 074
	42 091 044	38 572 530

Au 31 mars 2017, 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 515 000 $ (620 000 $ au 31 mars 2016).

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 2017, 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 80 941 $ (88 812 $ au 31 mars 2016). Dans les faits, les résultats seront différents de cette analyse de sensibilité.

11. Instruments financiers (suite)

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.

Le tableau suivant présente l'échéance des obligations contractuelles non actualisées des flux de trésorerie liés aux passifs financiers :

	2017	2016
	$	$
De 0 à 12 mois	**3 520 697**	3 523 066
De un an à 5 ans	**524 113**	487 733
Plus de 5 ans	**—**	—
	4 044 810	4 010 799

FINANCIAL STATEMENTS

March 31, 2017

P.O. BOX 3000
THE PAS, MANITOBA, CANADA, R9A 1M7
(204) 627-8500
www.ucn.ca

UNIVERSITY COLLEGE OF THE NORTH

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

Tom Goodman
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, 2017, 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, 2017, 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 24, 2017

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 OF FINANCIAL POSITION

MARCH 31

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	MARCH 31, 2017	MARCH 31, 2016
ASSETS						
CURRENT						
Cash and cash equivalents	$ 11,057,102	$ 171,568	$ 115,390	$	$ 11,344,060	$ 13,322,789
Short-term investments *(Note 4)*				1,071,783	1,071,783	870,623
Accounts receivable *(Note 5)*	4,043,633	118	2,177		4,045,928	3,638,565
Due from Province of Manitoba *(Note 7)*	752,589				752,589	752,589
Inventory	248,591				248,591	245,161
Prepaid expenses	1,010,210				1,010,210	484,643
	17,112,125	171,686	117,567	1,071,783	18,473,161	19,314,370
LONG TERM						
Prepaid expenses	518,582				518,582	591,026
Capital assets *(Note 6)*	20,147,849				20,147,849	19,589,920
Due from Province of Manitoba *(Note 7)*	793,500				793,500	793,500
	21,459,931				21,459,931	20,974,446
	$ 38,572,056	$ 171,686	$ 117,567	$ 1,071,783	$ 39,933,092	$ 40,288,816
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities *(Note 8)*	$ 3,319,971	$	$ 2,100	$	$ 3,322,071	$ 5,683,203
Deferred revenue	986,613				986,613	413,425
Deferred contributions *(Note 9)*	4,833,233				4,833,233	5,755,666
Accrued vacation benefits	3,064,121				3,064,121	3,023,513
Current portion on long term debt *(Note 10)*	57,790				57,790	55,666
	12,261,728		2,100		12,263,828	14,931,473
LONG TERM						
Deferred revenue	518,582				518,582	591,026
Deferred contributions related to capital assets *(Note 11)*	10,139,914				10,139,914	9,082,972
Accrued severance benefits *(Note 12)*	3,651,700				3,651,700	3,188,307
Long term debt *(Note 10)*	1,083,599				1,083,599	1,141,389
	15,393,795				15,393,795	14,003,694
FUND BALANCES						
NET ASSETS INVESTED IN CAPITAL ASSETS	8,893,028				8,893,028	9,336,375
NET ASSETS RESTRICTED FOR FUND PURPOSES		171,686	115,467	1,071,783	1,358,936	1,251,480
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	2,133,198				2,133,198	2,064,457
UNRESTRICTED NET ASSETS	(109,693)				(109,693)	(1,298,663)
	10,916,533	171,686	115,467	1,071,783	12,275,469	11,353,649
	$ 38,572,056	$ 171,686	$ 117,567	$ 1,071,783	$ 39,933,092	$ 40,288,816

Approved by the Governing Council

Original Document Signed

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, 2017	MARCH 31, 2016
REVENUES						
Grants						
Advanced Learning Division	$ 36,363,185	$	$	$	$ 36,363,185	$ 35,723,783
Other Province of Manitoba	698,190				698,190	605,136
Government of Canada	95,912				95,912	252,915
Amortization of deferred contributions related to capital assets	943,580				943,580	987,479
Ancillary sales and services	2,902,666				2,902,666	3,041,530
Donations		540	133,938	101,034	235,512	264,169
Investment income	92,690	1,367	1,968	126	96,151	86,978
Contract training	890,925				890,925	615,473
Tuition and student fees	3,966,251				3,966,251	4,224,202
Other revenue	1,243,049				1,243,049	1,480,536
	47,196,448	1,907	135,906	101,160	47,435,421	47,282,201
EXPENSES						
Advertising and public relations	536,878				536,878	658,371
Amortization of capital assets	1,442,593				1,442,593	1,277,709
Bad debts	345,632				345,632	134,851
Cost of goods sold	1,329,660				1,329,660	1,323,040
Facility costs	2,118,645				2,118,645	2,273,605
Furniture and minor equipment	1,036,952				1,036,952	1,170,526
Insurance	167,500				167,500	124,833
Interest on long term debt	43,939				43,939	45,985
Library acquisitions	261,337				261,337	255,666
Loss on disposal of capital assets	30,753				30,753	191
Maintenance and repairs	124,250				124,250	146,216
Operational supplies and services	4,442,145	500	90		4,442,735	5,311,967
Property taxes	520,610				520,610	615,848
Rentals and leases	464,888				464,888	505,755
Salaries and employee benefits	30,933,186				30,933,186	29,995,796
Scholarships and bursaries			130,927		130,927	148,929
Telephone and communication	663,918				663,918	665,215
Travel	1,558,202				1,558,202	1,571,316
Utilities	360,996				360,996	355,825
	46,382,084	500	131,017		46,513,601	46,581,644
EXCESS REVENUES	$ 814,364	$ 1,407	$ 4,889	$ 101,160	$ 921,820	$ 700,557

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, 2017	TOTAL MARCH 31, 2016
FUND SURPLUS, *beginning of year*	$ 10,102,169	$ 170,279	$ 110,578	$ 970,623	$ 11,353,649	$ 10,653,092
EXCESS REVENUES	814,364	1,407	4,889	101,160	921,820	700,557
FUND SURPLUS, *end of year*	$ 10,916,533	$ 171,686	$ 115,467	$ 1,071,783	$ 12,275,469	$ 11,353,649

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

	MARCH 31, 2017	MARCH 31, 2016
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
General Fund	$ 814,364	$ 593,930
Capital Campaign Fund	1,407	2,710
Student Award Fund	4,889	(5,079)
Endowment Fund	101,160	108,996
	921,820	700,557
Add (deduct) items not affecting cash:		
Loss on disposal of capital assets	30,753	191
Amortization of capital assets	1,442,593	1,277,709
Amortization of deferred contributions related to capital assets	(943,580)	(987,479)
	1,451,586	990,978
Add (deduct) changes in non-cash working capital components related to operating activities:		
Accounts receivable	(407,363)	(415,037)
Inventory	(3,430)	(41,954)
Prepaid expenses	(453,123)	296,171
Accounts payable and accrued liabilities	(2,361,132)	2,643,853
Deferred revenue	500,744	(346,341)
Deferred contributions	(922,433)	1,212,859
Accrued vacation benefits	40,608	28,448
Accrued severance benefits	463,393	334,424
	(1,691,150)	4,703,401
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	2,000,522	780,559
Repayment of long term debt	(55,666)	(53,620)
	1,944,856	726,939
CAPITAL ACTIVITIES		
Purchase of capital assets	(2,031,275)	(1,621,067)
	(2,031,275)	(1,621,067)
INVESTING ACTIVITY		
Increases in short-term investments	(201,160)	(108,996)
	(201,160)	(108,996)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	(1,978,729)	3,700,277
CASH AND CASH EQUIVALENTS, *beginning of year*	13,322,789	9,622,512
CASH AND CASH EQUIVALENTS, *end of year*	$ 11,344,060	$ 13,322,789
Supplemental Cash Flow Information:		
Interest Received	$ 97,042	$ 92,640
Interest Paid	$ 43,939	$ 45,985

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.

Capital Campaign Fund

The Capital Campaign Fund consists of transactions related to donations received towards the development and capital needs of UCN.

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

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:

<u>Fair Value</u>

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.

<u>Amortized Cost</u>

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.

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.

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

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.

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.

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

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:

		2017	
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 11,344,060	$	$ 11,344,060
Short-term investments	1,071,783		1,071,783
Accounts receivable		4,045,928	4,045,928
Due from Province of Manitoba		1,546,089	1,546,089
Accounts payable and accrued liabilities		3,322,072	3,322,072
Accrued vacation benefits		3,103,297	3,103,297
Long term debt		1,141,389	1,141,389
	$ 12,415,843	$ 13,158,775	$ 25,574,618

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, 2017 and 2016.

4. SHORT-TERM INVESTMENTS

Short-term investments mature bewteen April 3, 2017 and November 29, 2017 and bear interest between .59% and .64%.

5. ACCOUNTS RECEIVABLE

	2017	2016
UCN Fund		
Students	$ 2,141,200	$ 2,446,546
Contract Training	947,787	593,005
Due from Advanced Learning Division	135,130	156,768
Due from Adult Learning & Literacy	206,550	121,500
Other	826,496	414,923
	4,257,163	3,732,742
Less: Allowance for doubtful accounts	(359,535)	(382,581)
	$ 3,897,628	$ 3,350,161
Inter-Universities Services Fund		
Students	$ 154,480	$ 196,585
Other	4,000	220
	158,480	196,805
Less: Allowance for doubtful accounts	(12,475)	(10,524)
	$ 146,005	$ 186,281
General Fund	$ 4,043,633	$ 3,536,442
Capital Campaign Fund	118	263
Student Award Fund	2,177	1,860
Endowment Fund		100,000
	$ 4,045,928	$ 3,638,565

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2017
UCN Fund			
Automotive equipment	$ 1,044,907	$ 995,668	$ 49,239
Computer equipment	2,250,925	1,570,483	680,442
Other equipment	4,991,227	2,892,866	2,098,361
Buildings/improvements	17,957,656	2,974,735	14,982,921
Construction in progress	1,141,909		1,141,909
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 28,546,852	$ 8,433,752	$ 20,113,100
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 84,131	$
Computer equipment	43,427	43,427	
Other equipment	70,984	36,235	34,749
	$ 198,542	$ 163,793	$ 34,749
TOTALS FOR 2017	$ 28,745,394	$ 8,597,545	$ 20,147,849

	Cost	Accumulated Amortization	Net Book Value 2016
UCN Fund			
Automotive equipment	$ 1,044,907	$ 930,125	$ 114,782
Computer equipment	1,932,616	1,384,808	547,808
Other equipment	4,661,238	2,436,444	2,224,794
Buildings/improvements	17,626,445	2,287,043	15,339,402
Construction in progress	159,098		159,098
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 26,584,532	$ 7,038,420	$ 19,546,112
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 81,164	$ 2,967
Computer equipment	43,427	43,427	
Other equipment	70,984	30,143	40,841
	$ 198,542	$ 154,734	$ 43,808
TOTALS FOR 2016	$ 26,783,074	$ 7,193,154	$ 19,589,920

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.

	2017	2016
Accrued vacation benefits	$ 752,589	$ 752,589
Accrued severance benefits	$ 793,500	$ 793,500

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
UCN Fund		
Accrued liabilities	$ 778,817	$ 722,060
Wages and benefits payable	532,865	852,900
Trade accounts payable	1,906,368	3,891,218
Due to Student Associations	25,275	26,553
	$ 3,243,325	$ 5,492,731
Inter-Universities Services Fund		
Trade Accounts Payable	76,646	189,972
General Fund	$ 3,319,971	$ 5,682,703
Student Award Fund	2,100	500
	$ 3,322,071	$ 5,683,203

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	$ 5,755,666	$ 1,620,055	$ 2,542,488	$ 4,833,233

10. LONG TERM DEBT

		2017		2016
Mortgage payable to the Province of Manitoba bearing interest at 3.75%, due March 31, 2032, repayable in monthly blended installments of $8,300.	$	1,141,389	$	1,197,055
Less: Current portion		(57,790)		(55,666)
	$	1,083,599	$	1,141,389

Principal repayments in each of the next five years are estimated as follows:

2018	$	57,790
2019		59,994
2020		62,283
2021		64,660
2022		67,126
	$	311,853

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 9,039,162	$ 2,031,275	$ 965,271	$ 10,105,166
Inter-Universities Services Fund	43,810		9,062	34,748
	$ 9,082,972	$ 2,031,275	$ 974,333	$ 10,139,914

12. ACCRUED SEVERANCE BENEFITS

	2017	2016
Severance Benefit Liability:		
UCN Fund		
Balance, beginning of period	$ 3,095,763	$ 2,976,092
Actuarial loss (gain)	146,026	(154,396)
Benefits accrued	281,617	226,154
Interest on accrued benefits	194,507	169,302
Severance paid	(58,129)	(121,389)
Balance, end of period	$ 3,659,784	$ 3,095,763
Net unamortized actuarial loss	(196,277)	(74,761)
Severance liability	$ 3,463,507	$ 3,021,002
Inter-Universities Services Fund		
Balance, beginning of period	$ 174,606	$ 166,793
Actuarial loss (gain)	7,686	(8,126)
Benefits accrued	8,100	6,419
Interest on accrued benefits	10,937	9,520
Balance, end of period	$ 201,329	$ 174,606
Net unamortized actuarial loss	(13,136)	(7,301)
Severance liability	$ 188,193	$ 167,305
	$ 3,651,700	$ 3,188,307

	2017	2016
Severance Benefit Expense:		
UCN Fund		
Interest on accrued benefits	$ 194,507	$ 169,302
Employer service cost	281,616	226,154
Amortization of net actuarial loss over EARSL	24,510	41,665
Total expense related to severance benefit	$ 500,633	$ 437,121
Inter-Universities Services Fund		
Interest on accrued benefits	$ 10,937	$ 9,520
Employer service cost	8,100	6,419
Amortization of net actuarial loss over EARSL	1,851	2,754
Total expense related to severance benefit	$ 20,888	$ 18,693
	$ 521,521	$ 455,814

12. ACCRUED SEVERANCE BENEFITS *(continued)*

An actuarial valuation of the severance obligations as at December 31, 2015 was conducted by Ellement Consulting Group. The key actuarial assumptions were updated as at March 31, 2016 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 6.0% (2016 - 6.0%), 1.15% inflation (2016 - 2.0%), salary rate increases of 3.75% (2015 - 3.75%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2017 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2017.

During the year UCN experienced an actuarial loss of $153,712 (2015 - actuarial gain of $162,522). The amortization on the actuarial net loss in 2017 is $26,361 (UCN $24,510; IUS $1,851) and in 2016 is $44,419 (UCN $41,665; IUS $2,754).

13. PENSION COSTS AND OBLIGATIONS

UCN's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Allowances 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, 2017 was $1,891,166 (2016 - $1,759,842). 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. As at December 31, 2015, the Civil Service Superannuation Fund had a deficit of $3.9 billion and the Teacher's Retirement Allowances Fund had a deficit of $3.5 billion.

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 four years are as follows:

2018	810,286
2019	134,667
2020	44,840
2021	2,015

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	$ 369,487	$ 54,769	$	$ 424,256
Total	$ 369,487	$ 54,769	$	$ 424,256
Inter-Universities Services Fund				
Innovations Fund	$ 1,544,970	$ 13,972	$	$ 1,558,942
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 1,694,970	$ 13,972	$	$ 1,708,942
	$ 2,064,457	$ 68,741	$	$ 2,133,198

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 $2,118,645 (2016 - $2,273,605) 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, 2017 $11,735.663 (2016 - $12,805,741), 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	
	2017	2016
Cash and cash equivalents	$ 11,344,060	$ 13,322,789
Short-term investments	1,071,783	870,623
Accounts receivable	4,045,928	3,638,565
Due from Province of Manitoba - vacation and severance benefits	1,546,089	1,546,089
Totals	$ 18,007,860	$ 19,378,066

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	$ 367,324	$ 285,467	$ 616,152	$ 1,195,485	$ 2,464,428
Government receivables	1,021,627	-		-	1,021,627
Other receivables	547,168	43,478	21,818	319,419	931,883
Gross receivables	1,936,119	328,945	637,970	1,514,904	4,417,938
Less: Allowance for doubtful accounts		(16,453)	(31,149)	(324,408)	(372,010)
Net receivables	$ 1,936,119	$ 312,492	$ 606,821	$ 1,190,496	$ 4,045,928

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;

	2017			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	$ 2,642,153	$ 509,832	$	$ 170,086
Accrued vacation benefits	1,963,459	540,728	453,265	106,669
Long term debt	28,624	29,166	323,751	759,848
	$ 4,634,236	$ 1,079,726	$ 777,016	$ 1,036,603

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.

17. RISK MANAGEMENT *(continued)*

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, 2017, 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	Endowment
	UCN Fund	IUS Fund	UCN Fund	IUS Fund	Fund	Fund
Fiscal Stabilization	$ (54,769)	$	$ 54,769	$	$	$
Innovations		(13,972)		13,972		
March 31, 2017	$ (54,769)	$ (13,972)	$ 54,769	$ 13,972	$	$
March 31, 2016	$ (21,501)	$ (1,465)	$ 21,501	$ 1,465	$	$

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 were funded using capital grants. Regional Centres located on First Nations land were managed, owned and operated by UCN during construction either directly or through contracts with the First Nation. Ownership and facility management may transfer to local First Nations governments in accordance with KIP terms and conditions after completion. 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. UCN has deferred the funding and capitalized the expenditures to Building/Improvements and the assets are amortized accordingly.

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, 2017.

22. LINE OF CREDIT

UCN has an approved borrowing limit of $2,000,000 at an interest rate of 2.4% and is secured by a guarantee from the Province of Manitoba with no fixed terms of repayment. At March 31, 2017 the balance was nil (March 2016 - 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, 2017	MARCH 31, 2016
ASSETS				
CURRENT				
Cash and cash equivalents	$ 8,305,718	$ 2,751,384	$ 11,057,102	$ 13,043,555
Accounts receivable *(Note 5)*	3,897,628	146,005	4,043,633	3,536,442
Due to/from other funds	827,329	(827,329)		
Due from Province of Manitoba *(Note 7)*	752,589		752,589	752,589
Inventory	248,591		248,591	245,161
Prepaid expenses	1,005,974	4,236	1,010,210	484,643
	15,037,829	2,074,296	17,112,125	18,062,390
LONG TERM				
Prepaid expenses	518,582		518,582	591,026
Capital assets *(Note 6)*	20,113,100	34,749	20,147,849	19,589,920
Due from Province of Manitoba *(Note 7)*	788,490	5,010	793,500	793,500
	21,420,172	39,759	21,459,931	20,974,446
	$ 36,458,001	$ 2,114,055	$ 38,572,056	$ 39,036,836
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities *(Note 8)*	$ 3,243,325	$ 76,646	$ 3,319,971	$ 5,682,703
Deferred revenue	986,613		986,613	413,425
Deferred contributions *(Note 9)*	4,833,233		4,833,233	5,755,666
Accrued vacations benefits	2,958,595	105,526	3,064,121	3,023,513
Current portion long term debt *(Note 10)*	57,790		57,790	55,666
	12,079,556	182,172	12,261,728	14,930,973
LONG TERM				
Deferred revenue	518,582		518,582	591,026
Deferred contributions related to capital assets *(Note 11)*	10,105,166	34,748	10,139,914	9,082,972
Accrued severance benefits *(Note 12)*	3,463,507	188,193	3,651,700	3,188,307
Long term debt *(Note 10)*	1,083,599		1,083,599	1,141,389
	15,170,854	222,941	15,393,795	14,003,694
FUND BALANCES				
NET ASSETS INVESTED IN CAPITAL ASSETS	8,893,028		8,893,028	9,336,375
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	424,256	1,708,942	2,133,198	2,064,457
UNRESTRICTED NET ASSETS	(109,693)		(109,693)	(1,298,663)
	9,207,591	1,708,942	10,916,533	10,102,169
	$ 36,458,001	$ 2,114,055	$ 38,572,056	$ 39,036,836

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2A

STATEMENT OF OPERATIONS - GENERAL

YEAR ENDED MARCH 31

	UCN FUND	IUS FUND	MARCH 31, 2017	MARCH 31, 2016
REVENUES				
Grants				
Advanced Learning Division	$ 35,307,985	$ 1,055,200	$ 36,363,185	$ 35,723,783
Other Province of Manitoba	698,190		698,190	605,136
Government of Canada	95,912		95,912	252,915
Amortization of deferred contributions related to capital assets	934,518	9,062	943,580	987,479
Ancillary sales and services	2,902,666		2,902,666	3,041,530
Donations				11,000
Investment income	89,100	3,590	92,690	84,591
Contract training	890,925		890,925	615,473
Tuition and student fees	3,458,891	507,360	3,966,251	4,224,202
Other revenue	1,234,844	8,205	1,243,049	1,480,536
	45,613,031	1,583,417	47,196,448	47,026,645
EXPENSES				
Advertising and public relations	530,014	6,864	536,878	658,371
Amortization of capital assets	1,433,534	9,059	1,442,593	1,277,709
Bad debts	333,888	11,744	345,632	134,851
Cost of goods sold	1,329,660		1,329,660	1,323,040
Facility costs	2,118,645		2,118,645	2,273,605
Furniture and minor equipment	1,007,776	29,176	1,036,952	1,170,526
Insurance	161,335	6,165	167,500	124,833
Interest on long term debt	43,939		43,939	45,985
Library acquisitions	261,337		261,337	255,666
Loss on dipsosal of capital assets	30,753		30,753	191
Maintenance and repairs	111,329	12,921	124,250	146,216
Operational supplies and services	4,345,329	96,816	4,442,145	5,311,967
Property taxes	520,610		520,610	615,848
Rentals and leases	450,596	14,292	464,888	505,755
Salaries and employee benefits	29,817,688	1,115,498	30,933,186	29,995,796
Telephone and communication	661,535	2,383	663,918	665,215
Travel	1,293,678	264,524	1,558,202	1,571,316
Utilities	360,996		360,996	355,825
	44,812,642	1,569,442	46,382,084	46,432,715
EXCESS REVENUES	$ 800,389	$ 13,975	$ 814,364	$ 593,930

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, 2017	MARCH 31, 2016
FUND SURPLUS, *beginning of year*	$ (1,298,663)	$	$ (1,298,663)	$ 369,487	$ 1,694,970	$ 2,064,457	$ 9,336,375	$ 10,102,169	$ 9,508,239
EXCESS REVENUES	800,389	13,975	814,364					814,364	593,930
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS									
Amortization of capital assets	1,433,534	9,059	1,442,593				(1,442,593)		
Amortization of deferred contributions related to capital assets	(934,518)	(9,062)	(943,580)				943,580		
Purchase of capital assets	(2,031,275)		(2,031,275)				2,031,275		
Deferred contributions related to capital assets	2,000,522		2,000,522				(2,000,522)		
Loss on disposal of capital assets	30,753		30,753				(30,753)		
Long term debt on capital assets	(55,666)		(55,666)				55,666		
INTER-FUND TRANSFERS *(Note 19)*	(54,769)	(13,972)	(68,741)	54,769	13,972	68,741			
FUND SURPLUS, *end of year*	$ (109,693)	$	$ (109,693)	$ 424,256	$ 1,708,942	$ 2,133,198	$ 8,893,028	$ 10,916,533	$ 10,102,169

University College of the North

Schedule 1

Schedule of Other Grant Revenue
(Unaudited)

	March 31, 2017	March 31, 2016
Province of Manitoba		
Adult Learning Centre - Manitoba Advanced Education and Literacy	$ **413,100**	$ 405,000
Children Youth and Opportunities		1,270
Education and Advanced Learning	**1,383**	273
Family Services	**78,100**	78,100
Finance	**85,062**	
Housing and Community Development		4,205
Jobs and The Economy	**550**	
Public Library Services	**79,395**	76,288
Sport Culture and Heritage	**600**	
Summer Enrichment - Manitoba Education	**40,000**	40,000
	$ **698,190**	$ 605,136

Schedule 2

Schedule of Ancillary Sales and Services
(Unaudited)

	March 31, 2017	March 31, 2016
Bookstore	$ **1,393,990**	$ 1,381,779
Cafeteria	**584,615**	674,427
Residence	**924,061**	985,324
	$ **2,902,666**	$ 3,041,530

Schedule 3

Schedule of Tuition and Student Fees
(Unaudited)

	March 31, 2017	March 31, 2016
Apprenticeship	$ **1,019,363**	$ 1,064,107
Core-funded programs	**2,391,600**	2,602,180
Continuing Education	**47,928**	33,444
	$ **3,458,891**	$ 3,699,731

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

STATEMENT OF UCN EXPENDITURES BY FUNCTION

(UNAUDITED)

	SALARIES AND BENEFITS	OTHER	TOTAL MARCH 31, 2017	TOTAL MARCH 31, 2016
Academic	$ 14,067,956	$ 2,215,710	**$ 16,283,666**	$ 16,451,752
Administration	5,333,302	4,101,050	**9,434,352**	8,481,639
Ancillary Sales and Services	1,306,923	1,935,023	**3,241,946**	3,252,666
Continuing Education	81,592	8,066	**89,658**	164,218
Library	910,190	602,107	**1,512,297**	1,634,320
Contract Training	1,089,748	228,058	**1,317,806**	879,127
Insurance Claims		41,337	**41,337**	197,314
Information Technology	1,133,111	1,074,407	**2,207,518**	2,083,867
Plant	1,030,916	3,610,596	**4,641,512**	5,178,079
Program Support	4,781,291	1,261,259	**6,042,550**	6,550,320
	$ 29,735,029	$ 15,077,613	**$ 44,812,642**	$ 44,873,302

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them 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 believes the financial statements present fairly the University's financial position as at March 31, 2017 and the results of its operations for the years ending March 31, 2017.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the financial statements. The Board has delegated certain responsibilities to its Audit and Risk Management Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit and Risk Management Committee with or without the presence of management. The Board has approved the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of financial statements. The integrity of internal controls is reviewed on an ongoing basis by the Audit and Risk Management Committee and Audit Services.

The financial statements for the year ended March 31, 2017 have been reported on by the Auditor General of Manitoba, the auditor appointed under *The University of Manitoba Act*. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the financial statements.

Original signed by

David T. Barnard, Ph.D.
President and Vice-Chancellor

Winnipeg, Manitoba
June 27, 2017

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, 2017, 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, 2017, 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 by
Norm Ricard

Norm Ricard, CPA, CA
Auditor General

June 27, 2017
Winnipeg, Manitoba

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

UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(in thousands of dollars)

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents *(Note 3)*	$ 319,579	$ 273,624
Accounts Receivable *(Note 4)*	68,599	76,379
Inventories	3,164	3,706
Prepaid Expenses	1,789	796
	393,131	**354,505**
Long Term Assets		
Loan Receivable *(Note 5)*	198,971	191,364
Investments *(Note 6)*	834,911	697,254
Capital Assets, Net of Accumulated Amortization *(Note 8)*	1,109,930	1,084,705
	2,143,812	1,973,323
	$ 2,536,943	**$ 2,327,828**
Liabilities		
Current Liabilities		
Accounts Payable	$ 53,819	$ 60,711
Unearned Revenue	18,030	11,259
Vacation and Sick Leave Liability	15,597	14,638
Current Portion of Long Term Debt *(Note 9)*	6,337	6,015
	93,783	**92,623**
Long Term Liabilities		
Long Term Debt *(Note 9)*	385,738	384,467
Other Long Term Liabilities *(Note 10)*	8,931	6,179
Employee Future Benefits *(Note 11)*	81,053	76,526
Pension Liability *(Note 14)*	24,343	20,572
	500,065	**487,744**
Fund Balances		
Unrestricted *(Note 20)*	(67,546)	(63,118)
Internally Restricted *(Note 23)*	207,899	166,001
Externally Restricted *(Note 24)*	289,821	247,267
Invested in Capital Assets *(Note 24)*	1,044,625	998,579
Endowed *(Note 24)*	468,296	398,732
	1,943,095	**1,747,461**
	$ 2,536,943	**$ 2,327,828**

Contractual Obligations and Contingencies *(Note 18)*

Original signed by

Jeff Lieberman – Chair

Original signed by

Rafi Mohammed – Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017
(in thousands of dollars)

	General Funds *(Note 2D)*	Restricted Funds *(Note 2E)*	Endowment Fund *(Note 2F)*	2017 Total Funds	2016 Total Funds
Revenue					
Tuition and Related Fees	$ 163,571	$	$	$ 163,571	$ 159,987
Donations	3,849	9,824	20,833	34,506	27,366
Non-Government Grants	4,845	79,139		83,984	83,657
Net Investment Income *(Note 15)*	4,765	52,174		56,939	58,037
Miscellaneous Income	8,809	7,700		16,509	17,392
Government Grants:					
Manitoba Education and Training	356,762	7,015		363,777	354,120
Other Province of Manitoba	24,601	34,861		59,462	73,788
Government of Canada	10,836	73,635		84,471	81,821
City of Winnipeg	51			51	51
Sales of Goods and Services	34,595	506		35,101	33,244
Ancillary Services	37,983			37,983	38,246
	650,667	**264,854**	**20,833**	**936,354**	**927,709**
Expense					
Salaries	350,262	39,366		389,628	397,098
Staff Benefits and Pay Levy	78,461	7,323		85,784	66,854
Materials, Supplies and Services	48,728	52,326		101,054	109,093
Amortization of Capital Assets		54,645		54,645	54,931
Student Assistance	15,437	42,074		57,511	55,619
Professional Consulting and Externally Contracted Services	19,220	25,884		45,104	42,325
Travel and Conferences	11,209	11,815		23,024	22,449
Utilities, Municipal Taxes and Insurance	19,174	33		19,207	19,466
Interest		19,074		19,074	19,062
Maintenance and Repairs	5,880	372		6,252	8,095
Loss on Disposal of Capital Assets		1,000		1,000	
	548,371	**253,912**		**802,283**	**794,992**
Net Revenue from Operating Activities	102,296	10,942	20,833	134,071	132,717
Inter-Fund Transfers *(Note 22)*	(70,765)	64,870	5,895		
Net Increase to Fund Balances from Operating Activities	31,531	75,812	26,728	134,071	132,717
Fund Balances from Operating Activities Beginning of Year	34,689	1,328,600	298,011	1,661,300	1,528,583
Fund Balances from Operating Activities End of Year	66,220	1,404,412	324,739	1,795,371	1,661,300
Accumulated Remeasurement Gains End of Year	3	4,164	143,557	147,724	86,161
Fund Balances End of Year	**$ 66,223**	**$ 1,408,576**	**$ 468,296**	**$ 1,943,095**	**$ 1,747,461**

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2017
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2017 Total Funds	2016 Total Funds
Accumulated Remeasurement Gains (Losses)					
Beginning of Year	**$ (139)**	**$ (14,421)**	**$ 100,721**	**$ 86,161**	**$ 132,992**
Unrealized Gains (Losses) Attributed to:					
Derivatives		1,239		1,239	108
Foreign Exchange	4	68		72	(341)
Portfolio Investments		20,017	32,104	52,121	(23,972)
Designated Fair Value Investments		25,639	10,732	36,371	9,283
Amounts Reclassified to the Statement of Operations and Changes in Fund Balances:					
Foreign Exchange	138	204		342	(2,128)
Portfolio Investments		(25,173)		(25,173)	(21,055)
Designated Fair Value Investments		(3,409)		(3,409)	(8,726)
Net Remeasurement Gains (Losses) for the Year	142	18,585	42,836	61,563	(46,831)
Accumulated Remeasurement Gains					
End of Year	**$ 3**	**$ 4,164**	**$ 143,557**	**$ 147,724**	**$ 86,161**

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2017 Total Funds	2016 Total Funds
Operating Activities					
Net Revenue from Operating Activities	$ 102,296	$ 10,942	$ 20,833	$ 134,071	$ 132,717
Amortization of Capital Assets		54,645		54,645	54,931
	102,296	65,587	20,833	188,716	187,648
Net Change in Non-Cash Working Capital Items	(9,756)	17,923		8,167	(16,195)
Net Change in Other Long Term Liabilities	3,990	(1,238)		2,752	(454)
Net Change in Pension Obligation	3,771			3,771	(10,515)
Net Change in Employee Future Benefits	(56)	4,583		4,527	7
Loss on Disposal of Capital Assets		1,000		1,000	
Net Cash generated through Operating Activities	100,245	87,855	20,833	208,933	160,491
Investing Activities					
Principal Repayment on Loan Receivable		1,338		1,338	3,977
Net Decrease (Increase) in Long Term Investments	(37,858)	(11,508)	(26,728)	(76,094)	(1,770)
Net Cash generated through (used in) Investing Activities	(37,858)	(10,170)	(26,728)	(74,756)	2,207
Capital Activities					
Purchase of Capital Assets		(80,870)		(80,870)	(76,779)
Net Cash used in Capital Activities		(80,870)		(80,870)	(76,779)
Financing Activities					
Principal Repayment on Capital Lease Obligations					(6)
Principal Repayment on Long Term Debt		(7,352)		(7,352)	(9,690)
Net Cash generated through (used in) Financing Activities		(7,352)		(7,352)	(9,696)
Net Increase (Decrease) in Cash	62,387	(10,537)	(5,895)	45,955	76,223
Inter-Fund Transfers	(70,765)	64,870	5,895		
Cash and Cash Equivalents Beginning of Year	81,061	192,563		273,624	197,401
Cash and Cash Equivalents End of Year	**$ 72,683**	**$ 246,896**	**$**	**$ 319,579**	**$ 273,624**
Supplementary cash flow information:					
Interest Received *(Note 17)*	$ 4,765	$ 2,893	$	$ 7,658	$ 7,712
Interest Paid *(Note 17)*	$	$ 10,130	$	$ 10,130	$ 10,443

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017
(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 UM Properties GP Inc. (Note 16), UM Properties Holding Inc. (Note 16) and Partners for Health and Development in Africa (PHDA) (Note 17), but does not consolidate the accounts for the purposes of these financial statements.

The University has an 8.33% (2016, 8.33%) interest in TRIUMF (Note 16), 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.

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: General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues Funds. 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, 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 and in Note 22.

Expenses Funded From Future Revenues Fund:

The Expenses Funded from Future Revenues Fund 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 Manitoba Education and Training (MET), 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 MET 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, which includes 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 related governing contracts and agreements.

Staff Benefits Fund:

The Staff Benefits Fund is divided into Fund Accounts for the Pension Reserve, and for each of the Self-Insured Plans, which are the Long Term Disability Income Plan and the Dental Plan.

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 in the appropriate Fund depending on the restrictions imposed. Unrestricted investment income 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 fundraising 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments that are used to meet short term operating needs. They are readily convertible to cash and mature within one year from acquisition. Any cash or other investments maturing within one year that are held by portfolio managers are classified as long term investments and are recorded at fair value or designated to fair value. Portfolio managers maintain a cash balance within investment portfolios as part of their overall long term mandate, as well as to facilitate trades and the rebalancing of funds.

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 calculated on a straight-line basis over an assets' estimated useful life 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 include works of art, rare books and manuscripts, museum specimens and other archival material. The associated library, faculty or school 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 initially record them at fair value and to fund maintenance expenses from the General Operating 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 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 14.

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.

Cash and cash equivalents are recognized at cost. Accounts receivable, loan receivable, fixed income investments and preferred shares 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.

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.

Financial instruments recognized at fair value include Canadian equities, US equities and derivatives. Bonds and other fixed income securities and pooled funds have been designated to fair value other than corporate bonds and preferred shares which are recognized at cost, and the investment in TRIUMF which is recognized at modified equity. Pooled funds are valued by the fund managers.

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.

Transaction costs are expensed for financial instruments measured at fair value.

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.

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.

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, 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. CASH AND CASH EQUIVALENTS

	2017	2016
Cash	$ 72,789	$ 48,777
Guaranteed Investment Certificates	246,790	224,847
	$ 319,579	**$ 273,624**

4. ACCOUNTS RECEIVABLE

	2017	2016
Business, Industry and Foundations	$ 31,522	$ 30,739
Provincial Government	13,784	25,315
Federal Government	8,845	9,539
Students	4,705	3,211
Investment Income and Interest	4,525	4,541
External Sales and Cost Recoveries	3,606	983
Advances	1,560	1,997
Miscellaneous	52	54
	$ 68,599	**$ 76,379**

5. LOAN RECEIVABLE

The University has a loan agreement with Triple B Stadium Inc. (Triple B) related to the construction of Investors Group Field 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 and 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*; and
- 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 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:

	2017	2016
First Phase interest and principal outstanding	$ 116,971	$ 108,364
Second Phase principal outstanding	82,000	83,000
	$ 198,971	**$ 191,364**

The First and Second Phase loans have an equal long term debt loan payable to the Province of Manitoba (Note 9).

6. INVESTMENTS

	2017				2016			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments Held at Fair Value:								
Cash and Money Market Funds	$ 5,937	$	$	$ 5,937	$ 7,987	$	$	$ 7,987
Canadian Equities	196,118			196,118	186,564			186,564
US Equities	202,568			202,568	160,494			160,494
	404,623			404,623	355,045			355,045
Investments Designated to Fair Value:								
Cash and Money Market Funds		2,677		2,677		4,175		4,175
Bonds and Other Fixed Income Securities		57,502		57,502		57,046		57,046
Pooled Bond Fund		12,727		12,727		11,464		11,464
Pooled Canadian Equities		18,703		18,703		15,808		15,808
Pooled US Equities		6,434		6,434		5,684		5,684
Pooled International Equities		117,034		117,034		92,590		92,590
Pooled Real Estate Fund		113,248		113,248		92,562		92,562
Pooled Mortgage Fund		7,548		7,548		6,764		6,764
		335,873		335,873		286,093		286,093

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Investments Held at Amortized Cost:								
Corporate Bond				55,505				18,505
Preferred Shares				36,936				35,936
				92,441				54,441
Investments Held at Modified Equity:								
TRIUMF				1,974				1,675
	$ 404,623	**$335,873**	**$**	**$ 834,911**	**$ 355,045**	**$286,093**	**$**	**$697,254**

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 at amortized cost is $91,585 (2016, $47,731). As at March 31, 2017 and March 31, 2016 there were no transfers of investments between levels 1, 2 or 3.

7. 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 of 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 an investment policy statement 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 a 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. The majority of investments which are held for the long-term to support the Endowment Fund are primarily equities, bonds, segregated funds 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 Fund'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 returns that meet the investment 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 financial instruments categorized by maturity dates.

INTEREST RATE EXPOSURE AS AT MARCH 31, 2017

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Cash Equivalents and Investments	32.7%	34.2%	7.4%	24.0%	1.7%	100%
Financial Derivatives			30.7%	69.3%		100%

INTEREST RATE EXPOSURE AS AT MARCH 31, 2016

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Cash Equivalents and Investments	30.3%	41.2%	10.4%	15.7%	2.4%	100%
Financial Derivatives			30.4%	69.6%		100%

	March 31, 2017		March 31, 2016	
	Interest bearing instruments	Non-interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Cash Equivalents and Investments	$ 382,650	$ 699,051	$ 321,876	$ 600,225
Financial Derivatives	$ 4,941	$	$ 6,179	$

As at March 31, 2017, a 0.5% fluctuation in interest rates, with all other variables held constant, would have an estimated impact as follows:

	2017	2016
Fair Value of Fixed Income Instruments:	$ 3,439	$ 2,736
Interest Rate Swaps:	$ 1,000	$ 1,175
Net Investment Income:	$ 2,105	$ 1,779

FOREIGN CURRENCY RISK

The University has cash and cash equivalents, 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 is shown below:

	2017		2016	
	$	%	$	%
Canadian Dollar	$ 807,998	70.0	$ 710,933	73.2
US Dollar	235,008	20.4	171,799	17.7
Euro	34,351	3.0	28,075	2.9
Japanese Yen	27,834	2.4	21,106	2.2
British Pound Sterling	21,792	1.9	18,190	1.9
Swiss Franc	12,498	1.1	9,990	1.0
Other	15,009	1.2	10,785	1.1
Total	**$ 1,154,490**	**100.0**	**$ 970,878**	**100.0**

As at March 31, 2017, an appreciation of 10% in the Canadian dollar versus foreign currencies exchange rates would increase investments and net remeasurement gains by approximately $34,649 (2016, $25,230), while a depreciation of 10% would decrease investments and net remeasurement gains by approximately $34,649 (2016, $25,230).

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, 2017		March 31, 2016	
R-1High	$ 161,090	42.1%	$ 156,838	48.7%
R-1Mid	32,793	8.6%	29,559	9.2%
R-1Low	498	0.1%	1,698	0.5%
AAA	25,589	6.7%	27,022	8.4%
AA	74,607	19.5%	41,156	12.8%
A	26,706	7.0%	21,964	6.8%
BBB	6,170	1.6%	3,322	1.0%
BB			133	
Not Rated	55,197	14.4%	40,184	12.6%
Total	**$ 382,650**	**100.0%**	**$ 321,876**	**100.0%**

The University manages credit risk related to fixed income investments by focusing on high credit quality. Cash and cash equivalents are held in Canadian Chartered banks and Manitoba credit unions. Trust, Endowment and Capital Asset 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 pooled real estate 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.

8. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 2,557	$ 2,557	$ 2,855	$ 2,855
Buildings and Major Renovations	1,162,234	310,252	1,137,691	285,825
Computer Hardware, Software and Electronics	100,178	93,007	101,100	92,689
Construction in Progress	78,497		50,585	
Furniture and Equipment	283,054	214,017	273,397	201,465
Land	29,739		30,705	
Library Books	221,512	165,698	211,932	157,951
Parking Lots	9,983	4,948	9,935	4,451
Rare Books and Manuscripts	7,312		6,677	
Vehicles	8,870	7,513	8,617	7,420
Works of Art	3,986		3,867	
	1,907,922	797,992	1,837,361	752,656
Less Accumulated Amortization	797,992		752,656	
Net Book Value	**$ 1,109,930**		**$ 1,084,705**	

9. LONG TERM DEBT

	2017	2016
Stadium Long Term Debt:		
Province of Manitoba Loan, First Phase, 4.65% due June 1, 2038	$ 116,971	$ 108,364
Province of Manitoba Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	82,000	83,000
	198,971	191,364
Other Long Term Debt:		
Province of Manitoba:		
Promissory Note, 5.23% blended monthly payments $413 due March 1, 2035	57,752	59,636
Promissory Note, 5.55% blended monthly payments $428 due April 1, 2036	60,401	62,134
Promissory Note, 3.75% blended monthly payments $129 due September 30, 2039	23,417	24,068
Promissory Note, 5.35% blended monthly payments $173 due February 1, 2040	27,403	27,997
Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):		
Multi Tenant Facility, due February 28, 2019	7,442	7,679
Multi Tenant Facility, due November 30, 2022	5,780	6,056
Arthur V. Mauro Student Residence, due October 1, 2023	10,909	11,548
	193,104	199,118
	392,075	390,482
Less Current Portion:		
Province of Manitoba	(5,120)	(4,863)
Term Loans	(1,217)	(1,152)
	(6,337)	(6,015)
	$ 385,738	**$ 384,467**

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 $19,074 (2016, $19,062).

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 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:

	2017	2016
Loan, First Phase	$ 75,000	$ 75,000
Loan, First Phase Accrued Interest	22,265	17,516
Loan, Second Phase Accrued Interest	19,706	15,848
	116,971	108,364
Loan, Second Phase	82,000	83,000
	$ 198,971	**$ 191,364**

Principal repayments on long term debt payable over the next five years are as follows:

	Province of Manitoba	Term Loans	Total
2018	$ 5,120	$ 1,217	$ 6,337
2019	5,391	1,282	6,673
2020	5,676	1,355	7,031
2021	5,976	1,429	7,405
2022	6,293	1,507	7,800
Thereafter	339,488	17,341	356,829
	$ 367,944	**$ 24,131**	**$ 392,075**

10. OTHER LONG TERM LIABILITIES

	2017	2016
Fair Value of Financial Derivatives:		
Student Residence	$ 2,516	$ 3,136
Multi Tenant Facility 150 Innovation Drive	908	1,167
Multi Tenant Facility 900 One Research Road	1,517	1,876
	4,941	**6,179**
Retirement Allowance	3,990	
	$ 8,931	**$ 6,179**
Fair Value of Financial Derivatives Beginning of Year	$ 6,179	$ 6,287
Unrealized (Gain) Loss Reported in the Statement of Remeasurement Gains and Losses	(1,238)	(108)
Fair Value of Financial Derivatives End of Year	**$ 4,941**	**$ 6,179**

Financial Derivatives are classified as Level 3.

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 construction of 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 $10,909 as at March 31, 2017 (2016, $11,548).
- 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, 2017 was $5,780 (2016, $6,056).
- 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 $7,442 as at March 31, 2017 (2016, $7,679).

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.

RETIREMENT ALLOWANCE

During the year, the University entered into a letter of understanding with the University of Manitoba Faculty Association (UMFA) to provide a retirement allowance to eligible UMFA members in exchange for their voluntarily and irrevocable agreement to retire. The allowance is dependent upon the UMFA member's age and the number of advance years of notice given to the University prior to retirement. To be eligible, the member must be at least fifty-five years of age and have at least fifteen years of service at the University on a date that they have chosen as their retirement date. UMFA members have up to three years to enroll in the program and must retire within three years of their enrolment. The University's policy is to record the estimated liability once members enroll. As at March 31, 2017, the estimated liability is $4,849 with $859 being a current liability included in accounts payable and $3,990 representing a long term liability.

11. EMPLOYEE FUTURE BENEFITS

The University 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, 2017. They also prepared extrapolations to March 31, 2017 of the 2015 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
	2017	2016	2017	2016	2017	2016
Accrued Benefit Obligations	$ 72,988	$ 68,975	$ 2,068	$ 2,325	$ 75,056	$ 71,300
Unamortized Actuarial Gains	5,863	5,130	134	96	5,997	5,226
Employee Future Benefits Liability	**$ 78,851**	**$ 74,105**	**$ 2,202**	**$ 2,421**	**$ 81,053**	**$ 76,526**
Benefit Cost	$ 4,486	$ 4,662	$ 67	$ 65	$ 4,553	$ 4,727
Plan Assets	54,441	48,739	763	863	55,204	49,602
Employer Contribution	5,441	5,623	186	210	5,627	5,833
Employees' Contributions	3,428	3,616			3,428	3,616
Benefits Paid	8,093	7,549	372	420	8,465	7,969

Plan assets consist of:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2017	2016	2017	2016
Money Market Funds and Cash	4.4%	6.7%	4.4%	6.7%
Equities	52.4%	50.2%	52.4%	50.2%
Fixed Income	21.1%	21.2%	21.1%	21.2%
Pooled Real Estate	9.6%	9.6%	9.6%	9.6%
Mortgage Fund	12.5%	12.3%	12.5%	12.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2017	2016	2017	2016
Accrued Benefit Obligation at March 31:				
Discount Rate	5.5%	5.6%	5.5%	5.6%
Benefit Cost for Year Ended March 31:				
Discount Rate	5.6%	6.0%	5.6%	6.0%
Expected Rate of Return on Assets	5.6%	6.0%	5.6%	6.0%
Health Care Cost Trend Rates at March 31:				
Initial Rate	7.5%	7.5%		
Ultimate Rate	5.0%	5.0%		
Year Ultimate Rate Reached	2027	2027		
Dental Care Cost Trend Rates at March 31:	5.0% to 2018, 4.5% thereafter	5.0% to 2018, 4.5% thereafter		

12. INTER-FUND ADVANCES AND LOANS

As at March 31, 2017, the General Funds owed the Restricted Funds $3,703 (2016, $18,887).

13. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $979 (2016, $925).

14. 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, 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 the year. 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, 2013 valuation of the Plan, there were 5,192 active member accounts with an average salary weighted age of 51.8 for academic staff and 47 for support staff, and 1,241 annuitants 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, 2016.

The University uses a December 31 measurement date for reporting plan assets and obligations. Pension liability is calculated as follows:

	2016	2015
Accrued Benefit Obligations		
Actuarial present value of accrued pension benefits, beginning of year	$ 1,173,668	$ 1,110,225
Interest accrued on defined benefits	24,924	23,006
Interest accrued on member accounts	61,725	28,988
Benefits accrued	57,093	54,393
Benefits paid	(102,617)	(99,343)
Actuarial gains (losses)	(8,839)	3,650
Change in actuarial assumptions	(6,067)	52,749
Actuarial present value of accrued pension benefits, end of year	1,199,887	1,173,668
Plan Assets		
Fair value, beginning of year	1,099,448	1,091,432
Actual return on plan assets	99,919	47,200
Employer contributions calendar year	34,092	34,280
Employee contributions	25,462	25,595
Transfer from other plans	198	284
Benefits paid	(102,617)	(99,343)
Fair value, end of year	1,156,502	1,099,448
Plan deficit	43,385	74,220
Contributions during fiscal year in excess of calendar year	(8,994)	(8,380)
Adjusted plan deficit	34,391	65,840
Unamortized net actuarial gains (losses)	(10,048)	(45,268)
Pension Liability	**$ 24,343**	**$ 20,572**
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 31,433	$ 28,514
Interest costs at discount rate	62,383	62,794
Expected return on plan assets	(60,369)	(64,310)
Amortization of net actuarial gains (losses)	5,030	(2,180)
Net benefit plan expense	$ 38,477	$ 24,818
Reconciliation of Unamortized Gains (Losses)		
Expected average remaining service life	9.00	9.00
Net unamortized gain (loss), beginning of year	$ (45,268)	$ 19,621
New net gain (loss) for current year	30,190	(62,709)
Amortization for current year	5,030	(2,180)
Net unamortized (loss), end of year	$ (10,048)	$ (45,268)
Plan Assets Measured at Fair Value Consist of:		
Cash and Other	$ 20,867	$ 29,262
Bonds and Debentures	143,834	248,350
Canadian Equities	255,768	300,379
Mortgages	163,076	134,234
Real Estate	99,061	68,205
Foreign Equities	473,896	319,018
	$ 1,156,502	**$ 1,099,448**

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Significant Long-term Actuarial Assumptions		
Discount rate	5.50%	5.60%
Expected rate of return on assets	5.50%	5.60%
Rate of general salary increase	1.5% to 2022, 2.5% thereafter	2.0% to 2018, 3% thereafter
Interest assumption for converting member accumulations to annuities	3.75%	3.75%
Mortality	Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B.	Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B.

Pension Plan Assets are valued at market values. The expected rate of return on plan assets net of expenses is 5.5% (2015, 5.6%). The actual return on pension fund assets was 9.3% (2015, 4.4%).

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 2017 was $3.5 million (2016, $3.6 million).

The unamortized net actuarial gains (losses) shown above, which were determined on the basis of the 2013 actuarial valuation and the 2016 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 T*he Pension Benefits Act* over the maximum of fifteen 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 2017 was $5.1 million (2016, $5.1 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 Pension Benefits Act* and the funding deficit payments are being paid by the University over the maximum of fifteen years as indicated above.

1986 PLAN

For the 1986 Plan, which is a money purchase plan for active members, the University recorded contributions of $1,976 (2016, $2,114) 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 2017 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

15. NET INVESTMENT INCOME

	General Funds	Restricted Funds	Total 2017	Total 2016
Non Portfolio Interest Income	$ 2,984	$ 10,199	$ 13,183	$ 12,240
Portfolio Investments:				
Interest	1,781	1,639	3,420	4,091
Dividends		11,754	11,754	11,925
Net Gains on Sale of Investments		28,582	28,582	29,781
	1,781	41,975	43,756	45,797
Total	**$ 4,765**	**$ 52,174**	**$ 56,939**	**$ 58,037**

16. INTEREST IN RELATED ENTITIES

UM PROPERTIES LIMITED PARTNERSHIP

In 2008, the University purchased approximately 120 acres of land from the Southwood Golf and Country Club (Southwood lands). The University is pursuing the development of the Southwood lands through UM Properties Limited Partnership (the Partnership) which was created in 2016-17.

The Partnership is responsible for the planning and development of the infrastructure and roadways of the Southwood lands and will negotiate with builders/developers for the construction of residential and commercial buildings located on the Southwood lands. It is the intent of the University to transfer an interest in the lands to the Partnership by selling its fee simple interest, or by entering into a long term lease.

The Partnership has a sole general partner and sole limited partner. UM Properties GP Inc. is the general partner and a wholly owned subsidiary of the University. UM Properties Trust (the Trust) is a legal trust and is the limited partner.

UM Properties Holdings Inc. (the corporate trustee) is a wholly owned subsidiary of the University, and is the sole trustee of the Trust. Income will flow from the Partnership to the Trust. The corporate trustee is responsible to allocate the taxable income of the Trust in any given year. The University and the J.W. Dafoe Foundation are the beneficiaries of the Trust.

The Trust is taxable on any taxable income that is not allocated to the beneficiaries.

There was no financial activity in 2016-17.

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 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 from time to time. The gifts received in fiscal 2017 were $1,406.

TRIUMF

The University has an 8.33% (2016, 8.33%) 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:

	March 31, 2016	U of M's Proportionate Share	March 31, 2015	U of M's Proportionate Share
Statement of Financial Position:				
Assets	$ 32,020	$ 2,667	$ 26,369	$ 2,197
Liabilities	8,322	693	6,257	522
Net Assets	**$ 23,698**	**$ 1,974**	**$ 20,112**	**$ 1,675**
Statement of Operations:				
Revenue	$ 71,873	$ 5,987	$ 69,133	$ 5,758
Expenses	68,286	5,688	66,654	5,552
Surplus for the Year	**$ 3,587**	**$ 299**	**$ 2,479**	**$ 206**
Statement of Cash Flows:				
Cash Provided by (Used in):				
Operating Activities	$ 5,364	$ 447	$ 3,780	$ 315
Investing Activities	(7,171)	(597)	2,783	232
Increase (Decrease) in Cash	**$ (1,807)**	**$ (150)**	**$ 6,563**	**$ 547**

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, 2017 are not available.

TRIUMF follows the restricted fund method of accounting for contributions.

17. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in Triple B Stadium Inc. (Triple B). Triple B is a for-profit corporation established to develop, own and operate a stadium as a venue for professional and university football and community athletics. The 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, 2017 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:

	2017	2016
Loans Receivable, including accrued interest	$ 198,971	$ 191,364
Loan Payable, including accrued interest	$ 198,971	$ 191,364
Revenue and Expenses:		
Investment Income	$ 8,945	$ 8,661
Interest Expense	$ 8,945	$ 8,619

The investment income from Triple B and related interest expense of $8,945 (2016, $8,619) has been included in the Statement of Operations and Changes in Fund Balances. However, these amounts have not been included in Statement of Cash Flow supplementary information as the interest was neither received nor paid during the year. Any related payments received for the loan receivable and payments made on the related debt were applied against the outstanding principal.

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. PHDA uses a modified cash basis of accounting.

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. Available financial information in respect of PHDA is disclosed below. The financial statements for the year ended March 31, 2017 are not available. PHDA operates in Kenyan Schillings and the amounts below have been converted to Canadian dollars.

	March 31, 2016	March 31, 2015
Statement of Financial Position:		
Assets	$ 800	$ 452
Liabilities	354	338
Net Assets	**$ 446**	**$ 114**
Statement of Operations:		
Revenue	$ 6,026	$ 4,447
Expenses	5,687	4,334
Surplus for the Year	**$ 339**	**$ 113**
Cash Provided by (Used in):		
Operating Activities	$ 353	$ 251
Investing Activities	(60)	(67)
Increase in Cash	**$ 293**	**$ 184**

Total transfers in 2016 to PHDA were $5,633 (2015, $1,476).

18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University 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 amounted to $39,950 (2016, $30,197). The contractual obligations relating to service contracts was $27,912 (2016, $24,899).

The University of Manitoba Faculty Association (UMFA) has filed an application for remedy for unfair labour practice against the University. UMFA has brought forward these allegations with The Manitoba Labour Board and has alleged that the University failed to bargain collectively in good faith under *The Labour Relations Act*. UMFA is seeking both financial and non financial remedies. The financial remedies include the following:

- Payment of lost wages and benefits for the entire period of the strike;
- Compensate UMFA for all costs associated with the strike;
- Restoration of the monetary proposal that existed on September 13, 2016;
- $2 payment to UMFA; and
- $2 payment to each UMFA member.

The University is actively defending these allegations and is participating in hearings with The Manitoba Labour Board. Initial hearings were held in May 2017 and are expected to be completed by October 2017, at which time The Manitoba Labour Board will convene to render a judgement which is expected some time in 2018.

The possible loss to the University depends on what financial restitution the University is ordered to pay and ranges from nil to $9,400 based on the requests of the application.

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 $44,200 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, 2016 is estimated at $2,800 (2015, $2,800). The March 31, 2017 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.

19. EXPENSE BY FUNCTION

	General Funds	Restricted Funds	2017 Total Funds	2016 Total Funds
Expense				
Academic	$ 330,127	$ 125,565	$ 455,692	$ 469,117
Amortization		54,645	54,645	54,931
Student Assistance	15,437	42,074	57,511	55,619
Plant Maintenance	43,315	20	43,335	46,039
Administration and General	33,047	8,219	41,266	41,593
Ancillary Services	25,699		25,699	27,725
Computing and Communications	24,044		24,044	26,803
Other Academic and Research Support	22,603	3,315	25,918	20,834
Student Services	19,397		19,397	20,328
Interest		19,074	19,074	19,062
Libraries	16,991		16,991	18,462
External Relations	11,174		11,174	12,169
Actuarially Determined Employee Future Benefits	4,527		4,527	7
Change in Pension Liability	3,771		3,771	(10,515)
Staff Benefits Contra	(1,761)		(1,761)	(7,182)
Loss on Disposal of Capital Assets		1,000	1,000	
Total	**$ 548,371**	**$ 253,912**	**$ 802,283**	**$ 794,992**

20. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – GENERAL FUNDS

	General Operating Fund	Specific Provisions Fund	Expenses Funded From Future Revenues Fund	2017 Total General Funds	2016 Total General Funds
Revenue					
Tuition and Related Fees	$ 163,571	$	$	$ 163,571	$ 159,987
Donations	3,849			3,849	1,734
Non-Government Grants	4,845			4,845	5,344
Net Investment Income *(Note 15)*	4,765			4,765	4,348
Miscellaneous Income	8,809			8,809	9,390
Government Grants:					
Manitoba Education and Training	356,762			356,762	347,105
Other Province of Manitoba	24,601			24,601	22,493
Government of Canada	10,836			10,836	10,850
City of Winnipeg	51			51	51
Sales of Goods and Services	34,595			34,595	32,233
Ancillary Services	37,983			37,983	38,246
	650,667			**650,667**	**631,781**
Expenses					
Salaries	350,262			350,262	356,627
Staff Benefits and Pay Levy	78,461			78,461	59,766
Materials, Supplies and Services	48,728			48,728	51,352
Student Assistance	15,437			15,437	14,000
Professional Consulting and Externally Contracted Services	19,220			19,220	16,010
Travel and Conferences	11,209			11,209	11,314
Utilities, Municipal Taxes and Insurance	19,174			19,174	19,442
Maintenance and Repairs	5,880			5,880	7,652
	548,371			548,371	536,163
Net Revenue from Operating Activities	102,296			102,296	95,618
Inter-Fund Transfers *(Note 22)*	(102,278)	36,101	(4,588)	(70,765)	(86,501)
Net Increase (Decrease) to Fund Balances from Operating Activities	18	36,101	(4,588)	31,531	9,117
Fund Balances from Operating Activities Beginning of Year	2,366	97,668	(65,345)	34,689	25,572
Fund Balances from Operating Activities End of Year	2,384	133,769	(69,933)	66,220	34,689
Accumulated Remeasurements Gains (Losses) End of Year	3			3	(139)
Fund Balances End of Year	**$ 2,387**	**$ 133,769**	**$ (69,933)**	**$ 66,223**	**$ 34,550**
Unrestricted Funds	$ 2,387	$	$ (69,933)	$ (67,546)	$ (63,118)
Internally Restricted Funds *(Note 23)*		133,769		133,769	97,668
	$ 2,387	**$ 133,769**	**$ (69,933)**	**$ 66,223**	**$ 34,550**

21. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – RESTRICTED FUNDS

	Capital Asset Fund	Research and Special Fund	Staff Benefits Fund	Trust Fund	2017 Total Restricted Funds	2016 Total Restricted Funds
Revenue						
Donations	$ 4,788	$ 595	$	$ 4,441	$ 9,824	$ 11,625
Non-Government Grants		79,139			79,139	78,313
Net Investment Income *(Note 15)*	9,646	341	579	41,608	52,174	53,689
Miscellaneous Income	2,693	1,547	3,460		7,700	8,002
Government Grants:						
Manitoba Education and Training	7,015				7,015	7,015
Other Province of Manitoba	2,714	32,147			34,861	51,295
Government of Canada	9,366	64,269			73,635	70,971
Sales of Goods and Services	20	486			506	1,011
	36,242	**178,524**	**4,039**	**46,049**	**264,854**	**281,921**
Expenses						
Salaries		39,366			39,366	40,471
Staff Benefits and Pay Levy		7,323			7,323	7,088
Materials, Supplies and Services		47,706	4,248	372	52,326	57,741
Amortization of Capital Assets	54,645				54,645	54,931
Student Assistance		22,994		19,080	42,074	41,619
Professional Consulting and Externally Contracted Services		22,370	133	3,381	25,884	26,315
Travel and Conferences		11,815			11,815	11,135
Utilities, Municipal Taxes and Insurance		33			33	24
Interest	19,074				19,074	19,062
Maintenance and Repairs		372			372	443
Loss on Disposal of Capital Assets	1,000				1,000	
	74,719	**151,979**	**4,381**	**22,833**	**253,912**	**258,829**
Net Revenue (Loss) from Operating Activities	(38,477)	26,545	(342)	23,216	10,942	23,092
Inter-Fund Transfers *(Note 22)*	83,284	(7,809)	(2,880)	(7,725)	64,870	84,197
Net Increase (Decrease) to Fund Balances from Operating Activities	44,807	18,736	(3,222)	15,491	75,812	107,289
Fund Balances from Operating Activities Beginning of Year	999,248	123,386	3,211	202,755	1,328,600	1,221,311
Fund Balances from Operating Activities End of Year	1,044,055	142,122	(11)	218,246	1,404,412	1,328,600
Accumulated Remeasurements Gains (Losses) End of Year	570	70	8,777	(5,253)	4,164	(14,421)
Fund Balances End of Year	**$ 1,044,625**	**$142,192**	**$ 8,766**	**$212,993**	**$1,408,576**	**$1,314,179**
Internally Restricted Funds *(Note 23)*	$	$ 7,296	$ 2,729	$ 64,105	$ 74,130	$ 68,333
Externally Restricted Funds *(Note 24)*		134,896	6,037	148,888	289,821	247,267
Invested in Capital Assets*(Note 24)*	1,044,625				1,044,625	998,579
	$ 1,044,625	**$142,192**	**$ 8,766**	**$212,993**	**$1,408,576**	**$1,314,179**

22. INTER-FUND TRANSFERS

Inter-Fund Transfers for the years ended March 31 are as follows:

	General Operating Fund	Specific Provisions Fund	Expenses Funded From Future Revenues Fund	Total General Funds	Total Restricted Funds	Endowment Fund
Funding of Capital Asset Additions:						
Current Year Acquisitions	$ (21,161)	$	$	$ (21,161)	$ 21,161	$
Other Funded Projects	(30,316)			(30,316)	30,316	
Faculty and Unit Funded Projects	(13,778)	1,072		(12,706)	12,706	
Total Funding of Capital Asset Additions	**(65,255)**	**1,072**		**(64,183)**	**64,183**	
Debt Funding:						
Ancillary Services	(4,964)			(4,964)	4,964	
Faculties	(1,542)			(1,542)	1,542	
Unit Capital Development Assessment	(5,274)			(5,274)	5,274	
Student Contributions for Technology	(2,784)			(2,784)	2,784	
Other	(632)			(632)	632	
Total Debt Funding	**(15,196)**			**(15,196)**	**15,196**	
Scholarships, Bursaries and Prizes:						
Faculty and Unit Funded	(1,878)			(1,878)	1,874	4
Centrally Funded	(7,051)			(7,051)	7,045	6
Total Scholarships, Bursaries and Prizes	**(8,929)**			**(8,929)**	**8,919**	**10**
Transfers to Provisions for Specific Projects:						
Faculty and Unit Funded	(787)	787				
Centrally Funded	(17,913)	17,913				
Total Transfers to Provisions for Specific Projects	**(18,700)**	**18,700**				
Benefit Premiums Net of Employer Contributions for Staff Benefits	(1,704)			(1,704)	1,704	
Student Contribution to University Development Fund	(965)			(965)	195	770
Overhead Recoveries	6,527			6,527	(6,527)	
Funding of General Operating Expenses	22,784	(9,474)		13,310	(13,310)	
Net Change in Unit Carryover	(25,803)	25,803				
Funding of Research Projects	(4,211)			(4,211)	4,211	
Employee Future Benefits	4,527		57	4,584	(4,584)	
Pension Liability	3,771		(3,771)			
Vacation and Sick Leave Liability	874		(874)			
Other Net Transfers	2			2	(5,117)	5,115
March 31, 2017	**$(102,278)**	**$ 36,101**	**$ (4,588)**	**$ (70,765)**	**$ 64,870**	**$ 5,895**
March 31, 2016	$ (95,534)	$ (1,306)	$ 10,339	$ (86,501)	$ 84,197	$ 2,304

23. INTERNALLY RESTRICTED FUND BALANCES

Internally restricted fund balances represent amounts set aside by the University for specific purposes. Within the Specific Provisions Fund is $89,758 (2016, $65,512) that is set aside at the request of faculties and units while $44,011 (2016, $32,156) has been set aside at the discretion of senior administration. Included in the $89,758 is faculty and unit carryover of $75,861 (2016, $50,068). Although the entire provision balance of $133,769 (2016, $97,668) is deemed internally restricted, senior administration is not able to repurpose the $89,758 (2016, $65,512) as it is bound by certain restrictions including collective agreements.

	2017	2016
General Funds		
Specific Provisions	$ 133,769	$ 97,668
Restricted Funds		
Research and Special	7,296	7,832
Staff Benefits	2,729	2,569
Trust	64,105	57,932
	74,130	68,333
Total Internally Restricted Fund Balances	**$ 207,899**	**$ 166,001**

24. EXTERNALLY RESTRICTED FUND BALANCES

Externally restricted fund balances represent unexpended fund balances to be used in future years. External parties have imposed specific restrictions on how the funds can be used and the terms cannot be altered without explicit permission from these funders. Endowed fund balances represent donations received that must be held in perpetuity. The endowed contributions generate an investment return which is made available for spending in the Trust Fund. Invested in Capital Assets represents capital assets and the net assets held for capital purchases or debt repayment.

	2017	2016
Endowed	$ 468,296	$ 398,732
Invested in Capital Assets	1,044,625	998,579
Restricted Funds		
Research and Special	134,896	115,352
Staff Benefits	6,037	4,570
Trust	148,888	127,345
	289,821	247,267
Total Externally Restricted Fund Balances	**$ 1,802,742**	**$ 1,644,578**

25. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2016 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2017.

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

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 Michael Emslie)

Michael Emslie, CPA, CA
Vice-President Finance & Administration

(Original signed by Gary Pawlychka)

Gary Pawlychka, CPA, CGA
Executive Director, Financial Reporting

Winnipeg, Manitoba
June 19, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

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Internet www.kpmg.ca

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, 2017, 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 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.

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.

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, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Signed "**KPMG LLP**"

Chartered Professional Accountants

June 19, 2017

Winnipeg, Canada

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017, with comparative information for 2016
Amounts in Thousands

		2017		2016
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Notes 3, 7)	$	31,392	$	27,776
Short Term Investments (Note 3)		102		348
Accounts Receivable (Note 15)		3,411		4,222
Current Portion of Long Term Receivables (Note 5)		41		38
Due from Related Parties (Note 20)		1,909		5,940
Prepaid Expenses and other assets		1,625		1,831
		38,480		40,155
Long Term Investments (Note 4)		1,767		2,194
Long Term Receivables (Note 5)		4,444		4,448
Capital Assets (Note 6)		197,977		197,811
	$	242,668	$	244,608
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$	11,877	$	12,525
Deferred Revenue		6,626		7,219
Deferred Contributions (Note 9)		9,932		11,909
Accrued Vacation Pay		2,739		2,464
Current Portion of Obligations Under Capital Leases (Note 10)		157		152
Current Portion of Long Term Debt (Note 12)		1,352		1,565
Due to Related Parties (Note 20)		668		669
		33,351		36,503
Obligations under Capital Leases (Note 10)		64		221
Long Term Liabilities (Note 12)		65,433		66,784
Deferred Capital Contributions (Note 11)		129,001		127,083
Obligations for Compensated Absences (Note 8)		418		413
Pension Obligation (Note 16)		10,087		11,303
		238,354		242,307
Net Assets:				
Unrestricted Net Deficiency		(28,244)		(30,196)
Internally Restricted (Note 13)		6,651		6,390
Externally Restricted (Note 14)		3,671		3,590
Investment in Capital Assets		22,172		22,439
		4,250		2,223
	$	242,604	$	244,530

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 Albina Moran)
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 **Statement II**
CONSOLIDATED STATEMENT OF OPERATIONS
For The Year Ended March 31, 2017 , with comparative information for 2016
Amounts in Thousands

		2017		2016 Restated (Note 23)
REVENUE				
Government Grants:				
Education and Advanced Learning	$	71,262	$	67,201
Province of Manitoba, other		793		569
Government of Canada		6,571		6,138
Student Academic Fees		44,742		43,134
Gifts and Bequests		4,118		4,039
Interest Income		644		585
Sales of Services and Products		3,167		2,451
Other Revenues		8,076		8,437
Amortization of Deferred Capital Contributions (Note 11)		3,872		4,089
		143,245		136,643
EXPENSES				
Salaries and Benefits		91,713		87,593
Supplies, Services and Other Expenses		16,466		16,995
Cost of Sales		922		848
Building, Utilities and Related Expenses		14,537		13,137
Interest		3,178		3,230
Provincial and Municipal Taxes		1,878		1,801
Scholarships and Awards		4,529		4,487
Gifts to Related Party (Note 20)		1,758		1,362
Amortization of Capital Assets		6,320		6,592
		141,301		136,045
Excess of Revenue over Expenses	$	1,944	$	598

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

THE UNIVERSITY OF WINNIPEG **Statement III**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 2017 , with comparative information for 2016

Amounts in Thousands

2017

	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR (previously reported)	$ (30,008)	$ 2,479	$ 3,590	$ 22,439	$ (1,500)
Restatements (Note 23)	$ (110)	$ 3,911	$ -	$ -	$ 3,801
BALANCE, BEGINNING OF YEAR (restated)	$ (30,118)	$ 6,390	$ 3,590	$ 22,439	$ 2,301
Excess of Revenue over Expenses	1,460	484	-	-	1,944
Endowment Contributions	-	-	115	-	115
Transfer to Related Foundation	-	-	-	-	-
Endowment Custodial/Management Fees	-	-	(34)	-	(34)
Transfers:					
Capital Asset Additions	(1,688)	-	-	1,688	-
Amortization of Deferred Capital Contributions	(3,872)	-	-	3,872	-
Amortization of Capital Assets	6,320	-	-	(6,320)	-
Repayment of Long Term Debt	(493)	-	-	493	-
Internally Restricted - Reductions (Note 13)	800	(800)	-	-	-
Internally Restricted - Additions (Note 13)	(577)	577	-	-	-
NET CHANGE FOR THE YEAR	1,950	261	81	(267)	2,025
BALANCE, END OF YEAR	$ (28,168)	$ 6,651	$ 3,671	$ 22,172	$ 4,326

2016

	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR (previously reported)	$ (30,786)	$ 2,163	$ 3,868	$ 22,843	$ (1,912)
Restatements (Note 23)	(70)	3,963	-	-	3,893
BALANCE, BEGINNING OF YEAR (restated)	(30,856)	6,126	3,868	22,843	1,981
Excess of Revenue over Expenses (previously reported)	690	-	-	-	690
Restatements (Note 23)	(40)	(52)	-	-	(92)
Excess (Deficiency) of Revenue over Expenses (restated)	650	(52)	-	-	598
Endowment Contributions	-	-	734	-	734
Transfer to Related Foundation	-	-	(1,000)	-	(1,000)
Endowment Custodial/Management Fees	-	-	(12)	-	(12)
Transfers:					
Capital Asset Additions	(1,606)	-	-	1,606	-
Amortization of Deferred Capital Contributions	(4,089)	-	-	4,089	-
Amortization of Capital Assets	6,592	-	-	(6,592)	-
Disposal of Capital Assets	497	-	-	(497)	-
Repayment of Long Term Debt	(990)	-	-	990	-
Internally Restricted - Reductions (Note 13)	114	(114)	-	-	-
Internally Restricted - Additions (Note 13)	(430)	430	-	-	-
NET CHANGE FOR THE YEAR	738	264	(278)	(404)	320
BALANCE, END OF YEAR	$ (30,118)	$ 6,390	$ 3,590	$ 22,439	$ 2,301

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, 2017 , with comparative information for 2016
Amounts in Thousands

Statement IV

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Government Grants	$	79,459	$	74,508
Student Academic Fees		46,046		43,995
Gifts, Grants and Bequests		3,567		5,576
Interest Income		638		585
Sales of Services and Products		3,177		2,472
Other Revenues		7,356		9,041
Cash Paid for:				
Salaries and Benefits		(92,454)		(85,701)
Supplies, Services and Other Expenses		(15,750)		(16,793)
Cost of Sales		(924)		(870)
Building, Utilities and Related Expenses		(14,427)		(13,701)
Interest Paid		(3,155)		(3,254)
Provincial and Municipal Taxes		(1,874)		(1,798)
Scholarships and Awards		(4,529)		(4,487)
Gifts to Related Party		(1,649)		(2,495)
		5,481		7,078
CASH FLOWS FROM CAPITAL ACTIVITIES:				
Acquisition of Capital Assets		(5,875)		(3,763)
		(5,875)		(3,763)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Long Term Investments		-		(1,177)
Proceeds on Maturity of Long Term Investments		427		980
Collections of Long Term Receivables		4		2
Advances (to) from 7049651 Manitoba Association Inc.		(1,007)		1,734
		(576)		1,539
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment and Retirement of Long Term Debt		(1,564)		(1,809)
Long Term Debt Proceeds		-		1,150
Transfer Endowment Fund to UofW Foundation Inc.		-		(1,000)
Deferred Capital Contributions		5,789		3,290
Contributions Received for Endowment		115		734
		4,340		2,365
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS		3,370		7,219
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR		28,124		20,905
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$	31,494	$	28,124
Cash and Short Term Investments consist of:				
Cash and Cash Equivalents		31,392		27,776
Short Term Investments		102		347
	$	31,494	$	28,123

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 service. 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 Inc. (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 sold.

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 Manitoba Education and Training 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 Manitoba Education and Training 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 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 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.

Amounts in Thousands

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 fully indemnified the University for the guarantee until October 31, 2018, and a share of the guarantee thereafter 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

	2017	2016
Operating Funds	$ 13,900	$ 8,897
Internally Restricted	6,651	6,390
Sponsored Research and Designated Funds	3,901	4,314
	24,452	19,601
Special Purpose and Trust Funds	5,138	7,125
Externally Restricted (Endowments)	1,802	1,050
	$ 31,392	$ 27,776

Short term investments - $102 (2016 - $347) consist of fixed income investments.

4. Long Term Investments

	2017	2016
Fixed Income Instruments	$ 1,767	$ 1,869
Equity Investment in properties	-	325
	$ 1,767	$ 2,194

During the 2016-17 fiscal year the last property was disposed of. The equity in properties has been converted to fixed income instruments and cash & cash equivalents.

Amounts in Thousands

5. Long Term Receivables

	2017	2016
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave (Interest Rate 5.6%, due December 31, 2050)	$ 8,285	$ 8,366
460 Portage Ave (Interest Rate 3.8%, due October 31, 2052)	2,696	2,731
	10,981	11,097
Less: University of Winnipeg component	(7,321)	(7,398)
	3,660	3,699
Receivable from Plug-in ICA		
460 Portage Ave. (Interest Rate 4.65%, due December 31, 2020)	825	787
	4,485	4,486
Less: Current Portion	(41)	(38)
	$ 4,444	$ 4,448

Annual principal payments receivable on the notes during the next five years and thereafter are: 2018 - $41, 2019 - $43, 2020 - $45, 2021 - $47, 2022 - $51, thereafter - $3,433.

These notes are carried at amortized cost using the effective interest method.

6. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 10,119	$ -	$ 10,119	$ -
Buildings, Additions and Improvements	216,363	42,069	211,884	38,449
Library Acquisitions	14,136	13,182	14,003	12,977
Furnishings and Equipment	43,860	34,948	42,295	32,836
Collections	1,573	-	1,573	-
Major System Computer Software	4,394	2,525	3,975	2,419
Buildings Under Construction	57	-	347	-
Equipment Under Capital Leases	2,336	2,137	2,336	2,040
	292,838	$ 94,861	286,532	$ 88,721
Less Accumulated Amortization	(94,861)		(88,721)	
Net Book Value	$ 197,977		$ 197,811	

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, 2017 or March 31, 2016.

Amounts in Thousands

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 5.95%
- 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.

	2017	2016
Balance, Beginning of Year	$ 11,909	$ 9,057
Contributions Received	12,074	14,890
Contributions Expensed	(12,534)	(9,676)
Transferred to Foundation (Note 20)	(1,758)	(2,362)
Balance, End of Year	$ 9,691	$ 11,909
Balance Consists of:		
Sponsored Research and Designated Funds	$ 4,554	$ 4,784
Special Purpose Trust	5,137	7,125
	$ 9,691	$ 11,909

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between April 30, 2017 and September 30, 2019 together with the balances of the obligations under capital leases:

2017/18	$ 162
2018/19	65
Total minimum lease payments	227
Less: Amount representing interest at approximately 2.5%	(6)
Balance of Obligations under Capital Leases	221
Less: Current Portion of Obligations under Capital Leases	(157)
Obligations under Capital Leases	$ 64

Interest expense for the current year on the lease obligations amounted to $10 (2016 - $15).

Amounts in Thousands

11. Deferred Capital Contributions

	2017	2016
Balance, Beginning of Year	$ 127,083	$ 128,632
Contributions Received	1,179	1,600
Contributions from the Foundation	4,611	940
Less: Amortization of Deferred Capital Contributions	(3,872)	(4,089)
Balance, End of Year	$ 129,001	$ 127,083

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

	2017	2016
Promissory Notes	$ 66,443	$ 67,969
Supplementary Pensions Payable	342	380
	66,785	68,349
Less: Current Portion of Long Term Liabilities	(1,352)	(1,565)
	$ 65,433	$ 66,784

	2017	2016
Province of Manitoba Promissory Notes Secured by:		
Duckworth Expansion (Interest rate 5.55%, due October 31, 2047)	1,832	1,854
McFeetors Hall:		
Interest rate 5.25%, due October 31, 2049	10,221	10,336
460 Portage Avenue		
Interest rate 4.65%, due December 31, 2020	1,183	1,465
Interest rate 5.60%, due December 31, 2050	8,760	8,845
Interest rate 2.625%, due October 31, 2016	-	268
Interest rate 3.80%, due October 31, 2052	2,696	2,731
366 Spence & 336 Young (Interest rate 4.95%, due March 31, 2051)	661	668
Richardson College for the Environment & Science Complex		
Interest rate 4.95%, due March 31, 2051 (Parking Lot)	3,683	3,724
Interest rate 2.35%, due January 31, 2020	752	1,005
Variable interest rate of prime less 0.75%, due January 31, 2020	-	15
United RecPlex		
Interest rate 4.10%, due October 31, 2054	18,816	19,022
Interest rate 3.90%, due October 31, 2055	3,102	3,137
	51,706	53,070
Province of Manitoba Unsecured Notes:		
491 Portage Annex (Interest rate 5.40%, due July 31, 2050)	2,641	2,669
Pension Settlement (Interest rate 5.35%, due January 31, 2050)	8,228	8,317
Pension Plan Special Payments (Interest rate 4.15%, due May 31, 2053)	1,915	1,938
Pension Plan Special Payments (Interest rate 4.10%, due Dec. 1, 2054)	1,953	1,975
	14,737	14,899
	$ 66,443	$ 67,969

Annual principal payments on the notes during the next five years and thereafter are: 2018 - $1,298; 2019 - $1,353, 2020 - $1,367; 2021 - $1,109, 2022 - $897, thereafter - $60,419.

Amounts in Thousands

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 2017 is $54 (2016 - $52).

Interest expense during the year on long term liabilities totalled $3,185 (2016 - $3,195).

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 March 2057. 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, 2017 is $72,223 (2016 - $71,992).

13. Internally Restricted Net Assets

	March 31, 2016 Restated	Reductions	Additions	March 31, 2017
Unrestricted Trust Income	$ 1,609	$ -	$ 204	$ 1,813
Internally Restricted	2,684	-	280	2,964
Strategic Provisions:				
Capital Reserve	304	-	-	304
Project Development	1,793	(800)	577	1,570
	2,097	(800)	577	1,874
	$ 6,390	$ (800)	$ 1,061	$ 6,651

The cumulative net unrestricted trust income is available to fund various internally created scholarships.

Internally Restricted represents internally funded research and designated activities as well as internally funded academic professional allowances. Actual funding and expenses related to Internally Restricted activities are charged to operations (see Statement III).

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)

	2017	2016
Cash and Short Term Investments	$ 1,904	$ 1,396
Long Term Investments (Note 4)	1,767	2,194
	$ 3,671	$ 3,590

Endowments of $3,021 (2016 - $2,940) are held in trust in accordance with the terms of a designated bequest. In 2017, the University has a 10% share in the income distribution from this trust (2016 - 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.

Amounts in Thousands

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:

	2017	2016
Accounts Receivable, gross		
Current	$ 1,625	$ 2,912
Past Due	2,350	1,968
	3,975	4,880
Less: Allowance for Doubtful Accounts	(806)	(658)
Accounts Receivable, net	$ 3,169	$ 4,222

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 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, 2017.

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.

Amounts in Thousands

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 $105.1 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, 2016	Dec. 31, 2015
Balance, Beginning of Year	$ 59,877	$ 51,773
Contributions	6,273	6,240
Benefits and Refunds Paid	(2,811)	(1,509)
Net Investment Return	4,830	3,373
Balance, End of Year	$ 68,169	$ 59,877
Expense recognized for the period ending December 31	$ 3,092	$ 3,019

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 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, 2015 valuation of the defined benefit segment of the Plan, there were 151 active members with an average age of 58.7. There were 42 former employees entitled to deferred pension benefits and 270 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 $86.1 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, 2015, and the results were extrapolated to December 31, 2016. 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 (6.7 years).

Amounts in Thousands

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, 2016, 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 5.95%.

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.95%. The actual return on pension fund assets in 2016 was 9.86%.

Change in Accrued Benefit Obligation - Calendar Year Ending December 31

	2016	2015
Accrued Benefit Obligation, Beginning of Year	$ 144,515	$ 142,734
Current Service Cost	1,830	2,005
Interest Cost	8,237	8,183
Benefits and Refunds Paid	(11,646)	(10,090)
Actuarial (gain) loss	(1,399)	1,683
Accrued Benefit Obligation, End of Year	$ 141,537	$ 144,515

Change in Market Value of Plan Assets - Calendar Year Ending December 31

	2016	2015
Market Value of Plan Assets, Beginning of Year	$ 126,586	$ 128,501
University Contributions	4,021	3,174
Member Contributions	760	831
Benefit Payments	(11,646)	(10,090)
Actual Return on Plan Assets	12,129	4,288
Plan Expenses	(163)	(118)
Market Value of Plan Assets, End of Year	131,687	126,586
Expected market value of assets at end of year	126,819	129,697
Gain (loss) on plan assets	$ 4,868	$ (3,111)

The plan assets for the Calendar Year Ending December 31 consist of:

	2016	2015
Domestic fixed income	$ 29,622	$ 43,751
Canadian equity	26,887	18,338
U.S. equity	19,980	18,478
International equity	38,587	30,036
Real Estate	14,044	14,525
Cash and cash equivalents	2,317	1,270
Net accruals	250	188
	$ 131,687	$ 126,586

Asset allocation is determined and monitored by the independent Board of Trustees.

Reconciliation of Unamortized Gains/(Losses) - Fiscal Year Ending March 31

	2017	2016
Expected average remaining service life	7.3	7.3
Net unamortized gain (loss), Beginning of year	$ (5,887)	$ (1,264)
New net gain (loss) for current year	6,267	(4,794)
Amortization for current year	806	171
Net unamortized gain (loss), End of year	$ 1,186	$ (5,887)

Amounts in Thousands

Pension Expense - Fiscal Year Ending March 31

	2017	2016
University service cost	$ 1,070	$ 1,174
Interest cost	8,237	8,183
Expected return on Plan Assets	(7,261)	(7,399)
Amortization of net actuarial gains/(losses)	806	171
Plan expenses	163	118
Net pension expense	$ 3,015	$ 2,247

Reconciliation of Deficit to Accrued Liability, End of Fiscal Year

	2017	2016
Deficit, end of year	$ (9,850)	$ (17,929)
University contributions after the measurement date	949	739
Net unamortized amounts	(1,186)	5,887
Accrued benefit liability, end of year	(10,087)	(11,303)
Valuation allowance, end of year	-	-
Accrued benefit liability, net of valuation allowance, end of year	$ (10,087)	$ (11,303)

Significant Actuarial Assumptions used in the determination of the Pension Expense are:

	%	%
Discount rate	5.90	5.90
Post-retirement indexing	0.75	0.75
Rate of salary increases	3.00	3.00
Expected rate of return on plan assets	5.90	5.90

Significant Actuarial Assumptions used in the determination of the defined benefit obligation at December 31 are:

	%	%
Discount rate	5.95	5.90
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, 2015 confirms that the defined benefit segment of the Plan has a solvency deficiency of $49,461 and a solvency ratio of 0.671 (2014 - 0.697).

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, 2015 was $23,252 and the annual deficiency funding payments are $2,672, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2015, the University was required to make an additional contribution in 2016 of $417 (2015 - $350) in order to fully fund the cost of accruing benefits and administration expenses.

Amounts in Thousands

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 August 31, 2029. The above obligations require annual payments over the next five years and thereafter as follows:

	Lease	Contracts	Total
2017/18	$ 2,509	$ 234	$ 2,743
2018/19	1,734	-	1,734
2019/20	1,699	-	1,699
2020/21	1,765	-	1,765
2021/22	1,765	-	1,765
Thereafter	9,347	-	9,347
	$ 18,819	$ 234	$ 19,053

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:

	2017	2016
Statement of Financial Position		
Assets	$ 69,306	$ 62,596
Liabilities	$ 992	$ 2,446
Fund Balances:		
Operating Fund	930	842
Unrestricted Fund	236	27
Investment in Capital Assets	22	28
Building and Program Fund	1,342	1,123
Endowment Fund	58,655	54,139
Accumulated Remeasurement Gains	7,129	3,991
	68,314	60,150
	$ 69,306	$ 62,596

Amounts in Thousands

	2017	2016
Statement of Operations:		
Source of Funds:		
Transfer from University of Winnipeg	$ 1,758	$ 2,367
Investment Income	4,681	5,317
University of Winnipeg support funding	220	300
Endowment administration fee	1,163	1,184
Annual donations	6,643	8,863
	14,465	18,031
Use of Funds:		
Endowment - gifts to the University	1,904	1,770
Gifts to other charities	4	2,005
Endowment - administration fee	1,163	1,184
Endowment - administration expenses	276	227
Operations	1,411	1,333
Donations gifted to the University	4,681	5,231
	9,439	11,750
Increase in funds	$ 5,026	$ 6,281

	2017	2016
Statement of Cash Flows:		
Operating activities:		
Increase in funds	$ 5,026	$ 6,281
Items not involving a current outlay of cash	7	6
Change in non-cash working capital balances	67	(18)
Increase in funds from operations	5,100	6,269
Capital activities	-	(5)
Investing activities	(4,787)	(5,020)
Financing activities	(1,649)	1,721
Increase in cash	(1,336)	2,965
Cash, beginning of year	4,085	1,120
Cash, end of year	$ 2,749	$ 4,085

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 situation 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.

Amounts in Thousands

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, 2017 is $11,526 (2016 - $12,055). 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:

	2017	2016
Statement of Financial Position:		
Assets		
Cash	$ 439	$ 971
Accounts receivable	111	62
Due from related parties	16	91
Capital assets	594	596
Investments, at equity	5,694	5,451
	$ 6,854	$ 7,171
Liabilities and Net Assets		
Accounts payable and other liabilities	$ 116	$ 59
Current portion of long term debt	30	29
Due to University of Winnipeg (Note 20)	518	516
Long term debt	741	772
Deferred capital contributions	282	289
Net assets	5,167	5,506
	$ 6,854	$ 7,171
Statement of Operations and Changes in Net Assets		
Revenue		
Share of equity income	$ 130	$ 80
Consulting	1,027	1,320
Other	104	110
	1,261	1,510
Expenses		
Salaries and benefits	1,088	995
Consulting and professional fees	230	125
Supplies, services and other expenses	282	758
	1,600	1,878
Deficiency of revenue over expenses	(339)	(368)
Net assets, beginning of year	5,506	5,874
Net assets, end of year	$ 5,167	$ 5,506
Statement of Cash Flows		
Decrease in funds from operations	$ (467)	$ (423)
Investing activities	(112)	(167)
Financing activities	47	564
Decrease in cash	(532)	(26)
Cash, beginning of year	971	997
Cash, end of year	$ 439	$ 971

Amounts in Thousands

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:

	2017	2016
From the University to the Foundation:		
i) Operating grant	$ 40	$ 120
ii) Gifts of residuals for endowment	$ -	$ 913
iii) Gifts of matching funds for endowment	$ 557	$ 449
iv) Occupancy and Support Agreement	$ 180	$ 180
v) Transfer of endowment funds	$ 1,201	$ 1,000
From the Foundation to the University:		
i) Transfer of annual donations	$ 4,681	$ 5,231
ii) Income allocation	$ 1,904	$ 1,770
iii) Occupancy and Support Agreement	$ 180	$ 180
From the University to UWCRC:		
i) Consulting fees (excluding GST)	$ 460	$ 1,262
From UWCRC to the University:		
i) Management fees	$ 30	$ 197
From the University to the Joint Venture:		
i) Lease expense	$ 764	$ 726
From the Joint Venture to the University:		
i) Service fees	$ 98	$ 96
From the University to Diversity:		
i) Food services	$ 920	$ 878
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:

	2017	2016
Due from related parties:		
Foundation	$ 418	$ 1,868
7049651 Manitoba Association Inc.	987	3,556
UWCRC	504	516
	1,909	5,940
Due from 460 Portage Avenue Joint Venture:		
Notes receivable (Note 5)	10,981	11,097
Due to related parties:		
Foundation	557	449
UWCRC	-	24
7049651 Manitoba Association Inc.	-	79
460 Portage Joint Venture	111	117
	$ 668	$ 669

Amounts in Thousands

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 (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	2017	2016
Assets:		
Accounts receivable and prepaid expenses	$ 69	$ 151
Capital assets	7,691	7,809
Intangible asset	1,125	1,158
	8,885	9,118
Liabilities and Venturer's Capital:		
Accounts payable and accrued liabilities	$ 5	$ 5
Due to Related Parties	7,100	7,244
Deferred capital contributions	387	394
Venturer's capital	1,308	1,395
Capital Reserve	85	80
	$ 8,885	$ 9,118

Statement of Operations	2017	2016
Revenues:		
Rental revenue	$ 97	$ 109
Amortization of deferred capital contributions	7	7
Expense recovery from Venturers	601	593
	705	709
Expenses:		
Building operating	245	237
Interest	380	384
Amortization	118	118
Amortization of intangible asset	33	33
	$ 776	$ 772
Deficiency of revenues over expenses	$ (71)	$ (63)

Amounts in Thousands

Statement of Cash Flows	2017	2016
Cash receipts from tenants and Venturers	$ 698	$ 728
Cash paid to suppliers and employees	(163)	(154)
Interest paid	(380)	(384)
Cash flows from operating activities	155	190
Repayment of long term debt	(77)	(73)
Other financing activities	(67)	(117)
Cash flows used in financing activities	(144)	(190)
Cash flows used in investing activities - purchase of capital assets	(11)	-
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.

Amounts in Thousands

23. Corrections and Restatements of Comparative Figures

During the implementation of a new financial system, a detailed analysis of restrictions on various accounts was undertaken. Certain amounts that were previously reported in current liabilities had internal restrictions on them which made it more appropriate to report these amounts as Internally Restricted Net Assets. The 2016 comparative figures have been retroactively restated as follows:

	March 31, 2016 (previously reported)	Adjustments	March 31, 2016 (restated)
Statement of Financial Position as at March 31, 2016			
Assets, Liabilities and Net Assets			
Current Assets	40,075	79	40,154
Accounts Payable and Accrued Liabilities	14,050	(1,526)	12,524
Deferred Revenue	7,834	(615)	7,219
Deferred Contributions	13,490	(1,581)	11,909
Unrestricted Net Deficiency	(30,008)	(110)	(30,118)
Internally Restricted	2,479	3,911	6,390

Statement of Operations for the year ended March 31, 2016

Excess of revenue over expenses as previously reported	$	690
Adjustment to reflect change in treatment of amounts with internal restrictions		(92)
Excess of revenue over expenses as restated	$	598

24. Reclassification of Comparative Figures

Certain 2016 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2017.

Venture Manitoba Tours Ltd.
Financial Statements
March 31, 2017

Management's Responsibility

To the Shareholder of Venture Manitoba Tours Ltd.:

The accompanying financial statements of Venture Manitoba Tours Ltd. (the "Company") 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 Board 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

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, 2017 and the statements of operations and accumulated surplus, change in net assets (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, 2017 and the results of its operations, change in net assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

June 7, 2017

MNP LLP
Chartered Professional Accountants

Venture Manitoba Tours Ltd.
Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Cash *(Note 3)*	**345,341**	232,491
Accounts receivable	**1,390**	10,524
Inventory *(Note 4)*	**-**	25,795
	346,731	268,810
Liabilities		
Accounts payable and accruals	**20,319**	66,310
Customer deposits	**-**	6,323
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
	270,319	322,633
Net assets (debt)	**76,412**	(53,823)
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**9,554**	434,701
Prepaid expenses and deposits	**2,338**	7,467
	11,892	442,168
Accumulated surplus *(Note 6)*	**88,304**	388,345

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, 2017

	Budget	2017	2016
Sales	1,035,293	892,937	1,132,262
Cost of sales	728,218	566,647	892,575
Gross margin	307,075	326,290	239,687
Operating expenses *(Schedule 2)*	192,403	199,000	168,476
Surplus from operations	114,672	127,290	71,211
Other income (expense)			
Amortization	(22,561)	(22,627)	(103,511)
Loss on disposal of tangible capital assets	-	(379,520)	-
Loss on other asset transfer	-	(25,184)	-
	(22,561)	(427,331)	(103,511)
Annual surplus (deficit)	92,111	(300,041)	(32,300)
Accumulated surplus, beginning of year	388,345	388,345	420,645
Accumulated surplus, end of year	480,456	88,304	388,345

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Change in Net Assets (Debt)
For the year ended March 31, 2017

	Budget	2017	2016
Annual surplus (deficit)	92,111	(300,041)	(32,300)
Amortization of tangible capital assets	22,561	22,627	103,511
Use of prepaid expenses	-	5,129	31,750
Loss on disposal of tangible capital assets	-	379,520	-
Proceeds on disposal of tangible capital assets	-	23,000	-
Change in net assets (debt)	114,672	130,235	102,961
Net debt, beginning of year	(53,823)	(53,823)	(156,784)
Net assets (debt), end of year	60,849	76,412	(53,823)

Venture Manitoba Tours Ltd.
Statement of Cash Flows
For the year ended March 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**894,965**	1,141,612
Cash paid to suppliers and employees	**(804,616)**	(1,059,801)
Interest received	**783**	242
Interest paid	**(1,282)**	(4,470)
	89,850	77,583
Financing activities		
Repayments of capital lease obligations	**-**	(52,800)
Investing activities		
Proceeds on disposal of tangible capital assets	**23,000**	-
Increase in cash resources	**112,850**	24,783
Cash resources, beginning of year	**232,491**	207,708
Cash resources, end of year	**345,341**	232,491

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.

Effective January 1, 2017 the operating agreement has been transferred to another party and the Company has ceased operations. The financial statements as at and from December 31, 2016 have been prepared on a liquidation basis of accounting in accordance with Canadian public sector accounting standards. Accounts receivable is recorded at net realizable value based on management's estimates. Based on management's estimates tangible capital assets is appropriately recorded at the lower of its carrying amount and net recoverable amount, and as such is not impaired. It is management's intention to settle all liabilities, including related party balances within the next fiscal year. Management believes that the financial statements have been prepared within reasonable limits of materiality and within the framework of accounting policies summarized below. As of the report date, no decision has been made on the future plans for the Company.

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 original 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 operations 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 and 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, customer deposits and advances from the Province of Manitoba. 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, customer deposits and advances from the Province of Manitoba 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.

There is no remeasurement gains (losses) schedule as there are no remeasurement transactions during the year.

3. Cash

The Company has an operating line of credit with a limit of $250,000 (2016 - $250,000), bearing interest at Royal Bank of Canada's prime interest rate of 2.70% (2016 – 2.70%) 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 $31,260 (2016 - $70,731).

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. Accumulated surplus

	2017	*2016*
Equity in tangible capital assets	**9,554**	434,701
Deficit	**(3,564,750)**	(3,689,856)
Share capital (Note 7)	**3,643,500**	3,643,500
	88,304	388,345

7. Share capital

	2017	*2016*
Authorized		
Unlimited Common shares		
Issued		
3,643,500 Common shares	**3,643,500**	3,643,500

8. 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, 2017, the Company had the following balances with entities in the Government Reporting Entity:

	2017	*2016*
Payable to (receivable from):		
Manitoba Hydro	**-**	1,393

During the year, the Company had the following transactions with entities in the Government Reporting Entity:

	2017	*2016*
Expenses paid to:		
Department of Conservation	**-**	114,700
Manitoba Hydro	**9,304**	15,425
Manitoba Liquor and Lotteries	**150**	150
Manitoba Public Insurance	**1,779**	2,038
	11,233	132,313

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.

9. 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.

10. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

	Staff quarters	*Automotive*	*Computer equipment*	*Golf course improvements*	*Equipment under capital lease*	*2017*	*2016*
Cost							
Balance, beginning of year	**102,395**	**1,122,050**	**68,175**	**677,085**	**256,400**	**2,226,105**	2,226,105
Acquisition of tangible capital assets	**-**	**-**	**-**	**-**	**-**	**-**	-
Disposal of tangible capital assets	**(54,670)**	**(1,122,050)**	**(68,175)**	**(677,085)**	**(256,400)**	**(2,178,380)**	-
Balance, end of year	**47,725**	**-**	**-**	**-**	**-**	**47,725**	2,226,105
Accumulated amortization							
Balance, beginning of year	**77,801**	**1,116,537**	**68,175**	**272,491**	**256,400**	**1,791,404**	1,687,893
Annual amortization	**3,549**	**4,905**	**-**	**14,173**	**-**	**22,627**	103,511
Disposal	**(43,179)**	**(1,121,442)**	**(68,175)**	**(286,664)**	**(256,400)**	**(1,775,860)**	-
Balance, end of year	**38,171**	**-**	**-**	**-**	**-**	**38,171**	1,791,404
Net book value of tangible capital assets	**9,554**	**-**	**-**	**-**	**-**	**9,554**	434,701
2016 net book value of tangible capital assets	24,594	5,513	-	404,594	-	434,701	

	Budget	2017	2016
Computer software	**1,050**	**1,013**	1,013
Credit card discount	**25,903**	**23,886**	25,877
Directors' fees	**15,614**	**19,774**	7,586
Insurance	**8,879**	**13,664**	10,648
Interest and bank charges	**1,158**	**1,282**	1,412
Membership fees	**225**	**410**	437
Miscellaneous (recovery)	**-**	**(265)**	(40)
Office	**-**	**-**	28
Printing and stationery	**1,246**	**1,467**	972
Professional fees	**25,616**	**27,514**	7,200
Repairs and maintenance	**2,645**	**2,301**	1,705
Salaries, wages and benefits	**83,856**	**83,092**	82,561
Sales office rent	**6,525**	**6,203**	6,337
Tee reservations	**-**	**-**	2,324
Telephone and postage	**4,993**	**4,935**	4,618
Training and education	**6,450**	**5,906**	7,459
Transportation	**5,556**	**6,163**	5,989
Utilities	**2,687**	**1,655**	2,350
	192,403	**199,000**	168,476

GOVERNMENT BUSINESS ENTERPRISES

DEPOSIT GUARANTEE CORPORATION OF MANITOBA

2016 Consolidated Financial Statements

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, CPA, CMA
Chief Financial Officer

Independent Auditor's Report

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To the Board of Directors of the 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, 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2016, 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, 2016, and its financial performance and its cash flows for the year ended December 31, 2016 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

March 3, 2017
Winnipeg, Manitoba

Consolidated Statement of Financial Position

(in thousands of dollars)

As at December 31		2016		2015
ASSETS				
Cash (Note 5)	$	913	$	876
Investments (Note 6)		280,206		262,870
Assessments receivable (Note 7)		5,249		5,015
Current tax receivable (Note 8)		84		296
Deferred tax assets (Note 8)		335		48
Other assets (Note 9)		329		362
	$	287,116	$	269,467
LIABILITIES				
Accounts payable and accrued liabilities (Note 10)	$	267	$	323
Defined benefit obligation (Note 11)		574		469
Deferred tax liability (Note 8)		12		15
Total liabilities		853		807
Contingent liabilities (Note 12)				
CORPORATION EQUITY				
Retained earnings		286,162		268,538
Accumulated other comprehensive income		101		122
Total corporation equity		286,263		268,660
	$	287,116	$	269,467

Approved by the Board March 3, 2017

Original Document Signed

Bryan Rempel, CPA, CA
Board Chair

Original Document Signed

Paul Gilmore
Finance & Audit Committee Chair

Consolidated Statement of Comprehensive Income

(in thousands of dollars)

Year Ended December 31	2016	2015
REVENUES		
Regular assessments (Note 13)	$ 20,636	$ 19,492
Investment revenue (Note 13)	2,027	2,225
	22,663	21,717
EXPENSES		
Operating expenses (Note 14)	5,409	4,988
INCOME BEFORE INCOME TAXES	17,254	16,729
Income tax recovery (Note 8)	(370)	(302)
NET INCOME	17,624	17,031
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to net income		
Unrealized (losses) gains on available-for-sale assets	(31)	41
Income tax recovery (expense)	3	(4)
Realized gains (losses) on available-for-sale assets	8	(1)
Income tax (expense) recovery	(1)	-
Total items that may be reclassified	(21)	36
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX	(21)	36
COMPREHENSIVE INCOME	$ 17,603	$ 17,067

Consolidated Statement of Changes in Equity

(in thousands of dollars)

	Retained Earnings	Accumulated Other Comprehensive Income [Unrealized Gains (Losses) Available-For-Sale Financial Assets]	Total
Balance at January 1, 2015	$ 251,507	$ 86	$ 251,593
Net income	17,031	-	17,031
Other comprehensive income	-	36	36
Total comprehensive income	17,031	36	17,067
Balance at December 31, 2015	$ 268,538	$ 122	$ 268,660

	Retained Earnings	Accumulated Other Comprehensive Income [Unrealized Gains (Losses) Available-For-Sale Financial Assets]	Total
Balance at January 1, 2016	$ 268,538	$ 122	$ 268,660
Net Income	17,624	-	17,624
Other comprehensive loss	-	(21)	(21)
Total comprehensive income (loss)	17,624	(21)	17,603
Balance at December 31, 2016	$ 286,162	$ 101	$ 286,263

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year Ended December 31	2016	2015
OPERATING ACTIVITIES		
Net income	$ 17,624	$ 17,031
Non-cash recovery – deferred income taxes	(290)	(1)
Non-cash expense – depreciation	106	144
Net (increase) decrease in assessments receivable	(234)	257
Net increase in prepaid expenses	(20)	(12)
Net decrease (increase) in current net tax receivable	212	(382)
Net (decrease) increase in accounts payable and accrued liabilities	(56)	21
Net increase in defined benefit obligation	105	47
Cash flows generated by operating activities	17,447	17,105
INVESTING ACTIVITIES		
Net increase in investments, net of deferred tax liability	(17,357)	(17,208)
Purchase of property and equipment, net of disposal proceeds	(53)	(36)
Cash flows used in investing activities	(17,410)	(17,244)
INCREASE (DECREASE) IN CASH	37	(139)
CASH, BEGINNING OF YEAR	876	1,015
CASH, END OF YEAR	$ 913	$ 876
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes (recovered) paid	$ (296)	$ 86

Notes to Consolidated Financial Statements

(in thousands of dollars, unless otherwise noted)

1 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 (hereinafter 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 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 March 3, 2017.

3 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.

a) 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.

b) 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 consolidated statement of financial position.

c) Cash

Cash consists of cash on hand, and chequing and demand balances with Credit Union Central of Manitoba (CUCM) and chartered banks.

d) Regular assessments, special assessments, and financial assistance repayments

Credit union 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.

e) 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.

i. Classification

Cash	Loans and receivables
Investments	Available-for-sale
Assessments receivable	Loans and receivables

ii. 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 AFS financial assets is calculated using the effective interest method and recorded in investment revenue.

iii. Loans and receivables

Cash, certain other assets, and assessments receivable 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.

iv. 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.

v. 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.

f) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

i. Classification

Accounts payable and accrued liabilities	Other financial liabilities

ii. 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.

g) 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.

h) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. Transaction costs for financial assets classified as AFS, 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.

i) 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.

j) Employee benefits

i. 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.

ii. 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.

iii. 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.

k) 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.

l) 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.

m) 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.

i. 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.

ii. 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.

n) Changes in accounting policies

DGCM adopted the narrow scope of amendments to IFRS for Annual Improvements 2012-2014 Cycles, amendments to IAS 16 which clarify acceptable methods of depreciation, and the amendments to IAS 1 which clarify the existing presentation and disclosure requirements of IAS 1 and provide guidance to assist entities in determining what information to disclose, and how that information is presented in the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments did not result in a material impact on DGCM's consolidated financial statements.

o) 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, 2016, 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, 2018. DGCM is evaluating the impact of the adoption of this standard.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases.* The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. DGCM is evaluating the impact this standard will have on its financial statements.

4 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.

a) 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.

b) 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.

i. Provision for financial assistance to credit unions

- 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.

- 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.

ii. 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 AFS 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 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	2016	2015
Cash on hand	1	1
CUCM	847	826
Scotiabank	4	2
CIBC Mellon	61	47
	913	876

6 Investments

Investments include guaranteed investment certificates (GICs), treasury bills, government bonds, corporate bonds, and shares held in CUCM and Concentra Financial. A summary of investments as reflected in the consolidated statement of financial position is as follows:

As at December 31	2016	2015
GICs	10,099	10,158
Treasury bills	108,413	29,574
Government bonds	62,554	149,439
Corporate Bonds	99,068	73,627
Other investments	72	72
	280,206	262,870

a) Assets pledged as security

GICs with CUCM with a carrying amount of $10,000 (2015: $10,000) 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 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	2016	2015
Assessments receivable	5,249	5,015

8 Income taxes

a) Income tax recognized in net income

Year ended December 31	2016	2015
Current tax		
Current tax recovery in respect of the current year	(84)	(302)
Adjustments recognized in the current year in relation to the current tax of previous year	-	-
	(84)	(302)
Deferred tax		
Deferred tax recovery recognized in the current year	(286)	-
Total tax recovery relating to continuing operations	(370)	(302)

The expense for the year can be reconciled to the accounting income as follows:

Year ended December 31	2016	2015
Income from continuing operations	17,254	16,729
Income tax expense at statutory rate	1,898	1,840
Non-taxable credit union assessments	(2,270)	(2,143)
Non-deductible operating expenses	-	1
Change in income tax rates	-	-
Adjustments recognized in the current year in relation to the current tax of previous years	12	-
	(358)	(302)
Adjustments recognized in the current year in relation to the deferred tax of prior years	(12)	-
Income tax (recovery) expense recognized in net income	(370)	(302)

The tax rate used for the 2016 and 2015 reconciliations above is the corporate rate of 11% and 11% respectively payable on taxable income under tax law in Manitoba.

b) Income tax recognized in other comprehensive income

Year ended December 31	2016	2015
Deferred tax		
Fair value re-measurement of AFS financial assets	(3)	4
Total income tax expense recognized in other comprehensive income	(3)	4

c) Current tax assets and liabilities

As at December 31	2016	2015
Current tax assets		
Tax refund receivable	84	296
Current tax liability		
Income tax payable	-	-
	84	296

d) 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	2016	2015
Deferred tax assets	335	48
Deferred tax liability	12	15

2015	Opening balance	Recognized in net income	Recognized in Other Comprehensive Income	Closing balance
Deferred tax assets/ (liabilities) in relation to:				
Property and equipment	(4)	-	-	(4)
Defined benefit obligation	47	5	-	52
AFS financial assets	(11)	-	(4)	(15)
	32	5	(4)	33
Tax losses	-	-	-	-
Other	-	-	-	-
	32	5	(4)	33

2016	Opening balance	Recognized in net income	Recognized in Other Comprehensive Income	Closing balance
Deferred tax assets/ (liabilities) in relation to:				
Property and equipment	(4)	-	-	(4)
Defined benefit obligation	52	12	-	64
Loss carryforwards	-	275	-	275
AFS financial assets	(15)	-	3	(12)
	33	287	3	323
Tax losses	-	-	-	-
Other	-	-	-	-
	33	287	3	323

9 Other assets

Other assets include prepaid expenses, accounts receivable, employee loans, and property and equipment. A summary of other assets as reflected in the consolidated statement of financial position is as follows:

As at December 31	2016	2015
Prepaid expenses	73	56
Employee loans	5	2
Property and equipment	251	304
	329	362

10 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	2016	2015
Accounts payable	39	43
Insured savings accounts	13	15
Accrued liabilities	215	265
	267	323

11 Post-employment plans

a) 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 $172 (2015: $158) represents contributions payable to these plans by DGCM at rates specified in the rules of the plans. As at December 31, 2016, all contributions due in respect of the 2016 and 2015 reporting periods had been remitted to the plans.

b) 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, 2016.

The most recent actuarial valuation of the defined benefit obligation was carried out in October 2016 by Eckler Ltd. 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	**2016**	**2015**
Discount rates	3.10%	3.85%
Expected rates of salary increase	4.00%	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	**2016**	**2015**
Current service cost	57	58
Actuarial (gains) losses recognized in the year	34	(28)
Past service costs	-	-
Interest costs	20	17
	111	47

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	**2016**	**2015**
Opening defined benefit obligation	469	422
Current service cost	57	58
Actuarial (gains) losses recognized in the year	34	(28)
Past service costs	-	-
Interest costs	20	17
Benefits paid	(6)	-
Closing defined benefit obligation	574	469

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	2016	2015
Within one year	-	6
Later than one year and not later than five years	230	113
Later than five years	344	350
	574	469

12 Contingent liabilities

As at December 31, 2016, DGCM guaranteed $26.3 billion (2015: $25.2 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, 2016, DGCM has provided a loan indemnification with a maximum exposure of $545 (2015: $608). DGCM has concluded that a provision for loss does not need to be established at this time.

13 Revenue

Year ended December 31	2016	2015
Assessment revenue		
Regular assessments	20,636	19,492
Investment revenue		
Interest income – loans and receivables	25	32
Investment income – AFS	1,992	2,190
Realized gains and losses on disposal of marketable securities	8	1
Dividends received	2	2
	2,027	2,225
	22,663	21,717

14 Operating Expenses

Year ended December 31	2016	2015
Corporate governance	155	148
Salaries and benefits	3,480	3,198
Contract and professional fees	300	260
CUCM program funding	322	291
Occupancy	402	373
Administration	427	431
Travel	204	191
Credit union and caisse merger expense	2	2
Other	117	94
	5,409	4,988

15 Financial instruments

a) Class disclosure

The following is the disclosure of financial assets by class:

As at December 31	2016	2015
Loans and receivables		
Cash	913	876
Assessments receivable	5,249	5,015
Prepaid expenses and employee loans	78	58
	6,240	5,949
AFS		
Investments	280,206	262,870
	286,446	268,819

The following is the disclosure of financial liabilities by class:

As at December 31	2016	2015
Other financial liabilities		
Accounts payable and accrued liabilities	267	323

b) 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 line of credit agreement with CUCM. The facility bears an interest rate of 2.50%, payable on demand, subject to annual review on or before March 31, 2017.

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.

c) 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.

i. Interest rate risk management

DGCM is exposed to fluctuations in interest rates that could affect the cash flows from GICs 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.

- **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, 2016, would increase/decrease by \$934/\$870 (2015: increase/decrease by \$907/\$905). 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 \$359 (2015: decrease/increase by \$323) mainly as a result of the changes in the fair value of AFS fixed rate instruments.

  DGCM's net income and comprehensive income sensitivity to interest rates has increased during the current period due to a larger investment portfolio.

ii. 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
- GICs 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 as at December 31, 2016).
- DGCM monitors the financial strength of individual credit unions on a monthly basis.

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 of investments, by credit rating, at the end of the reporting period using DBRS' credit rating symbols:

As at December 31	**2016**	**2015**
Credit rating		
AAA	108,413	141,594
AA	73,755	56,688
A	87,867	54,358
	270,035	252,640
Unrated		
CUCM GICs	10,099	10,158
Investment Shares	72	72
	10,171	10,230
	280,206	262,870

The table below shows the credit risk exposure of investments, by issuer, at the end of the reporting period:

As at December 31	**2016**	**2015**
Government	170,967	179,013
Corporate	109,167	83,785
	280,134	262,798
Investment Shares	72	72
	280,206	262,870

iii. 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 GICs, 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 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. Excluded from the table below are investment shares held with CUCM and Concentra Financial totaling $72 (2015: $72).

As at December 31	2016	2015
Financial assets		
Less than three months	182,008	167,020
Three to six months	51,681	79,158
Six months to one year	39,271	8,265
One to five years	8,087	9,231
Over five years	-	-
	281,047	263,674

Financial liabilities

All financial liabilities are due within one year.

iv. Fair value of financial instruments

- **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.

- **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 financial 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 GICs, 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, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	876	-	-	876
Treasury bills	29,574	-	-	29,574
Government bonds	-	149,439	-	149,439
Corporate bonds	-	73,627	-	73,627
GICs	-	10,158	-	10,158
Other investments	-	-	72	72
Total assets measured at fair value on a recurring basis	30,450	233,224	72	263,746

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Cash	913	-	-	913
Treasury bills	108,413	-	-	108,413
Government bonds	-	62,554	-	62,554
Corporate bonds	-	99,068	-	99,068
GICs	-	10,099	-	10,099
Other investments	-	-	72	72
Total assets measured at fair value on a recurring basis	109,326	171,721	72	281,119

Liabilities measured at fair value

There are no liabilities carried at fair value on a recurring basis.

16 Related party transactions

a) 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 $8, repayable by payroll deduction over a maximum period of three years.

Outstanding loans to key management personnel at the end of 2016 was nil (2015: nil).

b) 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	2016	2015
Salaries	771	759
Short-term benefits	25	32
Post-employment benefits	102	78
	898	869

c) 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	2016	2015
Board member remuneration	113	102
Expenses	42	46
	155	148

17 Operating lease arrangements

a) 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 an operating lease related to a month-to-month agreement for a disaster recovery backup site. There is no expiry date on this lease agreement. DGCM is the lessee on operating leases related to four-year agreements for two corporate vehicles. The leases will expire February 23, 2017 and February 6, 2020. DGCM has the option to purchase the leased vehicles.

b) Payments recognized as an expense

DGCM recognized $197 (2015: $187) in lease payments for the year.

c) Non-cancellable operating lease commitments

As at December 31	2016	2015
No later than one year	186	186
Later than one year and not later than five years	194	365
Later than five years	-	-
	380	551

No liabilities have been recognized in respect of non-cancellable operating lease commitments.

Management Report

For the year ended March 31, 2017

The accompanying consolidated financial statements have been prepared by management of the Manitoba Hydro-Electric Board (the corporation), who are responsible for the integrity, consistency and reliability of the information presented. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of the consolidated financial statements necessarily involves the use of estimates and assumptions based on management's judgments, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances. The preparation of the consolidated financial statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been prepared within reasonable limits of materiality in light of information available up to July 5, 2017.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls, which is designed to provide reasonable assurance that the corporation's assets are safeguarded and appropriately accounted for, that financial information is relevant, reliable and accurate, and that transactions are properly authorized and executed. The system includes formal policies and procedures as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function evaluates the effectiveness of these controls and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which is comprised of outside and unrelated directors, meets periodically with management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its responsibility with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

The consolidated financial statements were reviewed by the Audit Committee, and on their recommendation, were approved by the Board of Directors. The consolidated financial statements have been examined by Ernst & Young LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards. The Auditors' Report outlines the scope of their examination and their opinion.

On behalf of management:

Original Document Signed

Kelvin Shepherd, P. Eng
President & Chief Executive Officer

Original Document Signed

Jamie McCallum
Chief Finance & Strategy Officer

Winnipeg, Canada
July 5, 2017

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 statement of financial position as at March 31, 2017, and the consolidated statements of income, comprehensive loss, changes in 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 Hydro-Electric Board** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Winnipeg, Canada,
July 5, 2017

Ernst & Young LLP

Chartered Professional Accountants

Consolidated Statement of Income

For the year ended March 31

millions of Canadian dollars

	Notes	**2017**	2016
Revenues			
Domestic			
Electric		**1 419**	1 399
Gas		**342**	353
Extraprovincial	5	**460**	415
Other	6	**106**	91
		2 327	2 258
Expenses			
Cost of gas sold		**183**	181
Finance expense	7	**645**	620
Operating and administrative	8	**608**	614
Depreciation and amortization	9	**402**	394
Water rentals and assessments		**131**	126
Fuel and power purchased	10	**132**	117
Capital and other taxes	11	**135**	123
Other expenses	12	**104**	114
Finance income		**(17)**	(23)
		2 323	2 266
Net income (loss) before net movement in regulatory balances		**4**	(8)
Net movement in regulatory balances	20	**55**	47
Net Income		**59**	39
Net income (loss) attributable to:			
Manitoba Hydro		**71**	49
Non-controlling interests	28	(12)	(10)
		59	39

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at March 31

millions of Canadian dollars

	Notes	2017	2016
Assets			
Current Assets			
Cash and cash equivalents	13	**646**	955
Accounts receivable and accrued revenue	14	**385**	372
Prepaid expenses		**123**	40
Inventory	15	**108**	117
		1 262	1 484
Property, Plant and Equipment	16	**19 757**	17 208
Non-Current Assets			
Goodwill		**107**	107
Intangible assets	18	**293**	194
Loans and other receivables	19	**353**	300
		753	601
Total assets before regulatory deferral balance		**21 772**	19 293
Regulatory deferral balance	20	**566**	486
Total assets and regulatory deferral balance		**22 338**	19 779

On behalf of the Board of Directors:

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H. Sanford Riley
Chair of the Board

Original Document Signed

Michael C. Pyle, MBA
Chair of the Audit Committee

	Notes	2017	2016
Liabilities and Equity			
Current Liabilities			
Current portion of long-term debt	21	**336**	326
Accounts payable and accrued liabilities	22	**1 087**	722
Other liabilities	23	**83**	80
Accrued interest		**114**	104
		1 620	1 232
Long-Term Debt	21	**16 102**	14 201
Non-Current Liabilities			
Other long-term liabilities	24	**638**	655
Employee future benefits	25	**818**	859
Deferred revenue	26	**653**	535
Provisions	27	**70**	53
		2 179	2 102
Total liabilities		**19 901**	17 535
Equity			
Retained earnings		**2 899**	2 828
Accumulated other comprehensive loss		**(709)**	(776)
Equity attributable to Manitoba Hydro		**2 190**	2 052
Non-controlling interests	28	**170**	140
Total equity		**2 360**	2 192
Total liabilities and equity before regulatory deferral balance		**22 261**	19 727
Regulatory deferral balance	20	**77**	52
Total liabilities, equity and regulatory deferral balance		**22 338**	19 779

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31

millions of Canadian dollars

	2017	2016
Operating Activities		
Cash receipts from customers	**2 314**	2 331
Cash paid to suppliers and employees	**(875)**	(988)
Interest received	**17**	23
Interest paid	**(584)**	(582)
Cash provided by operating activities	**872**	784
Investing Activities		
Additions to property, plant and equipment	**(2 924)**	(2 322)
Additions to intangible assets	**(122)**	(32)
Additions to regulatory deferral balances	**(88)**	(90)
Contributions received	**134**	85
Cash paid to the City of Winnipeg	**(16)**	(16)
Cash paid for mitigation obligations	**(21)**	(33)
Cash paid for major development obligations	**(11)**	(22)
Other	**12**	(4)
Cash used for investing activities	**(3 036)**	(2 434)
Financing Activities		
Proceeds from long-term debt	**2 186**	2 165
Retirement of long-term debt	**(320)**	(362)
Repayment from (advances to) external entities	**(53)**	164
Proceeds from partnership issuances	**42**	30
Sinking fund investment withdrawals	**146**	246
Sinking fund investment purchases	**(146)**	(132)
Cash provided by financing activities	**1 855**	2 111
Net (decrease) increase in cash and cash equivalents	**(309)**	461
Cash and cash equivalents, beginning of year	**955**	494
Cash and cash equivalents, end of year	**646**	955

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)

For the year ended March 31

millions of Canadian dollars

	2017	2016
Net Income	**59**	39
Other comprehensive income (loss)		
Items that will not be reclassified to income		
Net experience gains (losses) on pensions	**94**	(8)
Items that will be reclassified to income		
Cash flow hedges - unrealized foreign exchange losses on debt	**(47)**	(47)
Items that have been reclassified to income		
Cash flow hedges - realized foreign exchange losses (gains) on debt	**20**	(1)
	67	(56)
Comprehensive Income (Loss)	**126**	(17)
Comprehensive income (loss) attributable to:		
Manitoba Hydro	**138**	(7)
Non-controlling interests	(12)	(10)
	126	(17)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

millions of Canadian dollars

	Notes	Retained earnings	Accumulated other comprehensive income (loss)	**Manitoba Hydro**	Non-controlling interests	Total equity
Balance as at April 1, 2015		2 779	(720)	**2 059**	120	2 179
Net income (loss)		49	-	**49**	(10)	39
Other comprehensive loss		-	(56)	**(56)**	-	(56)
Comprehensive income (loss)		49	(56)	**(7)**	(10)	(17)
Change in ownership interest	28	-	-	**-**	30	30
Balance as at March 31, 2016		2 828	(776)	**2 052**	140	2 192
Net income (loss)		71	-	**71**	(12)	59
Other comprehensive income		-	67	**67**	-	67
Comprehensive income (loss)		71	67	**138**	(12)	126
Change in ownership interest	28	-	-	**-**	42	42
Balance as at March 31, 2017		**2 899**	**(709)**	**2 190**	**170**	**2 360**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 Reporting entity

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.

These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd. (Minell), 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 that was formed to participate in the development of a new transmission line in 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 interest in the Keeyask Hydropower Limited Partnership (KHLP). For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Note 2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were approved for issue by the Manitoba Hydro-Electric Board on July 5, 2017.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position:

- Financial instruments accounted for in accordance with the financial instrument categories defined in Note 3(n)
- Employee future benefits defined in Note 3(k)
- Provisions defined in Note 3(l)

(c) Functional and presentation currency

The consolidated financial statements are presented in millions of Canadian dollars, the functional currency of the corporation.

(d) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported as assets, liabilities, income and expenses.

Areas of significant management estimates are outlined in the following summary and significant accounting policies included in Note 3:

- Accrued revenue for domestic electricity and natural gas deliveries not yet billed at year-end and allowance for doubtful accounts (Note 3(b))
- Useful life estimates for depreciable assets (Notes 3(g), 16 and 18)
- Measurement of accrued liabilities (Note 22)
- Measurement of other long-term liabilities and underlying estimates of future cash flows (Note 24)
- Measurement of employee future benefits and underlying actuarial assumptions (Notes 3(k) and 25)
- Measurement of provisions and underlying estimates of future cash flows (Notes 3(l) and 27)
- Fair value measurement of financial instruments (Notes 3(n) and 29)

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amounts could differ from those estimates, but differences are not expected to be material.

Note 3 Significant accounting policies

(a) Regulatory deferral accounts

In January 2014, the International Accounting Standards Board (IASB) issued an interim standard, IFRS 14 *Regulatory Deferral Accounts*, which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. This interim standard is effective for financial reporting periods beginning on or after January 1, 2016. The corporation has elected to adopt IFRS 14 in its consolidated financial statements. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expenses for regulatory purposes and the recognition of those items for financial reporting purposes. Regulatory deferral account balances arising from rate-regulated activities are recognized and measured separately if they do not meet the criteria to be recognized as an asset or liability in accordance with other standards. The balances recorded as regulatory deferral balances will be recovered or refunded in future rates, based on approvals by the Public Utilities Board of Manitoba (PUB). These amounts would otherwise have been included in the determination of net income in the year they are incurred.

Under rate regulation, the prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the 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 plus a sufficient contribution to retained earnings.

The following regulatory deferral account balances are initially recorded at cost and amortized on a straight-line basis using the specified periods:

Demand side management (DSM) programs	10	years*
Site restoration costs	15	years
Deferred taxes	30	years
Acquisition costs	30	years
Regulatory costs	up to 5	years

*The DSM regulatory deferral debit balance includes the differences between actual and planned spending on electric and gas DSM for the 2013 to 2017 fiscal years with a corresponding regulatory deferral credit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the obligation is drawn down. The purchased gas variance account (PGVA) is recovered or refunded over a period determined by the PUB.

The amortization of the loss on disposal of assets, change in depreciation methodologies from average service life (ASL) to equal life group (ELG), deferred ineligible overhead and the impact of the 2014 depreciation study will be determined by the PUB at a future regulatory proceeding.

(b) Revenue recognition

Domestic electricity and natural gas revenues are recognized upon delivery to the customer and charged in accordance with rates approved by the PUB. Unbilled revenues are recorded based on an estimated amount of electricity and natural gas delivered and not yet billed at year-end.

Extraprovincial electricity revenue is recorded upon the delivery of energy or settlement of the financial transaction.

Consulting, technology and maintenance services and other miscellaneous revenue is recognized when services are provided or goods are shipped to the customer. Revenue from fixed price contracts is recognized under the percentage-of-completion method. The percentage of completion is determined by comparing the costs incurred at the consolidated statement of financial position date to the total estimated costs, which include costs incurred plus anticipated costs for completing a contract.

Deferred revenue related to customer contributions is recognized over the life of the related asset for which the contribution was received.

(c) Cost of gas

Natural gas is recorded at purchased cost upon delivery to gas customers.

(d) Finance expense and finance income

Finance expense includes interest on short and long-term borrowings and the provincial debt guarantee fee paid to the Province of Manitoba, foreign exchange gains and losses, accretion expense on provisions and other long-term liabilities, offset by interest capitalized for those qualifying assets under construction. All borrowing costs are recognized using the effective interest rate method. Finance income includes interest earned on loans and advances to external parties and temporary investments.

(e) 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 are subject to an insignificant risk of changes in value.

(f) Inventory

Materials and supplies, fuel and natural gas inventories are valued at the lower of average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for materials and supplies and fuel inventory.

Materials, supplies, fuel and natural gas are charged to inventory when purchased and not immediately required for use. These inventories are expensed or capitalized when used. Those materials, supplies and fuel purchased for immediate use are expensed directly.

(g) Property, plant and equipment

Property, plant and equipment (PP&E) is recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contracted services, direct labour and interest applied at the weighted average cost of debt outstanding during the period. 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 commence.

Depreciation is calculated on a straight-line remaining life basis using the ELG procedure. The major components of generating stations are depreciated over the lesser of the remaining life of the major components or the remaining life of the associated generating station.

Generation	4 – 125 years
Transmission lines	10 – 85 years
Substations	15 – 65 years
Distribution systems	10 – 75 years
Other	5 – 100 years

The estimated service lives of the assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2015.

The net gain or loss on retirement of these assets is charged to depreciation in the period incurred and then removed through net movement in regulatory balances to a regulatory debit balance. When the costs of removing an asset from service are incurred to facilitate the installation of a new asset, the costs to remove the asset from service are added to the costs of the new asset. When an asset is retired from service and not replaced with a similar asset, the costs of removing the asset from service are treated similarly to the net gain or loss on retirement of assets.

A reasonable estimate of the present value of the future cash flows required to retire an asset from service is recorded when the recognition criteria for a provision (Note 3(l)(i)) are met. An equivalent amount is added to the carrying cost of the related asset and is amortized over the asset's remaining service life. The discount rate used to measure the cash flows reflects current market assessments of the time value of money and the risks specific to the obligation.

(h) 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.

(i) Intangible assets

Intangible assets include computer application development costs, land easements and transmission rights. Intangible assets are recorded at cost less accumulated amortization. The cost of computer application development includes software, direct charges for labour, materials, contracted services and interest during development applied at the weighted average cost of debt outstanding during the period. The corporation's intangible assets have finite useful lives and are amortized over their useful lives on a straight-line basis with the amortization included in depreciation and amortization expense. The expected useful lives are as follows:

Computer application developmen	5 - 11 years
Land easements	75 years
Transmission rights	1 - 12 years

Transmission rights are amortized over the contractual period of the right plus a one-term renewal. The estimated service lives of computer application development and land easements are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2015.

(j) Impairment of non-financial assets

Non-financial assets subject to impairment testing include goodwill, intangible assets and property, plant and equipment. The corporation tests goodwill and material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and the present value of the future cash flows from an asset or CGU. The corporation has determined its CGUs to be at the segment level. This is the lowest level for which there are separately identifiable cash flows as rates for electricity and natural gas revenue are set by the PUB at the segment level. An impairment would be recognized as a charge against operations in the year of impairment if the carrying amount exceeds the recoverable amount.

(k) Employee future benefits

Manitoba Hydro provides future benefits, including pension and other benefits, to both existing and retired employees.

The costs and obligations of defined benefit pension plans and other benefits are determined by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation. Pension expense consists of the cost of pension benefits earned during the year and net interest income or expense. Interest income on plan assets is determined by multiplying the fair value of the plan assets by the discount rate used to determine the accrued benefit obligation at the start of the annual reporting period. This considers any changes in the plan assets held during the period as a result of contributions and benefit payments. Interest expense on the accrued benefit obligation is determined by multiplying the accrued benefit obligation by the discount rate used at the start of the annual reporting period.

Experience gains or losses on the asset and actuarial gains or losses on the obligation are recognized in other comprehensive income (OCI) in the period in which they occur. Past service costs, which arise when a change is made to plan benefits, are recognized immediately in profit or loss.

Other future benefits earned by employees include vacation, vested sick leave, severance and retirement health plans. Where applicable, the future costs of these benefits are determined by an independent actuary and reflect management's best estimates.

(l) Provisions

In accordance with International Accounting Standards (IAS) 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is required to be recognized where there is a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which are uncertain.

(i) Asset retirement obligations

Asset retirement obligations are estimated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

(ii) Affordable Energy Fund

The Affordable Energy Fund was determined based on Provincial Legislation. The timing of disbursements is uncertain due to the unpredictability of future customer participation.

(iii) Mitigation

Provisions arising from Manitoba Hydro's mitigation program are recognized when there is an expectation that expenditures will be incurred to address the adverse effects of past hydroelectric development on Indigenous and other communities. These provisions are based on management's best estimate of the consideration required to settle the obligation. The corporation reviews its estimates of future mitigation expenditures on an ongoing basis.

(iv) Other provisions

Other provisions have been established for obligations discovered, which require recognition in the financial statements due to the likelihood of settlement and the presence of an obligation, either from past events or constructive in nature.

(m) Government grants

Government grants are recognized when there is reasonable assurance they will be received and the corporation will comply with the conditions associated with the grant. Government grants that compensate the corporation for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate the corporation for the cost of an asset are recorded as deferred revenue and recognized in other revenue over the service life of the related asset.

(n) 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 except for those financial instruments measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following categories: loans and receivables, fair value through profit or loss, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recorded in OCI until the instrument is derecognized or impaired. Financial instruments classified as fair value through profit or loss are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of income in the period in which they arise.

Financial assets classified as loans and receivables are subject to impairment testing at the end of each reporting period. Impairment losses are recorded when there is objective evidence that impairment has occurred due to one or more events such as default or delinquency in interest or principal payments, or significant financial difficulty experienced by the counterparty. Trade receivables that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the corporation's past historical loss rates applied to groups for which the historical loss rates were observed.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced with substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability is recorded at fair value. The differences in the respective carrying amounts are recognized as gains or losses in net income.

(o) Foreign currency translation

Revenues and expenses resulting from transactions in foreign currencies are translated to Canadian dollar equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting 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.

(p) Derivatives

The corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated statement of financial position 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 the consolidated statement of income.

(q) Hedges

The corporation has designated cash flow 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. 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.

(r) Non-controlling interests

Non-controlling interests represent 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 interests within the equity section of the consolidated statement of financial position. The portion of the net income or net loss attributable to the parent and non-controlling interests is reported on the consolidated statement of income.

Note 4 Future accounting pronouncements

The following new standards and amendments are not yet effective for the year ended March 31, 2017, and have not been applied in preparing these consolidated financial statements. The corporation does not have any plans to early adopt the new standards and the full extent of the impact on adoption of the following standards is not known at this time:

IFRS 9 – *Financial Instruments*

IFRS 9 *Financial Instruments* was finalized in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance for the classification and measurement of financial assets and liabilities, a new expected credit loss model to measure impairment of financial assets and significant improvements in hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and replaces IAS 18 *Revenue* and IFRS Interpretations Committee (IFRIC) 18 *Transfers of Assets from Customers*. The standard provides a single five-step model to be applied to all contracts with customers to determine when to recognize revenue and at what amount. The underlying principle of IFRS 15 is that an entity recognizes revenue that shows the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(in millions of Canadian dollars)

IFRS 16 – *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces current lease accounting requirements under IFRS. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Note 5 Extraprovincial revenue

	2017	2016
Dependable sales	**249**	206
Opportunity sales	**202**	197
Other	**9**	12
	460	415

Dependable sales are sourced from Manitoba Hydro's hydraulic energy available during lowest water conditions and typically with a duration of greater than six months. Opportunity sales are based on excess energy, are generally over shorter periods and are transacted primarily in markets operated by an independent system operator such as the Midcontinent Independent System Operator.

The majority of extraprovincial revenue is from sales to the U.S. The average effective exchange rate for the year was $1.00 U.S. = $1.31 Canadian (2016 - $1.00 U.S. = $1.30 Canadian).

Note 6 Other revenue

	2017	2016
Consulting, technology and maintenance services	**56**	57
Customer contributions	**18**	15
Miscellaneous revenue	**32**	19
	106	91

Consulting, technology and maintenance services consist of professional consulting, operations, maintenance and project management services provided to energy sectors world-wide.

Customer contributions are the recognition of deferred revenue related to contributions in aid of construction (Note 26) and the recovery of period costs from customers.

(in millions of Canadian dollars)

Note 7 Finance expense

	2017	2016
Interest on debt	**711**	654
Provincial debt guarantee fee	**136**	122
Accretion	**29**	30
Interest capitalized	**(248)**	(177)
Foreign exchange gain (loss)	**17**	(9)
	645	620

The Provincial debt guarantee fee during the year was 1.00% of the corporation's total outstanding debt guaranteed by the Province of Manitoba (2016 - 1.00%). Interest was capitalized during the year at 4.89% (2016 - 5.03%).

Note 8 Operating and administrative

	2017	2016
Salaries and benefits	**457**	461
External services	**99**	99
Materials, motor vehicles and supplies	**35**	35
Other	**17**	19
	608	614

Additional salaries and benefits are included in other expenses (Note 12) in the amount of $19 million (2016 - $16 million).

Note 9 Depreciation and amortization

	2017	2016
Depreciation of property, plant and equipment (Note 16)	**383**	366
Amortization of intangible assets (Note 18)	**22**	22
(Gain) loss on disposal of property, plant and equipment	**(3)**	6
	402	394

(in millions of Canadian dollars)

Note 10 Fuel and power purchased

	2017	2016
Wind purchases	**73**	63
Transmission charges	**46**	43
Thermal fuel purchases	**8**	8
Power purchases	**5**	3
	132	117

Note 11 Capital and other taxes

	2017	2016
Corporate capital tax	**84**	72
Property tax and grants in lieu of tax	**38**	37
Payroll tax	**13**	13
	135	123

Note 12 Other expenses

	2017	2016
Demand side management expenses	**61**	64
Consulting, technology and maintenance expenses	**33**	38
Restructuring costs	**4**	-
Miscellaneous	**6**	12
	104	114

Of the total other expenses, $67 million (2016 - $72 million) are subsequently deferred in regulatory deferral balances through net movement in regulatory balances (Note 20).

(in millions of Canadian dollars)

Note 13 Cash and cash equivalents

	2017	2016
Temporary investments	525	820
Cash	116	132
Restricted cash	5	3
	646	955

Temporary investments consist of cash invested with the Province of Manitoba and have a maturity of less than 30 days. Restricted cash consists of deposits held for letters of guarantees for customer contracts, callable at any time.

Note 14 Accounts receivable and accrued revenue

	2017	2016
Trade accounts receivable	249	241
Accrued revenue	85	79
Current portion of loans and other receivables (Note 19)	21	22
Other receivables	21	22
Taxes receivable	20	18
Allowance for doubtful accounts	(11)	(10)
	385	372

Note 15 Inventory

	2017	2016
Materials and supplies	66	66
Natural gas	25	32
Fuel	17	19
	108	117

Inventory recognized as an expense during the year was $41 million (2016 - $39 million). The write-down of inventory during 2017 was $1 million (2016 - nil). No reversals of write-downs occurred during the year (2016 - nil).

(in millions of Canadian dollars)

Note 16 Property, plant and equipment

	Generation	Transmission lines	Substations	Distribution systems	Other	Construction in progress	Total
Cost or deemed cost							
Balance, April 1, 2015	5 827	737	2 187	2 605	917	3 278	15 551
Additions	135	13	82	196	47	1 889	2 362
Disposals and/or retirements	(10)	-	(4)	(14)	(4)	-	(32)
Assets placed in service*	154	12	105	37	22	(330)	-
Transfers to (from) PP&E	-	1	2	-	(3)	-	-
Balance, March 31, 2016	6 106	763	2 372	2 824	979	4 837	17 881
Additions	119	22	36	218	53	2 519	2 967
Disposals and/or retirements	(7)	(3)	(5)	(15)	(18)	-	(48)
Assets placed in service*	47	15	87	64	32	(245)	-
Transfers to (from) PP&E	(1)	1	1	(4)	1	(25)	(27)
Balance, March 31, 2017	**6 264**	**798**	**2 491**	**3 087**	**1 047**	**7 086**	**20 773**
Accumulated depreciation							
Balance, April 1, 2015	119	13	75	71	51	-	329
Depreciation expense	128	13	85	84	56	-	366
Disposals and/or retirements	(8)	-	(5)	(7)	(2)	-	(22)
Balance, March 31, 2016	239	26	155	148	105	-	673
Depreciation expense	130	14	89	89	61	-	383
Disposals and/or retirements	(6)	(1)	(6)	(10)	(17)	-	(40)
Balance, March 31, 2017	**363**	**39**	**238**	**227**	**149**	**-**	**1 016**
Net book value							
Balance, March 31, 2016	5 867	737	2 217	2 676	874	4 837	17 208
Balance, March 31, 2017	**5 901**	**759**	**2 253**	**2 860**	**898**	**7 086**	**19 757**

*Represents projects that were in construction in progress at the beginning of the year.

Included in additions is interest capitalized during construction of $245 million (2016 - $174 million).

(in millions of Canadian dollars)

Note 17 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 $146 million (2016 - $132 million). Interest earned on sinking fund investments is recognized in finance expense. As at March 31, 2017 sinking fund investments totaled nil (2016 - nil).

Note 18 Intangible assets

	Computer application development	Land easements	Transmission rights	Under development	Total
Cost or deemed cost					
Balance, April 1, 2015	112	71	10	12	205
Additions	7	13	-	15	35
Retirements	(2)	-	-	-	(2)
Assets placed into service*	3	3	-	(6)	-
Balance, March 31, 2016	120	87	10	21	238
Additions	12	38	29	20	99
Retirements	(3)	-	-	-	(3)
Assets placed into service*	15	2	-	(17)	-
Transfers	-	-	25	-	25
Balance, March 31, 2017	**144**	**127**	**64**	**24**	**359**
Accumulated amortization					
Balance, April 1, 2015	18	1	3	-	22
Amortization	20	1	2	-	23
Retirements	(1)	-	-	-	(1)
Balance, March 31, 2016	37	2	5	-	44
Amortization	21	2	2	-	25
Retirements	(3)	-	-	-	(3)
Balance, March 31, 2017	**55**	**4**	**7**	**-**	**66**
Net book value					
Balance, March 31, 2016	83	85	5	21	194
Balance, March 31, 2017	**89**	**123**	**57**	**24**	**293**

Computer application development is a combination of internally developed and externally acquired intangible assets.

(in millions of Canadian dollars)

Note 19 Loans and other receivables

	2017	2016
Loan to Wuskwatim investment entity (Note 28)	**135**	128
Loans to Keeyask investment entities (Note 28)	**135**	90
Contract receivables and other	**104**	104
	374	322
Less: current portion (Note 14)	**(21)**	(22)
	353	300

Accrued interest related to loans receivable is included in the loan balances above and is recognized in finance income.

(in millions of Canadian dollars)

Note 20 Regulatory deferral balances

	March 31, 2016	Balances arising in the year	Recovery / reversal	**March 31, 2017**	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
DSM programs[1]	232	56	(35)	**253**	1 - 10
Site restoration	31	1	(4)	**28**	1 - 15
Change in depreciation method	60	31	-	**91**	*
Deferred ineligible overhead	40	21	-	**61**	*
Acquisition costs	10	-	(1)	**9**	15 - 18
Affordable Energy Fund	4	-	-	**4**	**
Loss on disposal of assets	9	1	-	**10**	*
Regulatory costs	4	4	(2)	**6**	1 - 5
Gas					
DSM programs[1]	57	13	(9)	**61**	1 - 10
Deferred taxes	23	2	(4)	**21**	1 - 30
Site restoration	3	-	-	**3**	1 - 15
Loss on disposal of assets	6	3	-	**9**	*
Change in depreciation method	4	2	-	**6**	*
Regulatory costs	1	1	(1)	**1**	1 - 5
Deferred ineligible overhead	2	-	-	**2**	*
Change in depreciation rate - meters	-	1	-	**1**	*
	486	136	(56)	**566**	
Regulatory deferral credit balances					
Electric					
DSM deferral	43	6	-	**49**	*
Gas					
DSM deferral	6	2	-	**8**	*
PGVA	1	(182)	198	**17**	***
Impact of 2014 depreciation study	2	1	-	**3**	*
	52	(173)	198	**77**	
Net movement in regulatory balances		309	(254)	**55**	

[1] Included in DSM programs is the difference between actual and planned expenditures for electric and gas DSM programs.

* The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 27) is drawn down.

*** The PGVA is recovered or refunded in future rates.

(in millions of Canadian dollars)

	March 31, 2015	Balances arising in the year	Recovery / reversal	March 31, 2016	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
DSM programs[1]	184	81	(33)	232	1 - 10
Site restoration	31	3	(3)	31	1 - 15
Change in depreciation method	29	31	-	60	*
Deferred ineligible overhead	20	20	-	40	*
Acquisition costs	11	-	(1)	10	15 - 18
Affordable Energy Fund	6	-	(2)	4	**
Loss on disposal of assets	6	3	-	9	*
Regulatory costs	1	4	(1)	4	1 - 5
Gas					
DSM programs[1]	55	10	(8)	57	1 - 10
PGVA	32	181	(213)	-	***
Deferred taxes	25	2	(4)	23	1 - 30
Site restoration	3	-	-	3	1 - 15
Loss on disposal of assets	3	3	-	6	*
Change in depreciation method	2	2	-	4	*
Regulatory costs	1	1	(1)	1	1 - 5
Deferred ineligible overhead	1	1	-	2	*
	410	342	(266)	486	
Regulatory deferral credit balances					
Electric					
DSM deferral	16	27	-	43	*
Gas					
DSM deferral	6	-	-	6	*
PGVA	-	-	1	1	***
Impact of 2014 depreciation study	1	1	-	2	*
	23	28	1	52	
Net movement in regulatory balances		314	(267)	47	

[1] Included in DSM programs is the difference between actual and planned expenditures for electric and gas DSM programs.

* The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 27) is drawn down.

*** The PGVA is recovered or refunded in future rates.

The balances arising in the year consist of additions to regulatory deferral balances. The recovery/reversal consists of amounts recovered from customers through the amortization of existing regulatory balances or rate riders. The net impact of these transactions results in the net movement in regulatory deferral balances on the consolidated statement of income.

Balances arising in the year include $2 million (2016 - $2 million) for carrying costs on deferred taxes, the Affordable Energy Fund and the PGVA.

The regulatory deferral debit balances of the corporation consist of the following:

DSM program expenditures are incurred for energy conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently.

Site restoration expenditures are incurred for the remediation of contaminated corporate facilities and diesel generating sites.

Change in depreciation method represents the cumulative annual difference in depreciation expense between the ASL method of depreciation as applied by Manitoba Hydro prior to its transition to IFRS and the ELG method as applied by Manitoba Hydro under IFRS.

Deferred ineligible overhead is the cumulative annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate setting purposes.

Acquisition costs relate to costs associated with the acquisition of Centra and Minell (July 1999) and Winnipeg Hydro (September 2002).

The Affordable Energy Fund relates to future DSM expenditures in connection with *The Winter Heating Cost Control Act*. The intent of the Affordable Energy Fund is to provide funding for projects that would not otherwise be funded by DSM programs.

Loss on disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.

Regulatory costs are those incurred as a result of electric and gas regulatory hearings.

Deferred taxes are the taxes paid by Centra (July 1999) as a result of its change to non-taxable status upon acquisition by Manitoba Hydro.

(in millions of Canadian dollars)

The regulatory deferral credit balances of the corporation consist of the following:

Purchased gas variance 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. Purchased gas variance accounts are reflected as a regulatory debit or credit depending if the amounts represent a recovery from or a refund to the customers, respectively.

Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The PUB requires the use of 2010 ASL depreciation rates for Centra for rate setting purposes pending review at the next gas regulatory proceeding.

DSM deferral - In Orders 43/13 and 85/13, the PUB directed that the differences between actual and planned spending on electric and gas DSM programs for the 2012-13 and 2013-14 fiscal years be recognized as a liability. In Order 73/15, the PUB further directed that the difference in fiscal 2014-15 and 2015-16 spending be added to this deferral. Consistent with Order 73/15, the difference in spending for 2016-17 has been added to the deferral. The cumulative differences have been recorded as a regulatory deferral credit balance with an offsetting balance recorded as a regulatory deferral debit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

Note 21 Long-term debt

	Advances from the Province	Manitoba HydroBonds	Manitoba Hydro-Electric Board Bonds	Other*	Total
Balance, April 1, 2015	12 485	76	158	(39)	12 680
Issues	2 208	-	-	(43)	2 165
Maturities	(300)	(50)	(12)	-	(362)
Foreign exchange adjustments	44	-	-	(2)	42
Amortization of net premiums and transaction costs	-	-	(1)	3	2
Balance, March 31, 2016	14 437	26	145	(81)	14 527
Issues	2 163	-	-	23	2 186
Maturities	(301)	(19)	-	-	(320)
Foreign exchange adjustments	42	-	-	1	43
Amortization of net premiums and transaction costs	-	-	-	2	2
	16 341	7	145	(55)	16 438
Less: current portion	(310)	(6)	(20)	-	(336)
Balance, March 31, 2017	**16 031**	**1**	**125**	**(55)**	**16 102**

*Other includes adjustments to carrying value of dual currency bonds, transaction costs and debt discounts and premiums.

(in millions of Canadian dollars)

During the year, the corporation arranged long-term financing of $2 186 million (2016 - $2 165 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 $330 million (2016 - $301 million) of debt maturities and $6 million (2016 - $25 million) of floating-rate Manitoba HydroBonds with a maturity date in 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 (2016 - $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:

Years of maturity	Canadian	Canadian yields	U.S.	U.S. yields	**2017 Total**	2016 Total
2018	336	6.5%	-	-	**336**	331
2019	996	6.9%	-	-	**996**	996
2020	174	3.7%	200	6.0%	**374**	345
2021	975	3.0%	333	7.9%	**1 308**	1 299
2022	253	1.8%	866	8.8%	**1 119**	847
	2 734	3.8%	1 399	8.3%	**4 133**	3 818
2023-2027	2 936	3.0%	200	2.6%	**3 136**	2 198
2028-2032	1 126	7.9%	-	-	**1 126**	880
2033-2037	515	5.0%	-	-	**515**	515
2038-2042	2 194	4.6%	-	-	**2 194**	2 135
2043-2047	3 402	3.5%	-	-	**3 402**	3 125
2048-2064	1 986	3.7%	-	-	**1 986**	1 611
	14 893	4.0%	1 599	7.4%	**16 492**	14 282

Included in the above Canadian maturity amounts are seven dual currency bonds with the principal amount repayable in Canadian currency and interest payments denominated in U.S. currency. Six dual currency bonds mature in the 2018-19 fiscal year in the amount of $490 million Canadian while the seventh 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 statement of financial position date, $1.00 U.S. = $1.33 Canadian (2016 - $1.00 U.S. = $1.30 Canadian).

(in millions of Canadian dollars)

Note 22 Accounts payable and accrued liabilities

	2017	2016
Trade and other payables	**970**	601
Employee payroll and benefit accruals	**68**	77
Taxes payable	**38**	33
Water rentals and assessments	**11**	11
	1 087	722

Included in accounts payable and accrued liabilities are accruals based on an estimated amount of services completed or goods and materials received but not invoiced.

Note 23 Other liabilities

	2017	2016
Current portion of other long-term liabilities (Note 24)	**78**	77
Current portion of deferred revenue (Note 26)	**4**	2
Current portion of provisions (Note 27)	**1**	1
	83	80

The current portion of other long-term liabilities consists of the current portions of mitigation liability of $26 million (2016 - $30 million), major development liability of $31 million (2016 - $26 million), perpetual obligation to the City of Winnipeg for the acquisition of Winnipeg Hydro of $16 million (2016 - $16 million) and refundable advances from customers of $5 million (2016 - $5 million).

The current portion of provisions represents the asset retirement obligation for the removal and disposal of polychlorinated biphenyl (PCB) contaminated fluid in equipment bushings at transmission and distribution stations and for the decommissioning of the coal pile associated with the Brandon thermal generating station.

The current portion of deferred revenue represents advance payments from customers for software maintenance and international consulting work.

(in millions of Canadian dollars)

Note 24 Other long-term liabilities

	2017	2016
Mitigation liability	**209**	215
Major development liability	**210**	219
Perpetual obligation	**215**	215
Refundable advances from customers	**79**	80
Other	**3**	3
	716	732
Less: current portion (Note 23)	**(78)**	(77)
	638	655

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 Indigenous communities. The mitigation program was expanded to address impacts arising from all past hydroelectric developments (prior to the Wuskwatim Generating Station), particularly for Indigenous 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 $63 million during the year (2016 - $31 million). In recognition of future mitigation payments, the corporation has recorded a liability of $209 million (2016 - $215 million). There are other mitigation issues, the outcomes of which are not determinable at this time.

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 as at March 31, 2017 totaled $8 million (2016 - $9 million).

The discount rates used to determine the present value of mitigation obligations range from 3.45% to 8.50%.

(in millions of Canadian dollars)

Major development

Beginning with the development of 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 for 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 $210 million (2016 - $219 million) to reflect these agreements. These expenditures are included in the costs of the associated projects and amortized over the life of the assets.

The discount rates used to determine the present value of the major development obligation range from 3.45% to 5.05%.

Perpetual obligation

Effective September 3, 2002, the corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

The discount rate used to determine the present value of the perpetual obligation was 7.45%.

Note 25 Employee future benefits

	2017	2016
Net pension liability	**540**	588
Other employee future benefits liability	**278**	271
	818	859

Pension plans

Manitoba Hydro and its employees are participating members of the Civil Service Superannuation Plan (the Plan) established under *The Civil Service Superannuation Act* (CSSA). Manitoba Hydro employees are eligible for pension benefits based on years of service and on the average earnings of the five best years. As a non-matching employer, the provisions of the CSSA require the corporation to contribute approximately 50% of the pension disbursements made to retired employees. Manitoba Hydro provides its portion of pension benefits through a separately administered fund, the Manitoba Hydro Pension Fund (MHPF). Manitoba Hydro and employees make contributions based on a percentage of pensionable earnings in accordance with the CSSA.

Manitoba Hydro employees with pensionable service after June 1, 2006 are eligible for an additional pension benefit under the Enhanced Hydro Benefit Plan (EHBP). The EHBP improves the pension formula used to calculate pension benefits. Manitoba Hydro funds the enhanced pension benefit through contributions based on 0.50% of pensionable earnings to a separate trust account that is managed by the Civil Service Superannuation Board (CSSB). The EHBP funds are co-mingled with the Civil Service Superannuation Fund (CSSF) assets for investment purposes.

The former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. 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 actuarial valuation dated December 31, 2015. The plans are registered with the Pension Commission of Manitoba and subject to the rules and regulations of *The Pension Benefits Act* of Manitoba. The Master Trust assets are held in trust with State Street Trust Company of Canada. The CSSB acts as the investment manager.

MHUS employees are eligible for pension benefits under the Plan. As a matching employer under the CSSA, MHUS is required to match employee contributions at a prescribed rate. MHUS' pension expense is recognized at the time contributions are made. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to MHUS.

The former employees of Winnipeg Hydro continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP), which upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the former employees of Winnipeg Hydro. 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 similar to a defined contribution 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.

An independent actuary calculates the liability for pension expense purposes as at December 31 each year with the most recent actuarial valuations being completed as at December 31, 2016. The next actuarial valuations for all plans will occur as at December 2017.

(in millions of Canadian dollars)

These valuations incorporate management's assumptions and take into consideration the long-term nature of the pension plans. The actuary selects the demographic assumptions. The corporation's management in consultation with the actuary determines the economic assumptions such as discount rate. The accrued benefit actuarial cost method with salary projection is used to determine the pension benefit obligation and current service cost.

The following table presents information pertaining to the Manitoba Hydro Plan, the EHBP and the Centra curtailed plans that are recognized in the consolidated financial statements:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Plan assets at fair value								
Balance at beginning of year	**938**	974	**24**	21	**121**	126	**1 083**	1 121
Return (loss) on assets	**104**	(13)	**2**	1	**13**	(2)	**119**	(14)
Employer contributions	**37**	36	**2**	2	**1**	2	**40**	40
Benefit payments and refunds	**(64)**	(59)	**(1)**	-	**(5)**	(5)	**(70)**	(64)
	1 015	938	**27**	24	**130**	121	**1 172**	1 083
Pension obligation								
Balance at beginning of year	**1 515**	1 503	**35**	32	**121**	124	**1 671**	1 659
Interest cost	**59**	55	**1**	1	**5**	5	**65**	61
Current service cost	**60**	59	**4**	4	**-**	-	**64**	63
Benefit payments and refunds	**(64)**	(60)	**(1)**	-	**(5)**	(5)	**(70)**	(65)
Actuarial losses (gains) arising from changes in financial assumptions	**(17)**	(42)	**(1)**	(2)	**-**	(3)	**(18)**	(47)
	1 553	1 515	**38**	35	**121**	121	**1 712**	1 671
Net pension (liability) asset	**(538)**	(577)	**(11)**	(11)	**9**	-	**(540)**	(588)

The gain on pension fund assets for the MHPF for the fiscal year ended March 31, 2017 was 11.7% (2016 – (0.97)% return). The gain for the Centra curtailed plan fund assets for the year ended March 31, 2017 was 11.9% (2016 – (1.39)% return). The weighted average term to maturity on fixed income investments is 9.9 years (2016 - 9.8 years).

The investment income earned on the EHBP funds is based on the market rate of return that is earned by the CSSF. For the year ended December 31, 2016, the CSSF earned a rate of return of 5.66% (2016 – 7.63%) on fund assets.

(in millions of Canadian dollars)

The most recent actuarial valuations for the pension plans for going concern funding purposes were prepared as at December 31, 2016, at which date the Manitoba Hydro Plan was 89% and the EHBP was 102% funded. The Manitoba Hydro Plan is exempt from the funding and solvency test funding requirements of *The Pension Benefits Act*. The Centra curtailed pension plans are subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2016. The Centra Salaried, Union and Rural plans were 94%, 99% and 90% funded, respectively, at that date.

The corporation's pension expense related to each of the pension benefit plans is as follows:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans	
	2017	2016	**2017**	2016	**2017**	2016
Current service cost	**60**	59	**4**	4	**-**	-
Interest on assets	**(39)**	(38)	**(1)**	(1)	**(5)**	(5)
Interest on obligation	**59**	55	**1**	1	**5**	5
Administrative fees	**4**	3	**-**	-	**1**	-
	84	79	**4**	4	**1**	-

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP. Total contributions to the WCEBP during the year amounted to $1 million (2016 - $1 million) and reflect an employer contribution rate approximating 6.0% of pensionable earnings as of January 2, 2017. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year. The amounts are not material.

Assumptions

The significant actuarial assumptions adopted in measuring the corporation's pension and other employee benefit obligations are as follows:

	2017	2016
Discount rate - pensions	**3.80%**	3.90%
Discount rate - other benefits	**3.80%**	3.90%
Rate of compensation increase, including merit and promotions	**0.00 - 2.00%**	1.50 - 2.00%
Long-term inflation rate	**2.00%**	2.00%

(in millions of Canadian dollars)

Sensitivity of assumptions

The sensitivities of the principle assumptions used to measure the defined benefit obligations are set out below:

Assumption	Change in assumption	Impact on Manitoba Hydro Plan	Impact on EHBP	Impact on Centra curtailed pension plans
Discount rate	+ 0.50%	(106)	(3)	(7)
	- 0.50%	137	5	8
Inflation rate	+ 0.10%	(18)	-	(1)
	- 0.10%	18	-	1
Wage rate	+ 0.50%	31	2	1
	- 0.50%	(26)	(2)	(1)

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another.

Benefit plan asset allocation

The following is a summary of the asset mix of the plans' investments at fair value:

	MHPF		Centra curtailed pension plans	
	2017	2016	**2017**	2016
Equities	**63%**	62%	**62%**	61%
Bonds and debentures	**20%**	21%	**20%**	22%
Real estate	**11%**	11%	**11%**	11%
Infrastructure	**5%**	5%	**5%**	4%
Short-term investments	**1%**	1%	**2%**	2%
	100%	100%	**100%**	100%

(in millions of Canadian dollars)

Other employee future benefits

Manitoba Hydro also provides some unfunded non-pension employee future benefits including banked incidental days, vacation days, long-term disability, workers compensation, retiree health spending, sick leave vesting and severance. The following table presents information concerning other employee future benefits:

	2017	2016
Balance at beginning of year	**271**	266
Interest cost	**7**	7
Current service cost	**20**	22
Benefit payments	**(22)**	(24)
Actuarial loss from changes in financial assumptions	**2**	-
Benefits liability	**278**	271

Key management personnel

The key management personnel of the corporation have been defined as members of the Manitoba Hydro-Electric Board and Manitoba Hydro's executives. The directors' fees are authorized by the Lieutenant Governor in Council. Manitoba Hydro's executives receive a base salary, in addition to non-cash benefits, employer contributions to the corporation's post-employment defined pension plan and other post-employment benefits.

Key management personnel compensation is as follows:

	2017	2016
Salaries and other short-term employee benefits	**3**	3
Post-employment benefits*	**-**	-
	3	3

*Amounts round to less than $1 million.

Note 26 Deferred revenue

	2017	2016
Contributions in aid of construction	**455**	434
Bipole III contribution	**196**	100
Deferred revenue	**6**	3
	657	537
Less: current portion (Note 23)	**(4)**	(2)
	653	535

(in millions of Canadian dollars)

Contributions in aid of construction are required from customers whenever the costs of extending service exceed specified construction allowances. These contributions include government grants. Contributions are initially recorded as deferred revenue and are subsequently recognized as revenue over the lives of the related assets.

The PUB has directed that the following percentages of approved rate increases be set aside as a Bipole III contribution to be utilized to mitigate the required rate increases when Bipole III is placed in-service:

- Order 43/13 1.50% of the approved 3.50%
- Order 49/14 0.75% of the approved 2.75%
- Order 73/15 2.15% of the approved 3.95%
- Order 59/16 3.36% of the approved 3.36%

During the year, $96 million (2016 - $51 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 27 Provisions

	Mitigation provisions	Asset retirement obligation	Affordable Energy Fund	Other provisions	Total
Balance, April 1, 2015	22	15	6	-	43
Provisions made	-	15	-	-	15
Provisions used	-	-	(2)	-	(2)
Accretion	1	-	-	-	1
Gain on derecognition	-	(3)	-	-	(3)
Balance, March 31, 2016	23	27	4	-	54
Provisions made	32	(20)	-	4	16
Provisions used	-	(1)	-	-	(1)
Accretion	1	1	-	-	2
Balance, March 31, 2017	**56**	**7**	**4**	**4**	**71**

	2017	2016
Analyzed as:		
Current (Note 23)	**1**	1
Non-current	**70**	53
	71	54

Mitigation

A provision has been recognized for certain mitigation related obligations arising from ongoing adverse effects of past hydroelectric development. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the reporting date. Once a final settlement is reached, these obligations will be transferred to other long-term liabilities (Note 24).

Discount rates used to determine the present value of mitigation related provisions range from 3.75% to 4.15%.

Subsequent to March 31, 2017, the corporation entered into discussions with a party regarding impacts of transmission development. Discussions are continuing and no agreement has been signed at this time.

Asset retirement obligations

An asset retirement obligation continues to be recognized for the future decommissioning of the Brandon Thermal Generating Station coal pile. The estimate was adjusted as a result of plans to repurpose parts of the station and only remove the coal pile. The corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $3 million (2016 - $15 million), which is expected to be incurred in 2019.

The corporation recognizes an asset retirement obligation for the removal and disposal of PCB contaminated fluid in equipment bushings at transmission and distribution stations. The estimated undiscounted cash flows required to settle the asset retirement obligation are approximately $4 million (2016 - $19 million), which is expected to be incurred by 2024.

No funds are being set aside to settle the asset retirement obligations. The discount rates used to determine the fair market value of asset retirement obligations range from 0.75% to 1.30% (2016 - 3.88% to 3.92%).

Affordable Energy Fund

In accordance with the requirements of *The Winter Heating Cost Control Act*, Manitoba Hydro established an Affordable Energy Fund in the initial amount of $35 million for the purpose of providing funding for projects that would not otherwise be funded by DSM programs. Expenditures of nil (2016 - $2 million) during the year were charged to operations with the regulatory deferral balance and the provision reduced accordingly.

Other provisions

Other provisions have been established for obligations discovered, which require recognition in the financial statements due to the likelihood of settlement and the presence of an obligation, either from past events or constructive in nature.

(in millions of Canadian dollars)

Note 28 Non-controlling interests

	2017	2016
Wuskwatim Power Limited Partnership		
Taskinigahp Power Corporation	**40**	52
Keeyask Hydropower Limited Partnership		
Cree Nation Partners Limited Partnership	**78**	52
Fox Lake Cree Nation Keeyask Investments Inc.	**26**	18
York Factory First Nation Limited Partnership	**26**	18
	130	88
	170	140

Manitoba Hydro has entered into the WPLP 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 assets were placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $40 million (2016 - $52 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position. TPC's portion of the net loss of the WPLP during 2016-17 is $12 million (2016 - $10 million).

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC for investment in WPLP. As at March 31, 2017, Manitoba Hydro has provided advances to TPC of $88 million (2016 - $88 million). In addition, Manitoba Hydro provides advances on future WPLP distributions to NCN. As at March 31, 2017, Manitoba Hydro has provided advances to NCN of $6 million (2016 - $6 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

Manitoba Hydro has also entered into the KHLP 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 into service in 2021.

The 15% ownership interest of CNPLP, the 5% ownership interest of FLCNKII and the 5% ownership interest of YFFNLP in the KHLP totaling $130 million (2016 – $88 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position.

(in millions of Canadian dollars)

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to CNPLP, FLCNKII and YFFNLP. As at March 31, 2017, Manitoba Hydro has provided advances to CNPLP of $76 million (2016 - $52 million), FLCNKII of $25 million (2016 - $17 million) and YFFNLP of $25 million (2016 - $17 million). The advances plus interest are repayable by CNPLP, FLCNKII and YFFNLP through distributions from the KHLP.

Summarized financial information before intercompany eliminations for WPLP and KHLP are as follows:

	2017	2016
WPLP		
Current assets	**13**	16
Non-current assets	**1 526**	1 548
Current liabilities	**24**	23
Non-current liabilities	**1 393**	1 383
Revenue	**80**	86
Net loss	**(36)**	(31)
KHLP		
Current assets	**89**	8
Non-current assets	**3 202**	2 316
Current liabilities	**152**	169
Non-current liabilities	**2 398**	1 651

(in millions of Canadian dollars)

Note 29 Financial instruments

The carrying amounts and fair values of the corporation's non-derivative financial instruments were as follows:

		2017		2016	
	Level	Carrying value	Fair value	Carrying value	Fair value
Fair value through profit and loss					
Cash and cash equivalents	1	**646**	**646**	955	955
Loans and receivables					
Accounts receivable and accrued revenue	*	**364**	**364**	350	350
Loans and other receivables (including current portion)	2	**374**	**397**	322	347
Other financial liabilities					
Accounts payable and accrued liabilities	*	**1 087**	**1 087**	722	722
Long-term debt (including current portion)	2	**16 438**	**18 456**	14 527	16 948
Mitigation liability (including current portion)	2	**209**	**259**	215	259
Major development liability (including current portion)	2	**210**	**244**	219	240
Perpetual obligation (including current portion)	2	**215**	**370**	215	375

*carried at values that approximate fair value

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.

Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated statement of financial position date for similar instruments available in the capital market. There are nominal amounts measured at Level 3 that are based on internally developed valuation models, and 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 have not changed significantly from the prior year.

(in millions of Canadian dollars)

(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, temporary 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. Customers participating in residential financing programs are subject to credit reviews and must meet specific criteria before they are approved for a residential loan or financing. Equity loans advanced to Indigenous partners are secured by their ownership investment units in the Wuskwatim and Keeyask Generating Stations. 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 allowance for doubtful accounts are presented in the following table:

	Manitoba	Extraprovincial	**2017**	2016
Under 30 days	169	29	**198**	193
31 to 60 days	16	-	**16**	15
61 to 90 days	7	-	**7**	8
Over 90 days	28	-	**28**	25
	220	29	**249**	241
Allowance for doubtful accounts	(11)	-	**(11)**	(10)
Total accounts receivable	209	29	**238**	231

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

(in millions of Canadian dollars)

(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 as at the consolidated statement of financial position date:

	Carrying value	2018	2019	2020	2021	2022	2023 and thereafter
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	1 087	1 087	-	-	-	-	-
Long-term debt*	16 552	1 228	1 838	1 156	2 063	1 803	23 073
Mitigation liability	209	26	29	18	64	12	353
Major development liability	210	31	15	15	15	15	552
Perpetual obligation	215	16	16	16	16	16	16**
	18 273	2 388	1 898	1 205	2 158	1 846	23 994

*includes current portion and interest payments

**per year in perpetuity

(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, 2017, unrealized foreign exchange translation losses of $47 million (2016 - $47 million losses) were recognized in OCI and net losses of $20 million (2016 - $1 million gain) were reclassified from OCI into 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, 2017, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $7.8 million (2016 - nil), while OCI would increase (decrease) by $120 million (2016 - $125 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 short-term and long-term debt, fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2017, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $3 million (2016 - $4 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.

(in millions of Canadian dollars)

(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 natural gas for delivery to customers throughout Manitoba. The corporation mitigates commodity price risk through its limited use of derivative financial instruments. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The corporation has entered into commodity derivative contracts as at March 31, 2017. The change in fair value of these contracts is reported as derivatives and carried at fair value on the consolidated statement of financial position in accounts receivable and accrued revenue. The unrealized fair value gains of $1 million (2016 - $1 million) are classified as Level 2 fair value measurements.

Note 30 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%.

The corporation's equity ratio was as follows:

	2017	2016
Long-term debt	**16 102**	14 201
Current portion of long-term debt	**336**	326
Less: Cash and cash equivalents (Note 13)	**(646)**	(955)
Net debt	**15 792**	13 572
Retained earnings	**2 899**	2 828
Accumulated other comprehensive loss	**(709)**	(776)
Contributions in aid of construction (Note 26)	**455**	434
Bipole III contribution (Note 26)	**196**	100
Non-controlling interest (Note 28)	**170**	140
Total equity	**3 011**	2 726
Equity ratio	**16%**	17%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act*, *The Loan Act* and *The Financial Administration 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. Authority to refinance any maturing long-term debt is provided through *The Financial Administration Act*. The majority of Manitoba Hydro's long-term debt is obtained through advances from the Province of Manitoba.

Note 31 Related parties

Manitoba Hydro is a Crown corporation controlled by the Province of Manitoba. As a result, the corporation has a related party relationship with all entities that are controlled, jointly controlled or significantly influenced by the Province of Manitoba. However, as permitted by IAS 24 *Related Party Disclosures*, the corporation is exempt from disclosure requirements relating to transactions with the Province of Manitoba and any other entity that is a related party because the Province of Manitoba has control, joint control or significant influence over both the corporation and the other entity.

Significant transactions with the Province of Manitoba and other related provincial entities consist of:

- Long-term debt – the corporation obtains the majority of its long-term debt through advances from the Province of Manitoba (Note 21),
- Provincial debt guarantee fee – the corporation pays the Province of Manitoba an annual fee on the outstanding debt. The Provincial debt guarantee fee of $136 million (2016 - $122 million) for the year was 1.00% (2016 – 1.00%) of the corporation's total outstanding debt guaranteed by the Province of Manitoba,
- Sale of electricity and natural gas – energy sales to related parties,
- Water rentals – amounts 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 (2016 - $3.34 per MWh) totaling $122 million (2016 - $117 million), and
- Taxes – amounts are paid to the Province of Manitoba for corporate capital tax, payroll tax (Note 11) and provincial sales tax, all of which are incurred in the normal course of business.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Note 32 Commitments and contingencies

Manitoba Hydro has energy purchase commitments of $1 419 million (2016 - $1 454 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 $3 334 million (2016 - $3 511 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 PCB 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. 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 as at March 31, 2017 totaled $313 million (2016 - $368 million) and do not have specific maturity dates. Letters of credit in the amount of $74 million (2016 - $68 million) have been issued for construction and energy related transactions with maturities until 2049.

Note 33 Segmented information

Operating segments are reported consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the President and Chief Executive Officer. The corporation is managed as three segments, electricity operations, natural gas operations and all other segments, based on how financial information is produced internally for the purposes of making operating decisions.

Segment descriptions

Electric Operations
Electric operations derives its revenue from the sale of electricity in both Manitoba and to the export markets. Manitoba Hydro's electric operations also includes subsidiaries WPLP, KHLP and 6690271 Manitoba Ltd. Electricity is sold in Manitoba to residential, commercial and industrial customers while extraprovincial sales of electricity are to the U.S. and Canadian markets. Domestic electricity sales are regulated by the PUB.

Natural Gas Operations
The operations of Centra make up the entire natural gas operations segment. Centra is regulated by the PUB and generates revenue through the sale and distribution of natural gas to residential, commercial and industrial customers throughout Manitoba.

All Other Segments

All other segments includes the operations of all other subsidiaries of the corporation, including MHI, MHUS, Minell and Teshmont.

MHI derives its revenue by providing professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

MHUS generates revenue by providing meter reading, interactive voice response systems and contracted services primarily to Manitoba Hydro and Centra.

Minell operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba and is regulated by the National Energy Board. Revenues are derived through the rentals of Minell's gas transmission facilities to Centra as they are used solely for the transportation of natural gas on behalf of Centra.

Teshmont is a holding company established to acquire a 40% ownership of Teshmont Consultants Limited Partnership, which carries on a high voltage engineering and consulting practice.

Segmented results

Results by operating segment for the years ended March 31, 2017 and 2016 are shown below. Intersegment eliminations are presented to reconcile segment results to the corporation's consolidated totals. Eliminations have been made for intersegment transactions and balances.

(in millions of Canadian dollars)

	Electric operations		Natural gas operations		All other segments		Eliminations		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenues										
External revenue	**1 927**	1 845	**344**	355	**56**	58	**-**	-	**2 327**	2 258
Intersegment revenue	**-**	-	**1**	1	**9**	9	**(10)**	(10)	**-**	-
	1 927	1 845	**345**	356	**65**	67	**(10)**	(10)	**2 327**	2 258
Expenses										
Cost of gas sold	**-**	-	**183**	181	**-**	-	**-**	-	**183**	181
Finance expense	**608**	582	**19**	20	**-**	-	**18**	18	**645**	620
Operating and administrative	**536**	543	**65**	67	**17**	16	**(10)**	(12)	**608**	614
Depreciation and amortization	**375**	367	**23**	23	**2**	1	**2**	3	**402**	394
Water rentals and assessments	**131**	126	**-**	-	**-**	-	**-**	-	**131**	126
Fuel and power purchased	**132**	117	**-**	-	**-**	-	**-**	-	**132**	117
Capital and other taxes	**119**	107	**16**	16	**-**	-	**-**	-	**135**	123
Other expenses	**60**	65	**12**	10	**35**	42	**(3)**	(3)	**104**	114
Finance income	**(17)**	(22)	**-**	-	**-**	(1)	**-**	-	**(17)**	(23)
Corporate allocation	**8**	8	**12**	12	**-**	-	**(20)**	(20)	**-**	-
	1 952	1 893	**330**	329	**54**	58	**(13)**	(14)	**2 323**	2 266
Net income (loss) before net movement in regulatory deferral balances	**(25)**	(48)	**15**	27	**11**	9	**3**	4	**4**	(8)
Net movement in regulatory deferral balances	**66**	75	**(11)**	(28)	**-**	-	**-**	-	**55**	47
Net Income (Loss)	**41**	27	**4**	(1)	**11**	9	**3**	4	**59**	39
Net income (loss) attributable to:										
Manitoba Hydro	**53**	37	**4**	(1)	**11**	9	**3**	4	**71**	49
Non-controlling interests	(12)	(10)	-	-	-	-	-	-	(12)	(10)
	41	27	**4**	(1)	**11**	9	**3**	4	**59**	39

(in millions of Canadian dollars)

	Electric operations		Natural gas operations		All other segments		Eliminations		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total assets	**21 271**	18 839	**617**	581	**85**	71	**(201)**	(198)	**21 772**	19 293
Total regulatory deferral debit balances	**462**	390	**104**	96	**-**	-	**-**	-	**566**	486
Total liabilities	**19 474**	17 125	**503**	482	**15**	13	**(91)**	(85)	**19 901**	17 535
Total regulatory deferral credit balances	**49**	43	**28**	9	**-**	-	**-**	-	**77**	52
Retained earnings	**2 749**	2 696	**69**	65	**69**	57	**12**	10	**2 899**	2 828

Note 34 Comparative figures

Where appropriate, comparative figures for 2016 have been reclassified in order to conform to the presentation adopted in 2017.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. Management has prepared the consolidated financial statements in accordance with International Financial Reporting 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. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements unless otherwise stated.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for Manitoba Liquor and Lotteries Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of Manitoba Liquor and Lotteries Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the corporation's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with International Financial Reporting Standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2017.

Original signed by
Peter Hak
President & Chief Executive Officer

Original signed by
Heather Mitchell
Chief Financial Officer

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, 2017, 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, 2017, 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

Chartered Professional Accountants
Winnipeg, Canada
June 23, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2017	2016
Assets			
CURRENT ASSETS			
Cash		$ 33,168	$ 38,053
Trade and other receivables	5	50,305	45,922
Inventories	6	51,600	49,870
Prepayments	7	5,190	5,235
Assets held for sale, net	8	8,887	-
		149,150	139,080
NON-CURRENT ASSETS			
Property and equipment, net	8	394,888	385,604
Intangible assets, net	9	11,610	14,760
		406,498	400,364
TOTAL ASSETS		**$ 555,648**	**$ 539,444**

	Notes	2017	2016
Liabilities and Equity			
CURRENT LIABILITIES			
Trade and other payables	10	$ 106,324	$ 109,519
Payable to the Province of Manitoba		63,725	55,671
Current portion of long-term debt	11	52,610	48,286
		222,659	213,476
NON-CURRENT LIABILITIES			
Long-term debt	11	327,989	320,968
Commitments and contingencies	15		
EQUITY			
Retained Earnings		5,000	5,000
TOTAL LIABILITIES AND EQUITY		**$ 555,648**	**$ 539,444**

(see accompanying notes to the consolidated financial statements)

On behalf of the Board

Original signed by
Polly Craik
Director & Chair of the Board of Directors

Original signed by
Gary Timlick
Director & Chair of the Audit & Finance Committee

CONSOLIDATED STATEMENT OF NET INCOME, COMPREHENSIVE INCOME AND EQUITY

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2017	2016
REVENUE	12	$ 1,360,796	$ 1,327,352
COST OF SALES	12	427,756	414,890
		933,040	912,462
Operating expenses	12	248,780	241,210
Depreciation and amortization		49,289	50,760
Goods and Services Tax		2,973	3,726
		301,042	295,696
OPERATING INCOME		**631,998**	**616,766**
Share of profit of Western Canada Lottery Corporation	13	62,572	69,266
Interest expense on long-term debt		(10,636)	(11,419)
Interest income		909	890
INCOME BEFORE ALLOCATIONS AND PAYMENTS		**684,843**	**675,503**
Allocations and payments	14	98,789	92,332
NET INCOME AND COMPREHENSIVE INCOME		**586,054**	**583,171**
EQUITY, BEGINNING OF THE YEAR		5,000	5,000
Allocation to the Province of Manitoba		(586,054)	(583,171)
EQUITY, END OF THE YEAR		**$ 5,000**	**$ 5,000**

(see accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS OF CANADIAN DOLLARS)

	2017	2016
OPERATING ACTIVITIES		
Net income and comprehensive income	$ 586,054	$ 583,171
Add (deduct) items not involving cash:		
Depreciation related to property and equipment	44,641	45,569
Depreciation on assets related to Conduct and Management agreements	4,755	4,138
Amortization related to intangible assets	4,648	5,191
Loss (gain) on disposal of property and equipment	(397)	2,389
	639,701	640,458
Net change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(4,383)	5,870
Decrease (increase) in inventories	(1,730)	112
Decrease (increase) in prepayments	45	(700)
Decrease in trade and other payables	(3,195)	(12,586)
CASH PROVIDED BY OPERATING ACTIVITIES	**630,438**	**633,154**
INVESTING ACTIVITIES		
Purchase of property and equipment	(67,595)	(62,807)
Purchase of intangible assets	(1,498)	(3,494)
Proceeds from disposal of property and equipment	425	63
CASH USED IN INVESTING ACTIVITIES	**(68,668)**	**(66,238)**
FINANCING ACTIVITIES		
Cash distributions to the Province of Manitoba:		
Current year	(578,000)	(592,500)
Prior year	-	(4,978)
Proceeds from long-term debt	60,211	69,300
Repayment of long-term debt	(48,866)	(42,133)
CASH USED IN FINANCING ACTIVITIES	**(566,655)**	**(570,311)**
NET DECREASE IN CASH DURING THE YEAR	(4,885)	(3,395)
CASH, BEGINNING OF THE YEAR	38,053	41,448
CASH, END OF THE YEAR	**$ 33,168**	**$ 38,053**
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 11,700	$ 11,566

(see accompanying notes to the consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

1. BACKGROUND

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* was enacted on December 5, 2013 and came into force on April 1, 2014. Under *The Manitoba Liquor and Lotteries Corporation Act*, Manitoba Liquor and Lotteries Corporation (Manitoba Liquor & Lotteries) was established as a Crown corporation.

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, 2017 were authorized for issue by the Board of Directors on June 23, 2017.

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) 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 13.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

(e) 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.

(f) FOREIGN CURRENCY TRANSLATION

The 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 the Canadian dollar (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.

(g) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

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.

(h) 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	Over the remaining term of the lease
Major building components	5-50 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.

(i) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

(j) 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.

(k) 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.

(l) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

(m) 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.

(n) 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 consolidated statement of financial position with a corresponding debit or credit to operating expenses 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.

(o) 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.

(p) 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 fulfils its obligation to supply the awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

(q) 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 applicable entertainment, food & beverage and casino retail store operations. An input tax credit is claimed for GST paid on non-gaming expenditures.

(r) ASSETS HELD FOR SALE

Assets held for sale are presented separately in the consolidated statement of financial position when the following criteria are met: Manitoba Liquor & Lotteries is committed to selling the assets, an active plan of sale has commenced, and the sale is expected to be completed within 12 months. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policy. Assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell.

(s) CHANGES IN ACCOUNTING POLICIES

During the year, Manitoba Liquor & Lotteries chose to adopt the following standard:

(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). The amendments were effective for annual periods beginning on or after January 1, 2016. The adoption of the amendments to IAS 1 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 $3,580 (2016 – $3,541) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

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 7 – *Statement of Cash Flows* was amended in January 2016 as part of the IASB's major initiative to improve presentation and disclosure in 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, 2017 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the amended standard.

(ii) 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.

(iii) 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, 2018 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

(iv) IFRS 16 – *Leases* was issued in January 2016 and supersedes existing standard IAS 17 – *Leases* and related interpretations. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, referred to as the customer (lessee) and the supplier (lessor). IFRS 16 introduces a single lessee accounting model, eliminating the classification of leases as either finance or operating and will require lessees to recognize assets and liabilities for most leases. The new standard does not substantially change lessor accounting requirements therefore lessors will continue to classify leases as operating or finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

5. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade	$ 43,161	$ 40,274
Goods and Services Tax	4,912	4,169
Western Canada Lottery Corporation	2,232	1,479
	$ 50,305	**$ 45,922**

Manitoba Liquor & Lotteries' exposure to credit risk related to trade and other receivables is disclosed in note 16 (d).

6. INVENTORIES

	2017	2016
Warehouse	$ 34,465	$ 33,301
Retail locations	16,817	16,398
Consumable supplies	318	171
	$ 51,600	**$ 49,870**

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $4,865 at the end of the 2017 fiscal year (2016 – $4,501).

7. PREPAYMENTS

	2017	2016
Maintenance contracts	$ 2,846	$ 2,824
Rent	960	963
Deposits and other	1,037	1,113
Insurance	347	335
	$ 5,190	**$ 5,235**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

8. PROPERTY AND EQUIPMENT

	Land	Buildings, parking lots and roads	Leasehold improvements	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
COST								
April 1, 2015	$ 25,427	$ 280,286	$ 24,601	$ 204,318	$ 138,572	$ 33,697	$ 37,984	$ 744,885
Additions	845	9,811	2,797	23,032	6,099	329	19,894	62,807
Transfers from WIP	-	3,313	76	5,884	3,010	1,091	(13,374)	-
Disposals	-	(64)	(2,446)	(16,050)	(13,897)	(172)	-	(32,629)
March 31, 2016	26,272	293,346	25,028	217,184	133,784	34,945	44,504	775,063
Additions	-	3,648	172	7,876	6,176	3,423	46,300	67,595
Transfers from WIP	-	7,544	45	272	146	1,763	(9,770)	-
Reclassified as held for sale	(845)	(7,266)	-	-	-	-	(1,141)	(9,252)
Disposals	-	(34)	(46)	(16,902)	(1,491)	(469)	-	(18,942)
March 31, 2017	**$ 25,427**	**$ 297,238**	**$ 25,199**	**$ 208,430**	**$ 138,615**	**$ 39,662**	**$ 79,893**	**$ 814,464**
DEPRECIATION								
April 1, 2015	$ -	$ 112,634	$ 11,031	$ 116,465	$ 109,801	$ 19,998	$ -	$ 369,929
Depreciation	-	8,963	2,308	24,256	10,042	4,138	-	49,707
Disposals	-	(64)	(2,446)	(13,599)	(13,896)	(172)	-	(30,177)
March 31, 2016	-	121,533	10,893	127,122	105,947	23,964	-	389,459
Depreciation	-	8,869	2,357	24,349	9,066	4,755	-	49,396
Reclassified as held for sale	-	(365)	-	-	-	-	-	(365)
Disposals	-	(34)	(46)	(16,902)	(1,463)	(469)	-	(18,914)
March 31, 2017	**$ -**	**$ 130,003**	**$ 13,204**	**$ 134,569**	**$ 113,550**	**$ 28,250**	**$ -**	**$ 419,576**
NET BOOK VALUE								
March 31, 2017	**$ 25,427**	**$ 167,235**	**$ 11,995**	**$ 73,861**	**$ 25,065**	**$ 11,412**	**$ 79,893**	**$ 394,888**
March 31, 2016	26,272	171,813	14,135	90,062	27,837	10,981	44,504	385,604

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.

At the end of the 2017 fiscal year, assets held for sale relate to the land, building, and parkade at 233 Kennedy Street and 218 Edmonton Street in Winnipeg, Manitoba, which were offered for sale in January 2017. The assets held for sale are presented at their carrying amount in the consolidated statement of financial position. The sale was completed during the 2018 fiscal year and is disclosed in note 19.

The amount of borrowing costs capitalized during the 2017 fiscal year was $1,062 (2016 – $143). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.950%, 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 2017 fiscal year is $3,076 (2016 – $3,355) and consists of land being used for parking facilities at the McPhillips Station Casino and the Video Lotto office building located in Morris, Manitoba.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

9. INTANGIBLE ASSETS

	Computer software - acquired
COST	
April 1, 2015	$ 42,250
Additions	3,494
Disposals	(756)
March 31, 2016	44,988
Additions	1,498
Disposals	(197)
March 31, 2017	**$ 46,289**
AMORTIZATION	
April 1, 2015	$ 25,793
Amortization	5,191
Disposals	(756)
March 31, 2016	30,228
Amortization	4,648
Disposals	(197)
March 31, 2017	**$ 34,679**
NET BOOK VALUE	
March 31, 2017	**$ 11,610**
March 31, 2016	14,760

10. TRADE AND OTHER PAYABLES

	2017	2016
Trade	$ 69,540	$ 71,015
Employee benefits	30,987	32,124
Province of Manitoba taxes	2,807	3,726
Jackpot liability	2,990	2,654
	$ 106,324	**$ 109,519**

11. LONG-TERM DEBT

	2017	2016
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 August 31, 2016 to November 30, 2035.	$ 380,599	$ 369,213
Finance lease obligation to the Province of Manitoba, with a 7.630% implicit interest rate and annual minimum lease payments of $64 until January 1, 2017.	-	41
	380,599	369,254
Less current portion of long-term debt	52,610	48,286
	$ 327,989	**$ 320,968**

All long-term debt is unsecured and the fair market value at March 31, 2017 is $389,041.

Manitoba Liquor & Lotteries' exposure to liquidity risk related to long-term debt is disclosed in note 16 (c).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

12. REVENUE, COST OF SALES AND EXPENSES BY NATURE

Manitoba Liquor & Lotteries' revenue consists of the following:

	2017	2016
Liquor sales	$ 770,054	$ 752,882
VLT	344,037	334,606
Casino and online gaming	218,044	217,278
Non-gaming revenue	28,661	22,586
	$ 1,360,796	**$ 1,327,352**

Manitoba Liquor & Lotteries' cost of sales consists of the following:

	2017	2016
Liquor cost of sales	$ 376,765	$ 365,233
VLT commissions	33,013	32,477
Gaming direct expenses	9,561	9,203
Non-gaming cost of sales	8,417	7,977
	$ 427,756	**$ 414,890**

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:

	2017	2016
Employee benefits	$ 166,916	$ 159,855
Bank charges	3,574	3,430
Community support	4,443	4,158
Consultant and professional fees	3,891	4,157
Freight and delivery	3,726	3,430
Grants in lieu of taxes	6,277	6,345
Maintenance	22,621	23,767
Marketing and public awareness	11,817	11,730
Rents	9,164	7,808
Sundry	1,836	2,642
Supplies and equipment	5,079	4,969
Telecommunications	3,994	3,624
Transportation and vehicles	1,546	1,587
Utilities	3,896	3,708
	$ 248,780	**$ 241,210**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

13. SHARE OF PROFIT OF WCLC

		2017		2016
Revenue	$	228,978	$	248,698
Prizes, commissions and other cost of sales		159,331		172,783
WCLC partner equalization		4,701		4,372
Payment to Government of Canada		2,374		2,277
Profit	**$**	**62,572**	**$**	**69,266**

The WCLC earned revenue in the 2017 fiscal year in the amount of $1,330,359 (2016 – $1,480,442), of which Manitoba Liquor & Lotteries' share calculated based on relative sales levels by jurisdiction is 17% (2016 – 17%). The WCLC's total profit for the 2017 fiscal year was $454,821 (2016 – $506,582) of which Manitoba Liquor & Lotteries' share is 14% (2016 – 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.

14. ALLOCATIONS AND PAYMENTS

		2017		2016
LGA funding and Crown Corporations Council levy	$	4,713	$	5,218
First Nations allocation		55,306		48,627
Tourism contribution		24,253		24,016
Social responsibility funding		9,776		9,834
Casino bingo volunteer program and other community funding		4,741		4,637
	$	**98,789**	**$**	**92,332**

Manitoba Liquor & Lotteries provides funding to the Liquor and Gaming Authority of Manitoba (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.

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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 by providing funding to various community groups throughout Manitoba.

15. 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 17 years. In addition, Manitoba Liquor & Lotteries has entered into commercial leases on certain motor vehicles which have a remaining term ranging between 1 to 2 years. The future minimum rental payments relating to operating leases are as follows:

2018	$ 7,984
2019	7,291
2020	6,722
2021	6,146
2022	5,563
Subsequent years	33,440
	$ 67,146

(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 2017 fiscal year, Manitoba Liquor & Lotteries had purchase commitments of $36,073 related to casino and retail liquor store construction projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

16. 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 100% (2016 – 100%) of long-term debt having a fixed interest rate.

(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 2017 fiscal year were $7,732 (2016 – $9,933). Accordingly, a 10% increase or decrease in the exchange rate between the Canadian dollar and other foreign currencies would result in a total increase or decrease of $773 (2016 – $993) assuming the inventory purchased had been sold by the end of the year.

(c) LIQUIDITY RISK

Liquidity risk is the risk that 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.

2017	**On demand**	**Less than 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**
Trade and other payables	$ 2,990	$ 103,334	$ -	$ -	$ -	$ -	$ -	$ -
Payable to the Province of Manitoba	-	63,725	-	-	-	-	-	-
Long-term debt	-	52,610	50,547	47,626	36,457	35,838	35,375	122,146
	$ 2,990	**$ 219,669**	**$ 50,547**	**$ 47,626**	**$ 36,457**	**$ 35,838**	**$ 35,375**	**$ 122,146**

2016	**On demand**	**Less than 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**
Trade and other payables	$ 2,654	$ 106,865	$ -	$ -	$ -	$ -	$ -	$ -
Payable to the Province of Manitoba	-	55,671	-	-	-	-	-	-
Long-term debt	-	48,286	46,068	44,004	41,084	29,915	29,875	130,022
	$ 2,654	**$ 210,822**	**$ 46,068**	**$ 44,004**	**$ 41,084**	**$ 29,915**	**$ 29,875**	**$ 130,022**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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 2017 fiscal year is as follows:

Neither impaired nor past due	$ 50,077
Not impaired and past due as follows:	
Within 30 days	36
31 to 60 days	91
61 to 90 days	14
Over 90 days	87
Allowance for doubtful accounts	-
	$ 50,305

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

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 value, classified using the fair value hierarchy, are as follows:

2017	Level 1	Level 2	Level 3	Total
Cash	$ 33,168	$ -	$ -	$ 33,168
	$ 33,168	**$ -**	**$ -**	**$ 33,168**

2016	Level 1	Level 2	Level 3	Total
Cash	$ 38,053	$ -	$ -	$ 38,053
	$ 38,053	**$ -**	**$ -**	**$ 38,053**

17. 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:

	2017	2016
Short-term employee benefits	$ 2,555	$ 2,477
Post-employment pension and medical benefits	157	159
Termination benefits	687	189
	$ 3,399	**$ 2,825**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017 (IN THOUSANDS OF CANADIAN DOLLARS)

18. 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.

19. EVENTS AFTER THE REPORTING PERIOD

On June 20, 2017, the sale of the assets identified in Note 8 as held for sale, which included the land, building, and parkade at 233 Kennedy Street and 218 Edmonton Street in Winnipeg, Manitoba was finalized. The gain on disposal of property and equipment of approximately $5,784 will be realized during the 2018 fiscal year.

Manitoba
Public Insurance

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR

ENDED FEBRUARY 28, 2017

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 Manitoba Public Insurance Corporation's (the "Corporation") 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, Finance and Risk 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	Original Document Signed
Dan Guimond	**Peter Yien, CPA, CA, CISA, CRISC, CPA(Illinois)**
President and Chief Executive Officer	Acting Vice-President, Finance and Chief Financial Officer

May 18, 2017

May 18, 2017

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation which comprise the statement of financial position as at February 28, 2017 and the statements of operations, comprehensive income (loss), 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 Manitoba Public Insurance Corporation as at February 28, 2017 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 Professional 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

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, 2017 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

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba

May 18, 2017

Financial Statements

Statement of Financial Position

As At February 28/29 (in thousands of Canadian dollars)	Notes	2017	2016
Assets			
Cash and cash equivalents	*4*	**73,434**	37,322
Investments	*4*	**2,545,130**	2,455,622
Investment property	*4&5*	**41,686**	42,206
Due from other insurance companies	*6*	**29**	45
Accounts receivable	*28*	**455,239**	423,918
Prepaid expenses		**2,483**	2,318
Deferred policy acquisition costs	*7*	**24,155**	28,844
Reinsurers' share of unearned premiums	*14&17*	**117**	115
Reinsurers' share of unpaid claims	*17&18*	**1,971**	6,445
Property and equipment	*8*	**116,059**	115,652
Deferred development costs	*9*	**89,496**	78,430
		3,349,799	3,190,917
Liabilities			
Due to other insurance companies	*10*	**173**	178
Accounts payable and accrued liabilities	*11*	**73,051**	66,035
Financing lease obligation	*12*	**4,189**	4,281
Unearned premiums and fees	*14*	**586,626**	560,548
Provision for employee current benefits	*15*	**22,750**	22,685
Provision for employee future benefits	*16*	**405,058**	378,117
Provision for unpaid claims	*17&18*	**1,900,783**	1,769,110
		2,992,630	2,800,954
Equity			
Retained Earnings	*20*	**261,532**	346,736
Accumulated Other Comprehensive Income	*21*	**95,637**	43,227
Total Equity		**357,169**	389,963
		3,349,799	3,190,917

Contingent Liabilities (note 32)

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

Approved by the Board of Directors:

Original Document Signed

Brent VanKoughnet
Chair

Original Document Signed

Domenic Grestoni, CPA, CGA
Chair Audit, Finance and Risk Committee

Statement of Operations

For the years ended February 28/29 (in thousands of Canadian dollars)	Notes	**2017**	2016
Earned Revenues			
Gross premiums written		**1,169,044**	1,119,774
Premiums ceded to reinsurers		**(15,624)**	(16,588)
Net premiums written		**1,153,420**	1,103,186
Increase in gross unearned premiums		**(23,406)**	(33,040)
Increase in reinsurers' share of unearned premiums		**2**	36
Net premiums earned		**1,130,016**	1,070,182
Service fees & other revenue	*22*	**31,547**	30,980
The Drivers and Vehicles Act operations recovery	*23*	**29,272**	27,900
Total Earned Revenues		**1,190,835**	1,129,062
Claims Costs			
Direct claims incurred - gross		**980,398**	771,691
Claims (recovered) incurred ceded to reinsurers		**900**	(1,066)
Net claims incurred		**981,298**	770,625
Claims expense		**137,102**	134,511
Loss prevention/Road safety		**14,801**	15,316
Total Claims Costs		**1,133,201**	920,452
Expenses			
Operating		**122,313**	121,821
Commissions		**77,880**	77,076
Premium taxes		**34,369**	32,602
Regulatory/Appeal		**4,911**	3,694
Total Expenses		**239,473**	235,193
Underwriting loss		**(181,839)**	(26,583)
Investment income (loss)	*4*	**96,635**	(4,731)
Net loss from operations	*24*	**(85,204)**	(31,314)

Statement of Comprehensive Income (Loss)

For the years ended February 28/29 (in thousands of Canadian dollars)	Notes	**2017**	2016
Net loss from operations	*24*	**(85,204)**	(31,314)
Other Comprehensive Income (Loss)	*16&21*		
Items that will not be reclassified to income			
Remeasurement of Employee Future Benefits		**(10,489)**	32,395
Items that will be reclassified to income			
Unrealized gains (losses) on Available for Sale assets		**103,068**	(66,316)
Reclassification of net realized (gains) losses related to Available for Sale assets		**(40,169)**	33,771
Net unrealized gains (losses) on Available for Sale assets		**62,899**	(32,545)
Other Comprehensive Income (Loss) for the year		**52,410**	(150)
Total Comprehensive Loss		**(32,794)**	(31,464)

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, 2015	378,050	43,377	421,427
Net loss from operations for the year	(31,314)	-	(31,314)
Other comprehensive loss for the year	-	(150)	(150)
Balance as at February 29, 2016	346,736	43,227	389,963
Net loss from operations for the year	(85,204)	-	(85,204)
Other comprehensive income for the year	-	52,410	52,410
Balance as at February 28, 2017	**261,532**	**95,637**	**357,169**

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

Statement of Cash Flows

For the years ended February 28/29 (in thousands of Canadian dollars)	*Notes*	**2017**	2016
Cash Flows from (to) Operating Activities:			
Net loss from operations		**(85,204)**	(31,314)
Non-cash items:			
Depreciation of property and equipment		**5,193**	5,670
Amortization of deferred development costs		**16,859**	11,506
Amortization of bond discount and premium		**3,516**	3,754
Gain on sale of investments		**(42,157)**	(14,778)
Unrealized loss on Fair Value Through Profit or Loss bonds		**23,843**	76,744
Unrealized gain on pooled real estate		**(16,422)**	(12,713)
Unrealized (gain) loss on infrastructure investments		**1,483**	(6,375)
Impairment of Available for Sale investments		**-**	33,375
		(92,889)	65,869
Net change in non-cash balances:			
Due from other insurance companies		**16**	398
Accounts receivable and prepaid expenses		**(31,486)**	(37,790)
Deferred policy acquisition costs		**4,689**	(4,830)
Reinsurers' share of unearned premiums and unpaid claims		**4,472**	1,637
Due to other insurance companies		**(5)**	177
Accounts payable and accrued liabilities		**7,016**	3,748
Unearned premiums and fees		**26,078**	33,427
Provision for employee current benefits		**65**	521
Provision for employee future benefits		**16,452**	19,393
Provision for unpaid claims		**131,673**	(17,456)
		158,970	(775)
		66,081	65,094
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(831,239)**	(1,055,166)
Proceeds from sale of investments		**834,887**	981,785
Acquisition of property and equipment net of proceeds from disposals		**(5,600)**	(2,343)
Financing lease obligation		**(92)**	(83)
Deferred development costs incurred		**(27,925)**	(20,847)
		(29,969)	(96,654)
Increase (Decrease) in Cash and Cash Equivalents		**36,112**	(31,560)
Cash and cash equivalents beginning of year		**37,322**	68,882
Cash and Cash Equivalents end of year	*4*	**73,434**	37,322
Supplemental cash flow information:			
Interest received		**49,083**	50,052
Dividends received		**16,075**	16,963

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

Notes to Financial Statements

February 28, 2017

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 the financial results of the Corporation are included in the consolidated financial statements of the Province of Manitoba. 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 18, 2017.

Appointment of External Actuary

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 include 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.

Appointment of External Auditors

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.

Adoption of New and Amended Accounting Standards

Effective March 1, 2016, the Corporation adopted the following new and amended accounting standards:

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.

Annual improvement 2012–2014 cycle was issued in September 2014 by the IASB, and included minor amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations,* IFRS 7, *Financial Instruments: Disclosures* and IAS 19R, *Employee Benefits*. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation has determined that there was no material impact on 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)
- 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 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 at the time of purchase) 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
• demountable wall systems	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, including directly assigned employee costs, 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)

When specific events or circumstances arise, 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.

Investment Income

Investment income is recorded as it accrues. Dividend income from investments is recognized when the Corporation's rights to receive payments is established. Dividend income on common and preferred shares is recorded on the ex-dividend date. Distributions on pooled funds are recorded on the income distribution date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of bonds.

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 and Corporate policy.

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, 2016. Roll-forward procedures are performed to ensure that the December 31, 2016 valuation is a reliable estimate of the valuation at February 28, 2017.

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 Statement of Operations at the date of purchase and the related claims liabilities are derecognized. While, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfill their obligations, management believes this risk to be remote.

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. 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 judgment 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, 2016 or later periods. The standards that may have an impact to the Corporation are:

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 on the accounting for insurance contracts. The standard is the result of deliberations at the IASB using comments received from constituents and replaces IFRS 4. The standard represents a comprehensive IFRS accounting model for insurance contracts and is expected to have a significant impact on the financial reporting of insurers.

The standard is effective for fiscal years commencing after January 1, 2021.

The standard is intended to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments* before the new insurance contracts standard is issued. Entities that issue insurance contracts within the scope of IFRS 17 will be provided with two options, the overlay and the deferral approaches.

The overlay approach will permit insurers who meet certain criteria to exclude from net income (loss) and recognize in OCI the difference between the amounts that would be recognized in net income (loss) in accordance with IFRS 9 and the amounts recognized in net income (loss) in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. The deferral approach will allow insurers whose liabilities are predominantly arising from issuing insurance contracts the option to temporarily defer adoption of IFRS 9 until the new insurance contracts standard is issued, or until the fiscal year commencing after January 1, 2021 at the latest. The Corporation is evaluating the impact the proposed changes will have on the financial statements.

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, which was finalized in July 2014 and is effective for the annual periods beginning on or after January 1, 2018, pending approval of the IFRS 4 exposure draft issued in December 2015 that may alter the effective date of IFRS 9 for certain insurance companies. 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 net income 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 IASB proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*. The exposure draft was approved September 2016. Changes allow reporting entities, where the liabilities are predominantly arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related IFRICs. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. Generally Accepted Accounting Principles, and applies to revenue arising from contracts with customers, including service contracts. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 and revenue arising from financial instruments, therefore this standard will have a limited impact on the Corporation. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 16 – Leases

IFRS 16 was issued in January, 2016 and is intended to replace IAS 17, *Leases*. This standard was issued as a result of a joint project with the U.S. Financial Accounting Standards Board. This standard will include a single lessee accounting model whereby a lessee recognizes a right-of-use asset and a lease liability. A lessee may elect to apply an exemption to the standard for: leases with a term of 12 months or less that contain no purchase options; or leases where the underlying asset has low value when new. This standard is effective for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15, *Revenue from Contracts with Customers* has also been applied.

IAS 7 – Statement of Cash Flows

In January, 2016, IAS 7 was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Corporation does not expect this amendment to significantly impact the 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 $61.5 million (February 29, 2016 – $25.3 million) comprised of provincial short-term deposits with effective interest rates of 0.55% (February 29, 2016 – 0.52%), 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 (February 29, 2016 - $5.0 million). There were no drawdowns against this line of credit at February 28, 2017 (February 29, 2016 – nil).

Cash and Investments

(in thousands of Canadian dollars)	**Financial Instruments**				
As at February 28, 2017	**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	**73,434**	**-**	**-**	**-**	**73,434**
Bonds					
Federal	**-**	**-**	**59,310**	**-**	**59,310**
Manitoba:					
Provincial	**-**	**-**	**142,556**	**-**	**142,556**
Municipal	**-**	**10,697**	**31,741**	**-**	**42,438**
Schools	**-**	**631,919**	**-**	**-**	**631,919**
Other provinces:					
Provincial	**-**	**-**	**738,625**	**-**	**738,625**
Municipal	**-**	**-**	**65,533**	**-**	**65,533**
Corporations	**-**	**-**	**59,626**	**-**	**59,626**
	-	**642,616**	**1,097,391**	**-**	**1,740,007**
Other investments	**1,493**	**-**	**-**	**-**	**1,493**
Infrastructure	**-**	**-**	**95,010**	**-**	**95,010**
Equity investments	**474,639**	**-**	**-**	**-**	**474,639**
Pooled Real Estate Fund	**-**	**-**	**233,981**	**-**	**233,981**
Investments	**476,132**	**642,616**	**1,426,382**	**-**	**2,545,130**
Investment property	**-**	**-**	**-**	**41,686**	**41,686**
Total	**549,566**	**642,616**	**1,426,382**	**41,686**	**2,660,250**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 29, 2016	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	37,322	-	-	-	37,322
Bonds					
Federal	-	-	124,272	-	124,272
Manitoba:					
Provincial	-	-	186,044	-	186,044
Municipal	-	8,538	26,611	-	35,149
Hospitals	-	-	10,167	-	10,167
Schools	-	614,860	-	-	614,860
Other provinces:					
Provincial	-	-	548,854	-	548,854
Municipal	-	-	105,262	-	105,262
Corporations	-	-	54,474	-	54,474
	-	623,398	1,055,684	-	1,679,082
Other investments	2,115	-	-	-	2,115
Infrastructure	-	-	83,227	-	83,227
Equity investments	468,991	-	-	-	468,991
Pooled Real Estate Fund	-	-	222,207	-	222,207
Investments	471,106	623,398	1,361,118	-	2,455,622
Investment property	-	-	-	42,206	42,206
Total	508,428	623,398	1,361,118	42,206	2,535,150

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, 2017

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**312,371**	**137,854**	**450,225**
With unrealized (losses)	**25,851**	**(1,437)**	**24,414**
Subtotal – Equity Investments	**338,222**	**136,417**	**474,639**
Other Investments			
With unrealized gains	**28**	**1,126**	**1,154**
With unrealized (losses)	**372**	**(33)**	**339**
Subtotal – Other Investments	**400**	**1,093**	**1,493**
Total AFS Equity and Other Investments	**338,622**	**137,510**	**476,132**

As at February 29, 2016

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	306,361	82,552	388,913
With unrealized (losses)	89,580	(9,502)	80,078
Subtotal – Equity Investments	395,941	73,050	468,991
Other Investments			
With unrealized gains	554	1,561	2,115
Subtotal – Other Investments	554	1,561	2,115
Total AFS Equity and Other Investments	396,495	74,611	471,106

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 2017 or 2016.

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, 2017 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**29,226**	**1,053,054**	**15,111**
Infrastructure	-	-	**95,010**
Pooled real estate	-	**233,981**	-
Total FVTPL financial assets	**29,226**	**1,287,035**	**110,121**
AFS financial assets			
Cash and cash equivalents	**73,434**	-	-
Other investments	-	-	**1,493**
Equity investments	**474,639**	-	-
Total AFS financial assets	**548,073**	-	**1,493**
Total assets measured at fair value	**577,299**	**1,287,035**	**111,614**

As at February 29, 2016 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	87,315	953,607	14,762
Infrastructure	-	-	83,227
Pooled real estate	-	217,559	4,648
Total FVTPL financial assets	87,315	1,171,166	102,637
AFS financial assets			
Cash and cash equivalents	37,322	-	-
Other investments	-	-	2,115
Equity investments	468,991	-	-
Total AFS financial assets	506,313	-	2,115
Total assets measured at fair value	593,628	1,171,166	104,752

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Balance at March 1	**102,637**	71,410	**2,115**	2,446
Total gains/(losses)				
Included in net loss	**(1,134)**	5,657	**168**	(401)
Included in OCI	-	-	**(202)**	70
Purchases	**13,266**	25,570	-	-
Sales	**(4,648)**	-	**(588)**	-
Balance at February 28/29	**110,121**	102,637	**1,493**	2,115

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. As of February 28, 2017 the fair value of municipal, utilities, schools and hospital bonds held to maturity is $642.6 million (February 29, 2016 - $623.4 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, 2017

(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type	-	-	-
Available for sale	-	-	-
Total	-	-	-

As at February 29, 2016

(in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	67,097	(33,375)	33,722
Total	67,097	(33,375)	33,722

Investment Income (Loss)

(in thousands of Canadian dollars)	**2017**	2016
Interest income	**48,514**	51,278
Gain on sale of FVTPL bonds	**1,988**	15,174
Unrealized loss on FVTPL bonds	**(23,843)**	(76,744)
Unrealized gain on pooled real estate	**16,422**	12,713
Dividends on infrastructure investments	**1,560**	1,364
Unrealized gain (loss) on infrastructure investments	**(1,483)**	6,375
Dividend income	**14,560**	15,529
Gain (loss) on sale of equities and other investments	**40,169**	(396)
Gain on foreign exchange	**308**	13
Gain on sale of investment property	-	4,412
Income from investment property	**3,050**	3,206
Impairment of AFS investments	-	(33,375)
Investment management fees	**(4,610)**	(4,280)
Total	**96,635**	(4,731)

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.6 million (February 29, 2016 – $4.3 million). This includes $2.8 million (February 29, 2016 – $2.8 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	Investment Property Under Construction	Total
Cost					
Balance at March 1, 2015	32,296	4,578	10,822	-	47,696
Additions	-	-	-	1,105	1,105
Disposals	-	(3,538)	-	-	(3,538)
Transfers from Property Under Construction (Note 8)	-	-	-	3,406	3,406
Balance at February 29, 2016	32,296	1,040	10,822	4,511	48,669
Additions	-	-	-	664	664
Balance at February 28, 2017	**32,296**	**1,040**	**10,822**	**5,175**	**49,333**
Accumulated Depreciation					
Balance at March 1, 2015	3,979	-	1,300	-	5,279
Depreciation	961	-	223	-	1,184
Balance at February 29, 2016	4,940	-	1,523	-	6,463
Depreciation	963	-	221	-	1,184
Balance at February 28, 2017	**5,903**	**-**	**1,744**	**-**	**7,647**
Carrying Amounts					
At February 29, 2016	27,356	1,040	9,299	4,511	42,206
At February 28, 2017	**26,393**	**1,040**	**9,078**	**5,175**	**41,686**
Fair Value at February 28, 2017	**39,200**	**4,000**	**21,000**	**5,175**	**69,375**

* 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)	**2017**	2016
Balance at March 1	**45**	443
Claims paid ceded to reinsurers	**3,579**	2,739
Less: recovery from reinsurers	**(3,595)**	(3,137)
Balance at February 28/29	**29**	45

7. DEFERRED POLICY ACQUISITION COSTS

(in thousands of Canadian dollars)	**2017**	2016
Balance at March 1	**28,844**	24,014
Deferred during the year	**111,749**	112,491
Expensed during the year	**(110,311)**	(110,733)
Recovery (Write-down)	**(6,127)**	3,072
Balance at February 28/29	**24,155**	28,844

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)	Buildings under Finance Lease (3)	Property under Construction (4)	Total
Cost					
Balance at March 1, 2015	130,858	65,811	13,451	4,679	214,799
Additions	-	1,888	-	712	2,600
Disposals	-	(35,864)	-	-	(35,864)
Transfer from (out of) Property under construction (Note 5)	1,441	-	-	(4,847)	(3,406)
Balance at February 29, 2016	132,299	31,835	13,451	544	178,129
Additions	75	1,277	-	4,276	5,628
Disposals	-	(1,168)	-	-	(1,168)
Balance at February 28, 2017	**132,374**	**31,944**	**13,451**	**4,820**	**182,589**
Accumulated Depreciation					
Balance at March 1, 2015	30,311	60,452	1,651	-	92,414
Disposals	-	(35,607)	-	-	(35,607)
Depreciation	3,094	2,240	336	-	5,670
Balance at February 29, 2016	33,405	27,085	1,987	-	62,477
Disposals	-	(1,140)	-	-	(1,140)
Depreciation	3,094	1,760	339	-	5,193
Balance at February 28, 2017	**36,499**	**27,705**	**2,326**	**-**	**66,530**
Carrying Amounts					
At February 29, 2016	98,894	4,750	11,464	544	115,652
At February 28, 2017	**95,875**	**4,239**	**11,125**	**4,820**	**116,059**

(1) Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems.
(2) Includes furniture, equipment, computer equipment, vehicles and demountable wall systems.
(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 modifying Plessis Road, Pembina and Brandon locations which began in 2015/16.
(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, 2015	149,822
Additions	20,847
Balance at February 29, 2016	170,669
Additions	27,925
Balance at February 28, 2017	**198,594**
Accumulated Amortization	
Balance at March 1, 2015	80,733
Amortization	11,506
Balance at February 29, 2016	92,239
Amortization	16,859
Balance at February 28, 2017	**109,098**
Carrying Amounts	
At February 29, 2016	78,430
At February 28, 2017	**89,496**

Deferred development costs of $46.7 million (February 29, 2016 - $52.6 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (February 29, 2016 – nil).

10. DUE TO OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	**2017**	2016
Balance at March 1	**178**	1
Change in reinsurance ceded premiums written less installment payments	**-**	5
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(5)**	172
Balance at February 28/29	**173**	178

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2017**	2016
Due to the Province of Manitoba	**11,123**	9,265
Payroll	**3,904**	3,222
Broker commissions	**6,121**	6,845
Provision for fleet rebates	**15,642**	14,896
International Registration Program payable to other jurisdictions	**8,107**	4,895
Other payables and accrued liabilities	**28,154**	26,912
Balance at February 28/29	**73,051**	66,035

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)	**2017**	2016
Interest rate	**6.70%**	6.70%
Interest expense for the year	**284**	290
Financing lease obligation at February 28/29	**4,189**	4,281

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Not later than one year	**375**	375	**362**	362
Later than one year and not later than five years	**1,537**	1,518	**1,343**	1,326
Later than five years	**5,448**	5,842	**3,591**	3,740
Total	**7,360**	7,735	**5,296**	5,428

13. OPERATING LEASES

As A Lessee:

The Corporation leases offices in Winnipeg and Brandon. 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. There were no vehicle leases as of February 28, 2017. 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)	**2017**	2016
Not later than one year	**632**	741
Later than one year and not later than five years	**964**	1,803
Later than five years	**1,508**	1,512
Total	**3,104**	4,056

During the year ended February 28, 2017, $750 thousand was recognized as an expense for operating leases (February 29, 2016 - $754 thousand) in the Statement of Operations.

As A Lessor:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, one 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)	**2017**	2016
Not later than one year	**3,766**	3,647
Later than one year and not later than five years	**8,101**	8,313
Later than five years	**6,852**	7,154
Total	**18,719**	19,114

During the year ended February 28, 2017, income from investment property includes gross rental income from operating leases of $13.8 million (February 29, 2016 - $14.3 million) and gross rental expenses pertaining to operating leases of $10.8 million (February 29, 2016 - $11.4 million). Included in rental income is income contingent on retail sales of $202 thousand (February 29, 2016 - $165 thousand).

14. UNEARNED PREMIUMS AND FEES

(in thousands of Canadian dollars)	**Gross**	**2017 Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**514,956**	**115**	**514,841**
Premiums written	**1,169,044**	**15,624**	**1,153,420**
Premiums earned	**(1,145,638)**	**(15,622)**	**(1,130,016)**
Balance at February 28	**538,362**	**117**	**538,245**
Prepaid premiums	**40,106**	**-**	**40,106**
Unearned fees	**8,158**	**-**	**8,158**
Balance at February 28	**586,626**	**117**	**586,509**

(in thousands of Canadian dollars)	Gross	2016 Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	481,916	79	481,837
Premiums written	1,119,774	16,588	1,103,186
Premiums earned	(1,086,734)	(16,552)	(1,070,182)
Balance at February 29	514,956	115	514,841
Prepaid premiums	37,849	-	37,849
Unearned fees	7,743	-	7,743
Balance at February 29	560,548	115	560,433

15. PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**2017**	2016
Balance at March 1	**22,685**	22,164
Provisions incurred	**15,333**	15,160
Payments	**(15,268)**	(14,639)
Balance at February 28/29	**22,750**	22,685

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, 2016, with the next scheduled actuarial valuation being December 31, 2017.

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 15.6 years (February 29, 2016 – 16.29 years). Results from the most recent actuarial valuations, projected to February 28, 2017 and the corresponding economic assumptions are as follows:

Assumptions:	Pension Benefit Plan		Other Benefit Plans	
	2017	2016	**2017**	2016
Discount rate	**3.89%**	4.05%	**3.89%**	4.05%
Inflation rate	**2.20%**	2.00%		
Expected salary increase	**2.00%**	2.75%		
Expected health care cost increase (out of scope)			**4.90%**	4.90%
Expected health care cost increase (in scope)			**2.20%**	2.00%

Change in benefit obligations:

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2017	2016	**2017**	2016
Balance at March 1	**328,390**	339,334	**49,727**	51,785
Current service cost	**13,409**	14,103	**4,880**	5,414
Interest cost	**13,656**	12,760	**912**	931
Benefits paid	**(12,892)**	(10,832)	**(3,513)**	(2,983)
Remeasurement (gains) losses recognized in OCI	**10,489**	(26,975)	**-**	(5,420)
Balance at February 28/29	**353,052**	328,390	**52,006**	49,727
Employee contribution for the year	**10,202**	9,697	**-**	-

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

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Current service cost	**13,409**	14,103	**4,880**	5,414
Interest cost	**13,656**	12,760	**912**	931
Total	**27,065**	26,863	**5,792**	6,345

Sensitivity analysis

Based on the December 31, 2016 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan	
Gain due to discount rate increasing from 3.89% to 4.89% (plus 1.00%)	(54,147)
Loss due to discount rate decreasing from 3.89% to 2.89% (minus 1.00%)	70,835
Loss due to mortality life expectancy at age 65 up one year	5,647
Loss due to inflation indexing (2/3rd COLA) increasing 1.00%	31,019
Gain due to inflation indexing (2/3rd COLA) decreasing 1.00%	(27,505)
Other Benefit Plans	
Gain due to discount rate increasing from 3.89% to 4.89% (plus 1.00%)	(4,170)
Loss due to discount rate decreasing from 3.89% to 2.89% (minus 1.00%)	4,114
Loss due to mortality life expectancy at age 65 up one year	479
Loss due to health care cost inflation indexing increasing 1.00%	5,455
Gain due to health care cost inflation indexing decreasing 1.00%	(4,183)

Expected maturity analysis of undiscounted pension benefit and other benefit plans:

(in thousands of Canadian dollars)	**Less than a year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**	**Total**
Pension benefit plan	**10,173**	**11,437**	**41,889**	**622,866**	**686,365**
Other benefit plans	**448**	**511**	**1,912**	**48,751**	**51,622**
At December 31, 2016	**10,621**	**11,948**	**43,801**	**671,617**	**737,987**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	9,360	10,339	36,890	642,309	698,898
Other benefit plans	438	497	1,850	45,411	48,196
At December 31, 2015	9,798	10,836	38,740	687,720	747,094

17. INSURANCE CONTRACTS

The following is a summary of the insurance contract provisions and related reinsurance assets as at February 28/29, 2017 and 2016.

(in thousands of Canadian dollars)		**2017**	
	Gross	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,222,499**	**646**	**1,221,853**
Provision for incurred but not reported claims	**455,728**	**1,345**	**454,383**
Provision for internal loss adjusting expenses	**183,506**	**-**	**183,506**
Effect of discounting	**(224,572)**	**(180)**	**(224,392)**
Provision for adverse deviation	**256,778**	**160**	**256,618**
Premium deficiency	**6,844**	**-**	**6,844**
Provision for Unpaid Claims	**1,900,783**	**1,971**	**1,898,812**
Provision for Unearned Premiums (Note 14)	**538,362**	**117**	**538,245**
Total Insurance Contract Provisions	**2,439,145**	**2,088**	**2,437,057**

(in thousands of Canadian dollars)		2016	
		Reinsurance	
	Gross	Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,159,902	4,657	1,155,245
Provision for incurred but not reported claims	398,478	1,486	396,992
Provision for internal loss adjusting expenses	173,752	-	173,752
Effect of discounting	(204,276)	(175)	(204,101)
Provision for adverse deviation	241,254	477	240,777
Provision for Unpaid Claims	1,769,110	6,445	1,762,665
Provision for Unearned Premiums (Note 14)	514,956	115	514,841
Total Insurance Contract Provisions	2,284,066	6,560	2,277,506

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at February 28/29, 2017 and 2016.

(in thousands of Canadian dollars)		**2017**	
		Reinsurance	
	Gross	**Ceded**	**Net**
Basic	**2,189,334**	**611**	**2,188,723**
Extension	**103,373**	**35**	**103,338**
Special Risk Extension	**107,388**	**1,462**	**105,926**
Total undiscounted	**2,400,095**	**2,108**	**2,397,987**
Discounting with Provision for Adverse Deviation and premium deficiency	**39,050**	**(20)**	**39,070**
Total Insurance Contract Provisions	**2,439,145**	**2,088**	**2,437,057**

(in thousands of Canadian dollars)		2016	
		Reinsurance	
	Gross	Ceded	Net
Basic	2,042,963	665	2,042,298
Extension	101,399	(568)	101,967
Special Risk Extension	102,726	6,161	96,565
Total undiscounted	2,247,088	6,258	2,240,830
Discounting with Provision for Adverse Deviation and premium deficiency	36,978	302	36,676
Total Insurance Contract Provisions	2,284,066	6,560	2,277,506

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 19 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 are 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, increased by 5 basis points, from 3.34% to 3.39%, between the February 29, 2016 valuation and the February 28, 2017 valuation. The increase in the selected discount rate decreased the discounted net claim liabilities by $8.1 million and ILAE provision by $0.9 million.

Change in Selected Incurred But Not Reported

In the February 29, 2016 valuation, for both Basic Accident Benefits Weekly Indemnity and Accident Benefits Other (Indexed), the incurred but not reported (IBNR) for the three most recent years were selected as the higher of the indicated IBNR using the incurred Bornheutter-Ferguson method and the paid Bornheuttter-Ferguson method. For the February, 28, 2017 valuation, this "higher of" method was extended to include the four most recent years. This change was made to recognize the increasing uncertainty of the case reserve levels for less than 48 months.

The change in the selected IBNR increased the discounted net claim liabilities by $23.1 million and ILAE provision by $4.4 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 $27.9 million and ILAE provision of $5.4 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 $6.0 million.

Change in Selected Loss Trend

In the February 29, 2016 valuation, for both Basic Accident Benefits Weekly Indemnity and Accident Benefits Other (Indexed), the loss trend was selected based on the observed trend for reported losses. For the February 28, 2017 valuation, the loss trend was selected based on the observed trend of paid losses. This change was made as the observed trend for paid losses was more consistent than the observed trend for reported losses.

The change in the selected loss trend increased the discounted net claim liabilities by $16.7 million and the ILAE provision by $3.1 million.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

Balance at February 28, 2017 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,685,173**	**1,610**	**1,683,563**
Physical Damage	**213,169**	**361**	**212,808**
	1,898,342	**1,971**	**1,896,371**
Discontinued Operations - Personal/Commercial Lines	**2,441**	**-**	**2,441**
Total	**1,900,783**	**1,971**	**1,898,812**

Balance at February 29, 2016 (in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,579,419	6,047	1,573,372
Physical Damage	187,220	398	186,822
	1,766,639	6,445	1,760,194
Discontinued Operations - Personal/Commercial Lines	2,471	-	2,471
Total	1,769,110	6,445	1,762,665

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**2017**	2016
Discounted unpaid claims at March 1	**1,595,358**	1,599,559
Effect of discounting and Provision for Adverse Deviation	**(36,978)**	(137,450)
Undiscounted unpaid claims at March 1	**1,558,380**	1,462,109
Ultimate claims for current accident year	**849,115**	797,587
Payment on current accident year claims	**(520,286)**	(495,405)
Change in ultimate claims from prior accident years	**75,360**	54,699
Payments on prior accident years claims	**(284,342)**	(260,610)
Undiscounted unpaid claims at February 28/29	**1,678,227**	1,558,380
Effect of discounting and Provision for Adverse Deviation	**32,206**	36,978
Premium deficiency	**6,844**	-
Discounted unpaid claims at February 28/29	**1,717,277**	1,595,358
ILAE provision	**183,506**	173,752
Total unpaid claims provision	**1,900,783**	1,769,110

Reinsurance Ceded

(in thousands of Canadian dollars)	**2017**	2016
Discounted unpaid claims at March 1	**6,445**	8,118
Effect of discounting and Provision for Adverse Deviation	**(302)**	(448)
Undiscounted unpaid claims at March 1	**6,143**	7,670
Ultimate claims for current accident year	**394**	425
Change in ultimate claims from prior accident years	**(1,241)**	786
Payments on prior accident years claims	**(3,305)**	(2,738)
Undiscounted unpaid claims at February 28/29	**1,991**	6,143
Effect of discounting and Provision for Adverse Deviation	**(20)**	302
Discounted unpaid claims at February 28/29	**1,971**	6,445
Total unpaid claims provision	**1,971**	6,445

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2017**	2016
Discounted unpaid claims at March 1	**1,588,913**	1,591,441
Effect of discounting and Provision for Adverse Deviation	**(36,676)**	(137,002)
Undiscounted unpaid claims at March 1	**1,552,237**	1,454,439
Ultimate claims for current accident year	**848,721**	797,162
Payment on current accident year claims	**(520,286)**	(495,405)
Change in ultimate claims from prior accident years	**76,601**	53,913
Payments on prior accident years claims	**(281,037)**	(257,872)
Undiscounted unpaid claims at February 28/29	**1,676,236**	1,552,237
Effect of discounting and Provision for Adverse Deviation	**32,226**	36,676
Premium deficiency	**6,844**	-
Discounted unpaid claims at February 28/29	**1,715,306**	1,588,913
ILAE provision	**183,506**	173,752
Total unpaid claims provision	**1,898,812**	1,762,665

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $256.6 million (February 29, 2016 – $240.8 million). This is comprised of a claims development PfAD of $184.7 million (February 29, 2016 – $172.5 million), an interest rate PfAD of $71.8 million (February 29, 2016 – $68.0 million), and a reinsurance PfAD of $0.1 million (February 29, 2016 - $0.3 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (February 29, 2016 – 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 29, 2016 are a decrease of $0.03 million (February 29, 2016 – $0.3 million). 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, 2017.

Gross	Accident Year										
(in thousands of Canadian dollars)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10 Year Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	695,156	797,589	849,115	
One year later	672,846	591,749	611,577	627,341	628,331	688,939	749,198	702,512	809,487		
Two years later	669,780	576,027	608,583	635,392	648,565	693,249	757,375	710,390			
Three years later	638,322	556,757	610,837	633,448	641,615	686,140	765,209				
Four years later	636,848	576,287	604,017	643,939	650,484	693,530					
Five years later	642,221	578,040	606,305	649,095	655,895						
Six years later	647,992	580,572	606,027	656,068							
Seven years later	648,971	580,306	609,801								
Eight years later	651,256	578,929									
Nine years later	656,295										
Current estimate of cumulative claims cost	656,295	578,929	609,801	656,068	655,895	693,530	765,209	710,390	809,487	849,115	6,984,719
Cumulative payments to date	586,637	521,990	545,319	582,288	578,646	616,623	663,428	596,467	668,281	520,286	5,879,965
Effect of discounting and PfAD on above	1,041	897	941	938	810	977	1,455	1,778	3,205	14,110	26,152
Discounted gross unpaid claims in respect of years prior to 2008											577,157
Gross claims relating to Discontinued General Insurance											2,370
ILAE provision											183,506
Premium deficiency											6,844
Total gross unpaid claims											1,900,783
Current estimate of surplus (deficiency)	34,810	26,474	31,727	(22,237)	(30,960)	(30,858)	(18,049)	(15,234)	(11,898)	-	

The following table represents the development of claims on the net of reinsurance basis as of February 28, 2017.

Net of Reinsurance Ceded (in thousands of Canadian dollars)	Accident Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10 Year Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	694,710	797,164	848,721	
One year later	632,233	591,300	590,027	626,998	628,030	688,605	746,019	702,227	809,187		
Two years later	629,452	575,765	586,460	635,164	648,282	693,029	754,034	710,206			
Three years later	598,087	556,562	590,448	633,271	641,356	685,992	761,918				
Four years later	595,360	576,148	583,748	643,834	649,573	693,439					
Five years later	601,993	577,951	585,925	649,020	655,032						
Six years later	607,862	580,511	585,671	656,020							
Seven years later	608,808	580,261	589,466								
Eight years later	611,109	578,902									
Nine years later	616,165										
Current estimate of cumulative claims cost	616,165	578,902	589,466	656,020	655,032	693,439	761,918	710,206	809,187	848,721	6,919,056
Cumulative payments to date	546,532	521,990	525,020	582,288	578,228	616,623	660,535	596,466	668,282	520,286	5,816,250
Effect of discounting and PfAD on above	1,041	897	941	938	837	977	1,431	1,781	3,214	14,117	26,174
Discounted net unpaid claims in respect of years prior to 2008											577,112
Net claims relating to Discontinued General Insurance											2,370
ILAE provision											183,506
Premium deficiency											6,844
Total net unpaid claims											1,898,812
Current estimate of surplus (deficiency)	33,520	26,030	29,440	(22,718)	(30,565)	(31,244)	(17,554)	(15,496)	(12,023)	-	

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 Corporation's 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 $58.2 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected.

A 1.00% decrease in the interest rate would increase PIPP claim liabilities by approximately $157.9 million. 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, 2017, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (February 29, 2016 – $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 (February 29, 2016 – $15.0 million). These arrangements protect the Corporation against losses up to $251.7 million (February 29, 2016 – $251.7 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:

- The Personal Identification Card Fund (PICF) is an appropriation from the non-Basic lines of business Retained Earnings. The PICF was established to defray costs of the project to create a personal identification card that incorporates Manitoba Health card information. The Corporation initially transferred $3.0 million from the non-Basic lines of business Retained Earnings. This project was closed in the 2016/17 fiscal year and the PICF was fully depleted.

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 consist 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 minimum target level for total equity (which includes Basic retained earnings and the Basic portion of AOCI) is $181.0 million (February 29, 2016 - $231.0 million) based on the 2016 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report and assumptions outlined in the Public Utilities Board Order No. 162/16. The current maximum target of $411.0 million is based on the OSFI Minimum Capital Test. The Corporation's Chief Actuary has concluded that a minimum total equity level of $181.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than $181.0 million would result in a "not satisfactory" opinion because there are plausible adverse scenarios identified where liabilities exceed assets. The Corporation is in compliance with this target.

In Order No. 128/15, the Public Utilities Board accepted the DCAT methodology for the minimum Basic RSR target level based on total equity of the Basic line of business. The Public Utilities Board's minimum target, based on total equity and original assumptions, is $159.0 million.

The Corporation's Board of Directors' current target level for Extension total equity (Retained Earnings and Extension's portion of AOCI) is $67.0 million (February 29, 2016 - $71.0 million) based on the 2016 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 is in compliance with this target.

The Corporation's Board of Directors' current target level of $65.0 million (February 29, 2016 - $50.0 million) for SRE total equity (Retained Earnings and SRE's portion of AOCI) is based on the 2016 SRE 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 is in compliance with this target.

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)	Personal Identification Card Fund (PICF)	Retained Earnings
Balance as at March 1, 2015	177,818	-	117,000	83,232	-	378,050
Net income (loss) from operations for the year	-	(56,050)	-	24,736	-	(31,314)
Transfer between RSR & B-RE	(56,050)	56,050	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	4,000	(4,000)	-	-
Transfer between NB-RE & RSR	72,729	-	-	(72,729)	-	-
Initial transfer from NB-RE to PICF	-	-	-	(3,000)	3,000	
Transfer between NB-RE & PICF	-	-	-	1,104	(1,104)	-
Balance as at February 29, 2016	194,497	-	121,000	29,343	1,896	346,736
Net income (loss) from operations for the year	-	(123,070)	-	37,866	-	(85,204)
Transfer between RSR & B-RE	(123,070)	123,070	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	11,000	(11,000)	-	-
Transfer between NB-RE & RSR	27,824	-	-	(27,824)	-	-
Transfer between NB-RE & PICF	-	-	-	1,896	(1,896)	-
Balance as at February 28, 2017	**99,251**	**-**	**132,000**	**30,281**	**-**	**261,532**

(in thousands of Canadian dollars)	**2017**	2016
RSR before transfer from Non-Basic Retained Earnings (NB-RE)	**71,427**	121,768
AOCI-Basic (Note 21)	**81,749**	36,503
	153,176	158,271
Transfer from NB-RE to RSR	**27,824**	72,729
Basic Target based on total equity	**181,000**	231,000

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, 2015	105,665	(62,288)	43,377
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	32,395	32,395
Items that will be reclassified to income			
Unrealized losses on AFS assets	(65,985)	(331)	(66,316)
Reclassification of net realized losses related to AFS assets	33,370	401	33,771
Balance at February 29, 2016	73,050	(29,823)	43,227
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	(10,489)	(10,489)
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	103,368	(300)	103,068
Reclassification of net realized losses related to AFS assets	(40,001)	(168)	(40,169)
Balance at February 28, 2017	**136,417**	**(40,780)**	**95,637**

(in thousands of Canadian dollars)	**2017**	2016
Basic AOCI at February 28/29	**81,749**	36,503
Non-Basic AOCI at February 28/29	**13,888**	6,724
Total AOCI at February 28/29	**95,637**	43,227

22. SERVICE FEES AND OTHER REVENUE

(in thousands of Canadian dollars)	**2017**	2016
Transaction fees	**8,170**	8,141
Time payment fees	**2,946**	2,883
Time payment interest	**16,750**	16,084
Late payment fees	**927**	1,066
Dishonoured payment fees	**1,184**	992
Identity card/Enhanced identity card fees	**407**	401
Other miscellaneous revenue	**1,163**	1,413
Total	**31,547**	30,980

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. Beginning April 1, 2016, the government increased its payments to the Corporation to $29.3 million per year. Beginning April 1, 2017, the government will increase its payments to the Corporation to $30.2 million per year. Additionally, an annual indexing provision will be applied to the yearly funding for The Drivers and Vehicles Act administration.

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)	**2017**	2016
Vehicle registration fees	**185,512**	182,818
Driver licensing fees	**24,481**	24,075
Total	**209,993**	206,893

24. NET INCOME (LOSS) FROM OPERATIONS

The lines of business reported net income (loss) from operations is as follows:

(in thousands of Canadian dollars)	**2017**	2016
Basic insurance	**(123,070)**	(56,050)
Extension insurance	**37,988**	26,644
Special risk extension insurance	**3,193**	4,650
The Drivers and Vehicles Act operations	**(3,315)**	(6,558)
	37,866	24,736
Net loss from operations	**(85,204)**	(31,314)

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 $0.1 million (February 29, 2016 – $0.1 million net loss) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $2.4 million (February 29, 2016 – $2.5 million) relating to discontinued operations.

26. COMMITMENTS

As of February 28, 2017, 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)	**2017**	2016
Short term benefits	**2,034**	1,867
Post-employment benefits	**44**	121
Other long-term benefits	**25**	30
Termination benefits	**53**	338
Total	**2,156**	2,356

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 $11.1 million (February 29, 2016 - $9.3 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. As of February 28, 2017, total foreign denominated financial instruments was approximately 7.9% (February 28, 2016 – 8.1%) of the Corporation's investment portfolio and had carrying values noted below.

2017	**2017**	2016	2016
$133.5 million U.S.	**$177.3 million Cdn**	$139.1 million U.S.	$188.2 million Cdn
£7.0 million GBP	**$11.5 million Cdn**	£6.3 million GBP	$11.8 million Cdn
$13.5 million NZD	**$13.0 million Cdn**	nil	nil

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, 2017 the fair value of the swap was $15.1 million (February 29, 2016 - $14.8 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 - %	
	2017	2016
Federal	**2.15**	1.89
Provincial	**2.94**	3.01
Municipal	**3.28**	3.19
Hospitals	-	2.01
Schools	**4.61**	4.73
Corporations	**2.87**	2.77

As at February 28, 2017, 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 $120.1 million (February 29, 2016 - $120.2 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 $146.1 million (February 29, 2016 - $147.7 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, 2017, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $47.5 million (February 29, 2016 - $46.7 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)	**2017**	2016
Cash and cash equivalents	**73,434**	37,322
Bonds	**1,740,007**	1,679,082
Due from other insurance companies	**29**	45
Accounts receivable	**455,239**	423,918
Reinsurance receivable	**1,804**	6,273
Maximum credit risk exposure on the Statement of Financial Position	**2,270,513**	2,146,640

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 28/29. 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.

	2017		2016	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**238,494**	**13.7%**	26,298	1.6%
AA	**1,474,753**	**84.8%**	1,335,847	79.5%
A	**26,760**	**1.5%**	316,937	18.9%
Total	**1,740,007**	**100.0%**	1,679,082	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)	**2017**	2016
Policy and time payments	**411,982**	379,383
Accrued interest	**26,304**	26,824
Subrogation and other receivables	**45,720**	41,581
Allowance for doubtful accounts	**(28,767)**	(23,870)
Balance at February 28/29	**455,239**	423,918

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2017**	2016
Balance at March 1	**23,870**	21,929
Accounts written off	**(1,841)**	(4,737)
Current period provision	**6,738**	6,678
Balance at February 28/29	**28,767**	23,870

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 $0.2 million outstanding as of February 28, 2017 (February 29, 2016 – $0.2 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 2016/17 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 2016/17 fiscal year, 17 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 28.25% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2016/17 and no allowance for doubtful accounts has been established as at February 28, 2017.

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 $140.0 million (February 29, 2016 – $142.0 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

	2017			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total Fair Value**
Federal	-	**18,577**	**40,733**	**59,310**
Manitoba				
Provincial	-	**10,514**	**132,042**	**142,556**
Municipal	**1,790**	**2,475**	**38,173**	**42,438**
Schools	-	**29,315**	**602,604**	**631,919**
Other Provinces				
Provincial	**8,237**	**80,435**	**649,953**	**738,625**
Municipal	-	**28,020**	**37,513**	**65,533**
Corporations	-	**15,676**	**43,950**	**59,626**
Total	**10,027**	**185,012**	**1,544,968**	**1,740,007**

(in thousands of Canadian dollars)	2016 Within One Year	One Year to Five Years	After Five Years	Total Fair Value
Federal	-	5,019	119,253	124,272
Manitoba				
Provincial	10,015	10,356	165,673	186,044
Municipal	92	5,266	29,791	35,149
Hospitals	10,167	-	-	10,167
Schools	-	23,490	591,370	614,860
Other Provinces				
Provincial	11,047	34,207	503,600	548,854
Municipal	-	7,750	97,512	105,262
Corporations	-	12,828	41,646	54,474
Total	31,321	98,916	1,548,845	1,679,082

Liability Liquidity

(in thousands of Canadian dollars)	**2017** **Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Value**
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**337,638**	**311,610**	**1,200,979**	**1,850,227**

(in thousands of Canadian dollars)	2016 Within One Year	One Year To Five Years	After Five Years	Total Value
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	310,406	289,176	1,114,203	1,713,785

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, 2017 and February 29, 2016.

(in thousands of Canadian dollars)	**2017**	2016
Financial Assets		
Bonds	**1,729,980**	1,647,761
Equity investments	**474,613**	468,991
Pooled real estate	**233,981**	222,207
Infrastructure and other investments	**96,503**	85,342
Reinsurers' share of unpaid claims	**1,587**	5,640
	2,536,664	2,429,941
Financial Liabilities		
Financing lease obligation	**4,092**	4,189
Provision for unpaid claims	**1,563,217**	1,458,294
	1,567,309	1,462,483
Net assets due after one year	**969,355**	967,458

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% (February 29, 2016 - 86%) 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, 2017.

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.

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 April 19, 2017.

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 2016 consolidated financial statements.

Original Document Signed

Winston Maharaj
President and CEO

Original Document Signed

Lorena B. Trann, FCPA, FCMA
Chief Financial Officer

April 19, 2017

ACTUARIAL OPINION

With respect to Future Benefit Liabilities of the Workers Compensation Board of Manitoba
based on an actuarial valuation as at December 31, 2016

I have completed an actuarial valuation as at December 31, 2016 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 2016 financial statements which are prepared in accordance with International Financial Reporting Standards.

My estimate of the liabilities as at December 31, 2016 is $1,106.6 million. This includes provisions for claims arising from specific long latent occupational diseases including Post-Traumatic Stress Disorder.

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 unchanged from the prior valuation. The discount rate used is 5.75 per cent. The inflation assumptions are 2.25 per cent for inflation linked benefits, 3.25 per cent for wage linked benefits and 5.25 per cent for healthcare benefits.

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 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. The mortality assumptions are unchanged from the prior valuation.

The assumptions and methods used in the valuation, as described in my report, are based on the current practices an 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

March 2, 2017

ACTUARIAL REVIEW

with respect to the Valuation of the Future Benefit Liabilities of the Workers Compensation Board of Manitoba
as at December 31, 2016

We have reviewed the actuarial valuation as at December 31, 2016 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 2016 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, 2016 to be $1,106.6 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. In my opinion, this amount constitutes an appropriate provision for benefit liabilities as at December 31, 2016.

Our review has been conducted, and my opinion given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,
Eckler Ltd.

Original Document Signed
Andrew Kulyk
Fellow, Canadian Institute of Actuaries

March 2, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Workers Compensation Board of Manitoba

We have audited the accompanying consolidated financial statements of the Workers Compensation Board of Manitoba (WCB), which comprise the consolidated statement of financial position as at December 31, 2016, 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 tha 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 appropriat 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 audit opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WCB as at December 31, 2016, 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 Professional Accountants
Winnipeg, Canada
April 19, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31
(in thousands of dollars)

	Note	2016	2015
Assets			
Cash	3	$ 28,229	$ 13,837
Receivables and other	4	12,844	6,947
Investment portfolio	5	1,699,484	1,681,181
Deferred assessments	7	136,951	137,335
Property and equipment	8	26,886	26,864
Intangible assets	9	7,015	4,111
		$ 1,911,409	$ 1,870,275
Liabilities and funded position			
Payables and accruals	10	$ 15,152	$ 12,460
Workers' retirement annuity fund	11	31,245	29,814
Employee benefits	12	97,155	84,789
Mortgages payable on investment properties	5	59,914	57,492
Benefit liabilities	13	1,106,642	1,120,525
Total liabilities		1,310,108	1,305,080
Accident fund reserve		663,138	621,402
Accumulated other comprehensive loss		(61,837)	(56,207)
Funded position		601,301	565,195
		$ 1,911,409	$ 1,870,275

Authorized for issue on April 19, 2017 on behalf of the Board of Directors,

Original Document Signed
Michael D. Werier
Chairperson, Board of Directors

Original Document Signed
Peter Dyck
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	2016	2015
Revenue			
Premium revenue	15	$ 256,881	$ 285,400
Investment and real estate income	5	48,628	111,520
Total revenue		305,509	396,920
Expenses			
Claim costs incurred	13	168,057	211,550
Operating expenses	16	95,716	90,612
Total expenses		263,773	302,162
Operating surplus		41,736	94,758
Other comprehensive (loss) income			
Defined benefit plan remeasurements	12	(5,630)	13,307
Total comprehensive income		$ $36,106	$ 108,065

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	2016	2015
Funded position			
Accident fund reserve			
Balance at beginning of year		$ 621,402	$ 526,644
Operating surplus		41,736	94,758
		663,138	621,402
Accumulated other comprehensive loss			
Balance at beginning of year		$ (56,207)	$ (69,514)
Other comprehensive (loss) income		(5,630)	13,307
		(61,837)	(56,207)
Funded position, end of year		$ 601,301	$ 565,195

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	2016	2015
Operating cash flows			
Premiums from employers		$ 253,187	$ 254,710
Investment income		43,696	59,576
Claim payments	13	(181,940)	(171,707)
Purchases of goods and services		(90,386)	(85,194)
Net operating cash flows		24,557	57,385
Investing cash flows			
Purchases of investments		(801,619)	(1,169,250)
Proceeds on disposal of investments		797,727	1,118,842
Asset acquisitions		(6,273)	(4,415)
Net investing cash flows		(10,165)	(54,823)
Net increase in cash		14,392	2,562
Cash at beginning of year		13,837	11,275
Cash at end of year		$ 28,229	$ 13,837

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016
($ 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 illnesses
- 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.

SAFE Work Manitoba operates as a separate arm of the WCB and is responsible for the delivery of prevention-related services mandated under the *Act*.

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 and Capital Management

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 $454.9 million at the end of 2016 ($447.7 million in 2015).

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) in effect as at December 31, 2016, 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 investmer subsidiary WCB Realty Limited. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates, Measurement Uncertainty and Critical Judgements

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.

Certain investment properties have been determined as joint operations as the WCB has joint control over the assets with other parties through contractual arrangements and the WCB has rights to the specific assets and obligations fo the liabilities.

Changes in Accounting Policies

Future Accounting and Reporting Changes

The International Accounting Standards Board (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.

In July 2014, the IASB issued IFRS 9 *Financial Instruments (2014)* which introduces a new measurement category, Fai Value through Other Comprehensive Income (FVOCI) for certain business models. The WCB is considering the impa of this revised standard, which has an effective date of January 1, 2018.

The IASB is close to finalizing new accounting requirements for insurance contracts. The IASB expects to publish the new standard called IFRS 17 *Insurance Contracts* in the first half of 2017. The proposed standard represents a major change in accounting for insurance contracts and is expected to have a significant impact on the financial reporting entities such as the WCB. This standard has an effective date of January 1, 2021.

In January 2016, the IASB issued IFRS 16 *Leases* which replaced IAS 17 *Leases*. The new standard has an effective dat of January 1, 2019 and the impact on the consolidated financial statements is being assessed.

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 and Mortgages Payable on Investment Properties

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 International Accounting Standard 40 (IAS 40) *Investment Properties*. Mortgages payable on investment properties are accounted for in accordance with IFRS 9 *Financial Instruments*.

Portfolio Investments

The WCB's investments have been designated at fair value through profit or loss (FVTPL). As such, all investments are reported 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 directly or by joint arrangement through its wholly owned real estate investment subsidiary WCB Realty Limited. 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.

- Investment property assets are recognized at fair value.
- Fair value of the investment properties is determined by annual appraisal conducted by independent qualified appraisers. 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.
- Investment properties which are determined to be joint operations are recorded in relation to the interest held in the joint operations.

Mortgages Payable on Investment Properties

Mortgages payable on investment properties are initially recognized at fair value less transaction costs. Mortgages payable on investment properties are subsequently measured at amortized cost using the effective interest method.

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. In a joint arrangement the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation or a joint venture.

The WCB is a joint operator of certain real estate investment properties through its wholly owned subsidiary WCB Realty Limited, and as such recognizes in relation to its interest in the joint operations its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

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 and Equipment

Property 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
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 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.

Retirement Plans

The retirement plans, comprised of the WCB Retirement Plan and the Supplementary Employee Retirement Plan, are 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 retirement plans. 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.

Revenue Recognition

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 t 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 deferred assessments.

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 Governmen of Canada for the payment of compensation to federal employees in this province.

Investment and Real Estate Income
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. Gross lease revenue for operating leases is recorded on the straight-line revenue basis.

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:

		2016		2015
Cash in transit and in banks	$	33,026	$	18,572
Cheques issued and outstanding		(4,797)		(4,735)
Net operating cash flows	$	28,229	$	13,837

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 2016 or 2015.

4. RECEIVABLES AND OTHER

Receivables and other reported in the consolidated statement of financial position is comprised of:

		2016		2015
Premiums - Class E employers	$	5,652	$	3,722
Provision for doubtful accounts		(623)		(1,004)
		5,029		2,718
Current assessments - Self-insured employers		3,377		413
Sundry		4,438		3,816
	$	12,844	$	6,947

5. INVESTMENT PORTFOLIO AND MORTGAGES PAYABLE ON INVESTMENT PROPERTIES

The total investments of the WCB are comprised of the investment portfolio net of mortgages payable on investment properties. The investments are reported in the comprehensive statement of financial position as:

		2016		2015
Portfolio investments	$	1,521,141	$	1,504,890
Investment properties		178,343		176,291
Investment portfolio		1,699,484		1,681,181
Mortgages payable on investment properties		(59,914)		(57,492)
Total investments	$	1,639,570	$	1,623,689

Investment Portfolio Holdings

The following table presents the value of the WCB's investments, together with their classification under the fair value hierarchy:

	2016				2015
	Level 1	Level 2	Level 3	Total	Total
Fixed Income					
Bonds	$ 487,898	$ -	$ -	$ 487,898	$ 475,794
Mortgages	-	132,756	-	132,756	121,701
Cash and short term	25,460	-	-	25,460	81,780
	513,358	132,756	-	646,114	679,275
Equities					
Canadian	265,593	-	-	265,593	228,486
U.S.	265,188	-	-	265,188	242,488
Europe, Australasia & Far East	144,546	-	-	144,546	149,305
Emerging markets	43,185	-	-	43,185	40,797
Private placements	-	-	3,760	3,760	4,823
	718,512	-	3,760	722,272	665,899
Real estate					
Portfolio investments	-	-	55,360	55,360	62,232
Investment properties*	-	-	178,343	178,343	176,291
	-	-	233,703	233,703	238,523
Infrastructure	-	-	97,395	97,395	97,484
	$ 1,231,870	$ 132,756	$ 334,858	$ 1,699,484	$ 1,681,181

*Investment properties include the commercial real estate properties consolidated from WCB Realty Limited, which includes directly owned properties and properties owned through joint arrangements.

The fair value of the WCB's portfolio investments and investment properties are categorized into three levels comprising the fair value hierarchy. 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 three levels of the fair value hierarchy are:

Level 1 – The fair value is based on quoted prices in active markets for identical assets.

Level 2 – The fair value is based on inputs other than quoted prices that are observable for the asset either directl or indirectly. The following technique is used:

- 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.

Level 3 – The fair value is based on inputs that are not based on observable market data. The following technique are used to determine the fair value of investments 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 mos 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 appraisers. 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 \$4.50 / sq. ft. to \$45.50 / sq. ft.
Capitalization rates	From 4.0% to 9.5%

The following table reconciles the changes in the WCB's Level 3 fair value measurements to December 31:

	2016	2015
Balance at January 1	$ 340,830	$ 290,941
Market (losses) gains:	(16,651)	13,229
Purchases	12,632	56,720
Sales	(1,953)	(20,060)
Balance at December 31	$ 334,858	$ 340,830

Mortgages Payable on Investment Properties

The mortgages payable on investment properties are recorded at amortized cost as follows:

	2016	2015
Mortgages payable on investment properties	$ 59,914	$ 57,492

The following information represents key facts related to mortgages payable on rental properties. Mortgages are secured by the underlying investment property.

Interest rates	From 2.79% to 5.26%
Interest terms	Variable and fixed
Maturity dates	From 2017 to 2026

The fair value of mortgages payable on investment properties is determined annually. Fair value is impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages of similar terms and conditions. The fair value of these mortgages was \$60.9 million as at December 31, 2016 (\$59.4 million in 2015) determined using the following:

Interest rates	From 2.77% to 3.82%
Term to maturity	7 months to 111 months

These mortgages are categorized as Level 2 of the fair value hierarchy.

For 2017, scheduled principal and interest payments on these mortgages total \$11.5 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2017	2018	2019	2020	2021	Thereafter	Total
$ 9,509	$ 2,361	$ 10,133	$ 1,783	$ 5,854	$ 30,274	$ 59,914

Investment Income

Investment income, including net rental income and changes in fair value, was derived from the following sources:

	2016			2015
	Income	Net gains (losses)	Total	Total
Fixed Income				
Bonds	$ 16,738	$ (5,046)	$ 11,692	$ 15,588
Mortgages	4,851	(807)	4,044	4,445
Cash and short term	342	(352)	(10)	2,640
	21,931	(6,205)	15,726	22,673
Equities				
Canadian	7,746	33,353	41,099	(2,971)
U.S.	6,400	9,102	15,502	43,713
Europe, Australasia & Far East	3,177	(7,744)	(4,567)	24,382
Emerging markets	901	1,356	2,257	3,472
Private placements	-	(537)	(537)	176
	18,224	35,530	53,754	68,772
Real estate				
Portfolio investments	3,301	(5,622)	(2,321)	4,290
Investment properties*	8,536	(20,617)	(12,081)	6,790
	11,837	(26,239)	(14,402)	11,080
Infrastructure	5,728	(4,788)	940	16,406
Investment income	$ 57,720	$ (1,702)	56,018	118,931
Less: Portfolio management expenses			7,390	7,411
Net investment income			$ 48,628	$ 111,520

*Investment properties income includes gross rental income of $19.6 million net of operating expenses of $8.6 million and mortgage interest of $2.5 million.

Commitments

The WCB has no contractual agreements to contribute further funding ($13.1 million in 2015) 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:

	2016		2015	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviations	+/- 1 standard deviation	+/- 2 standard deviations
% change in benchmark	9.0%	18.0%	11.1%	22.2%
Canadian	$23.9 million	$47.8 million	$25.6 million	$51.2 million
% change in benchmark	10.2%	20.4%	11.2%	22.4%
U.S.	$27.0 million	$54.0 million	$28.7 million	$57.4 million
% change in benchmark	11.8%	23.6%	12.5%	25.0%
Europe, Australasia & Far East	$17.1 million	$34.2 million	$18.7 million	$37.4 million
% change in benchmark	11.9%	23.8%	13.9%	27.8%
Emerging markets	$5.1 million	$10.2 million	$5.7 million	$11.4 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.

In addition to directly owned fixed income securities, the WCB is invested in a pooled bond fund. The pooled fund guidelines require that the average credit quality of the pooled fund's assets must be BBB- or higher, and that non-investment grade securities shall not exceed 25 per cent of the pooled fund's assets on a market value basis.

Of the fixed income assets in the investment portfolio, 81 per cent (80 per cent in 2015) 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, 2016, these loans amounted to $228.3 million ($109.2 million in 2015). As at December 31, 2016, total collateral pledged to the WCB amounted to $239.8 million ($114.7 million in 2015).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2016, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influence short term returns, these fluctuations are not expected to affect the long term positio of the investment portfolio.

The WCB has exposure to the U.S. dollar, with USD-denominated holdings of $363.5 million CAD ($348.0 million CAD in 2015) or 22.1 per cent of the portfolio (23.0 per cent in 2015).

The table below presents the effects of a material change in the Canadian/U.S. dollar exchange rates:

	CAD/USD 2016	2015
10% appreciation in the Canadian dollar	$ (33.1 million)	$ (31.6 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 instrumen fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duratior of the fixed income portfolio. As at December 31, 2016, the duration of the WCB's bond portfolio was 7.7 years (7.2 years in 2015).

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:

	2016		2015	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$18.9 million	$37.8 million	$17.3 million	$34.6 million

The WCB is also subject to interest rate risk through the wholly owned subsidiary WCB Realty Limited. The mortgage payable on investment properties are primarily fixed rate mortgages which do not create cash flow risk.

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:

	2016	2015
Balance at beginning of year	$ 137,335	$ 106,273
(Decrease) increase in future cost liability	(479)	31,191
Increase (decrease) in pension-related transactions	1,467	(2,148)
Interest allocation	(14)	(12)
Net change in deferred assessments (Note 15)	974	29,031
Current pension (deficit) surplus included in receivables and other	(1,358)	2,031
Balance at end of year	$ 136,951	$ 137,335

8. PROPERTY AND EQUIPMENT

The changes in property and equipment were as follows:

	2016					2015
	Building and land	Building renovations and leaseholds	Computer equipment	Furniture, fixtures and equipment	Total	Total
Cost						
As at January 1	$ 23,574	$ 5,987	$ 7,654	$ 3,618	$ 40,833	$ 37,947
Additions	108	557	1,609	157	2,431	3,038
Disposals	-	-	(61)	-	(61)	(152)
As at December 31	23,682	6,544	9,202	3,775	43,203	40,833
Amortization						
As at January 1	(2,457)	(2,949)	(5,816)	(2,747)	(13,969)	(12,034)
Amortization charge	(667)	(478)	(1,001)	(262)	(2,408)	(2,087)
Disposals	-	-	60	-	60	152
As at December 31	(3,124)	(3,427)	(6,757)	(3,009)	(16,317)	(13,969)
Net book value, as at December 31	$ 20,558	$ 3,117	$ 2,445	$ 766	$ 26,886	$ 26,864

9. INTANGIBLE ASSETS

The changes in intangible assets were as follows:

	2016			2015
	Computer software	Internally developed systems and software	Total	Total
Cost				
As at January 1	$ 4,046	$ 15,568	$ 19,614	$ 18,356
Additions	242	3,600	3,842	1,377
Disposals	-	(4)	(4)	(119)
As at December 31	4,288	19,164	23,452	19,614
Amortization				
As at January 1	(3,673)	(11,830)	(15,503)	(14,852)
Amortization charge	(246)	(691)	(937)	(770)
Disposals	-	3	3	119
As at December 31	(3,919)	(12,518)	(16,437)	(15,503)
Net book value, as at December 31	$ 369	$ 6,646	$ 7,015	$ 4,111

10. PAYABLES AND ACCRUALS

Payables and accruals are comprised of:

	2016	2015
Accounts payable and accrued liabilities	$ 4,828	$ 4,241
Research and Workplace Innovation Program	2,330	1,779
Deposits from self-insured employers	6,468	5,104
Other payables	1,526	1,336
Balance at end of year	$ 15,152	$ 12,460

11. WORKERS' RETIREMENT ANNUITY FUND

The changes in the workers' retirement annuity fund were as follows:

	2016	2015
Balance as at January 1	$ 29,814	$ 27,514
Investment income	894	2,036
WCB contributions	1,601	1,512
Workers' contributions	451	433
Benefits paid	(1,515)	(1,681)
Balance as at December 31	$ 31,245	$ 29,814

12. EMPLOYEE BENEFITS

Components of the employee benefits liability are as follows:

	2016	2015
Retirement plans	$ 77,911	$ 66,566
Sick leave plan	12,031	11,588
Employee vacation entitlements	4,713	4,467
Retiree healthcare spending account	2,188	1,930
Other	312	238
As at December 31	$ 97,155	$ 84,789

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

A reconciliation of the retirement plans' net defined benefit liability and its components is as follows:

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Liability	
	2016	2015	2016	2015	2016	2015
Balance at January 1	$ 239,258	$ 235,096	$ (172,692)	$ (163,454)	$ 66,566	$ 71,642
Benefit cost recognized in income:						
Current service cost	11,946	12,683	-	-	11,946	12,683
Interest expense (income)	10,088	9,394	(7,446)	(6,685)	2,642	2,709
Employee contributions	-	-	(3,506)	(3,040)	(3,506)	(3,040)
	22,034	22,077	(10,952)	(9,725)	**11,082**	12,352
Remeasurements recognized in OCI:						
Experience loss	1,641	1,840	-	-	1,641	1,840
Gain from changes in demographic assumptions	-	(37)	-	-	-	(37)
Loss (gain) from changes in economic assumptions	12,037	(19,245)	-	-	12,037	(19,245)
Return on plan assets excluding interest income	-	-	(8,155)	4,775	(8,155)	4,775
	13,678	(17,442)	(8,155)	4,775	**5,523**	(12,667)
Other changes:						
Employer contributions	-	-	(5,260)	(4,761)	(5,260)	(4,761)
Transfers to the plan	853	3,267	(853)	(3,267)	-	-
Benefits paid	(4,616)	(3,740)	4,616	3,740	-	-
	(3,763)	(473)	(1,497)	(4,288)	**(5,260)**	(4,761)
Balance at December 31	$ 271,207	$ 239,258	$ (193,296)	$ (172,692)	$ **77,911**	$ 66,566

The most recent actuarial valuation of the WCB Retirement Plan for funding purposes, to be filed with the pension regulators, was as at December 31, 2016. This funding valuation showed a funding deficit of $1.4 million (2015 valuation, deficit of $6.2 million). The solvency deficit as at December 31, 2016 was $89.7 million (2015 valuation, deficit of $71.6 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*.

A reconciliation of the sick leave plan net defined benefit liability (equal to the defined benefit obligation) is as follows:

	Net Defined Benefit Liability			
	2016		2015	
Balance at January 1	$	$11,588	$	11,331
Benefit cost recognized in income:				
Current service cost		518		526
Interest expense		480		40
		998		976
Remeasurements recognized in OCI:				
Experience loss (gain)		2		(7)
Gain on change in demographic assumptions		(237)		-
Loss (gain) on change in economic assumptions		249		(545)
Return on plan assets excluding interest income		-		-
		14		(552)
Other changes:				
Benefits paid directly by the employer		(569)		(167)
Net defined benefit liability at December 31	$	12,031	$	11,588

Total cash payments for employee future benefits for 2016, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for unfunded plans, were $5.8 million ($4.9 million in 2015). Based on historical experience and expected salary expense, the WCB expects to fund $5.5 million in 2017.

The key actuarial assumptions used to value the employee benefit liabilities for accounting purposes are as follows:

	2016	2015
Discount rate	4.00%	4.25%
Rate of compensation increase	3.50%	3.50%

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 obligation to a one per cent change in the discount rate:

	2016				2015			
		+1.0%		-1.0%		+1.0%		-1.0%
Retirement plans	$	(43,568)	$	57,352	$	(37,765)	$	49,090
Sick leave plan		(945)		1,094		(875)		1,012

The fair value of the retirement plans' assets as at December 31 is:

	Retirement Plan 2016	Retirement Plan 2015
Equity		
Canadian	$ 48,256	$ 54,208
Foreign (including U.S.)	57,850	54,381
	106,106	108,589
Fixed income	48,337	61,693
Real estate	38,853	-
Cash and short term	-	2,410
	$ 193,296	$ 172,692

The retirement plans' assets are wholly invested in segregated funds (pooled funds in 2015). The fair value represent the retirement plans' share of the net asset value provided by the custodian and is based on the last market price for the underlying assets. At December 31, 2016, plan assets are categorized as Level 1 with the exception of certain fixec income investments which are categorized as Level 2. At December 31, 2015 all assets are categorized as Level 2.

WCB Retiree Healthcare Spending Account (RHCSA)
Details of the WCB RHCSA are as follows:

	2016	2015
Balance as at January 1	$ 1,930	$ 1,853
Benefit cost recognized in income	174	168
Remeasurements recognized in OCI		
Loss (gain) on change in economic assumptions	93	(88)
Employer contributions	(9)	(3)
Net change in net defined benefit liability	258	77
Defined benefit liability at December 31	$ 2,188	$ 1,930

Related Party Transactions
By definition, the WCB retirement plan is a related party to the WCB. Transactions between the related parties are detailed below:

	2016	2015
Contributions from the employees	$ 3,506	$ 3,040
Contributions from the employer	5,260	4,761

There were no amounts outstanding as at December 31, 2016 or December 31, 2015.

13. BENEFIT LIABILITIES FOR ALL EMPLOYERS

Benefit liabilities are determined in accordance with standards established by the Actuarial Standards Board (Canada). 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:

	2016	2015
Discount rate	5.75%	5.75%
Inflation for CPI-indexed benefits	2.25%	2.25%
Inflation for wage-related benefits	3.25%	3.25%
Inflation for healthcare benefits	5.25%	5.25%

An analysis of the components of and changes in benefit liabilities is as follows:

	2016						2015
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 146,297	$ 536,892	$ 133,198	$ 298,165	$ 5,973	$1,120,525	$ 1,080,682
Add: Claim costs incurred							
Current year	44,519	48,815	2,739	53,163	998	150,234	160,722
Prior years	24,709	(23,293)	3,828	15,675	(3,096)	17,823	50,828
	69,228	25,522	6,567	68,838	(2,098)	168,057	211,550
Less: Claim payments made							
Current year	26,921	732	128	21,194	4	48,979	48,544
Prior years	29,031	57,197	12,018	34,500	215	132,961	123,163
	55,952	57,929	12,146	55,694	219	181,940	171,707
Balance at end of year	$ 159,573	$ 504,485	$ 127,619	$ 311,309	$ 3,656	$1,106,642	$ 1,120,525

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 $100.4 million ($103.7 million in 2015) 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. Effective January 1, 2016, the *Act* was amended to include a presumption for Post-Traumatic Stress Disorder, regardless of occupation.

Also included in the benefit liability is $92.1 million ($93.7 million in 2015) 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:

	2016				2015			
+/- % change on assumed rates		**+1.0%**		**-1.0%**		**+1.0%**		**-1.0%**
Discount rate	$	(87)	$	103	$	(87)	$	103
Wage inflation rate		53		(46)		54		(47)
General inflation rate		11		(9)		10		(9)
Healthcare inflation rate		36		(30)		35		(28)

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.

	Injury Year										
Estimate of ultimate claims	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
End of accident year	$ 1,458,654	182,168	203,916	184,494	181,728	196,690	202,359	211,487	219,081	195,543	192,331
1 year later	1,516,628	191,645	187,514	165,260	171,672	182,934	204,976	203,221	187,526	188,020	-
2 years later	1,531,656	189,544	175,901	172,820	170,445	193,678	200,459	180,672	180,810	-	-
3 years later	1,540,794	187,199	185,187	173,058	183,276	190,184	184,729	177,863	-	-	-
4 years later	1,591,397	190,159	184,284	184,782	181,488	175,290	183,041	-	-	-	-
5 years later	1,672,185	190,595	199,761	183,809	169,155	171,743	-	-	-	-	-
6 years later	1,692,401	198,086	198,546	173,308	166,838	-	-	-	-	-	-
7 years later	1,786,175	197,405	188,664	171,647	-	-	-	-	-	-	-
8 years later	1,848,853	189,258	187,209	-	-	-	-	-	-	-	-
9 years later	1,754,856	188,802	-	-	-	-	-	-	-	-	-
10 years later	1,741,245	-	-	-	-	-	-	-	-	-	-

	Injury Year										
Cumulative claims paid	**2006 & Prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
End of accident year	$ 158,624	46,859	50,599	48,096	46,249	47,401	47,263	47,333	47,500	46,953	47,908
1 year later	285,510	82,221	84,294	77,860	74,123	76,708	78,400	74,773	72,567	74,647	-
2 years later	383,157	96,974	96,378	87,285	84,207	86,321	88,071	83,002	81,443	-	-
3 years later	467,653	106,870	104,554	94,078	90,830	92,230	95,167	89,965	-	-	-
4 years later	547,097	113,748	110,788	99,426	95,642	96,519	100,841	-	-	-	-
5 years later	620,003	119,384	115,963	103,890	99,645	99,889	-	-	-	-	-
6 years later	688,743	123,961	120,129	107,590	103,134	-	-	-	-	-	-
7 years later	752,415	127,565	123,619	110,988	-	-	-	-	-	-	-
8 years later	811,184	130,844	126,954	-	-	-	-	-	-	-	-
9 years later	866,090	134,042	-	-	-	-	-	-	-	-	-
10 years later	919,213	-	-	-	-	-	-	-	-	-	-

	Injury Year											
	2006 & Prior	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Cumulative estimate of ultimate claims	$ 1,741,245	188,802	187,209	171,647	166,838	171,743	183,041	177,863	180,810	188,020	192,331	$3,549,549
Less: Cumulative claims paid	919,213	134,042	126,954	110,988	103,134	99,889	100,841	89,965	81,443	74,647	47,908	1,889,024
Current year unpaid and unreported claims	822,032	54,760	60,255	60,659	63,704	71,854	82,200	87,898	99,367	113,373	144,423	1,660,525
Effect of discounting												(749,146
Administration cost within benefit liabilities												92,111
Future dated long latency liability												103,152
Total benefit liabilities												$1,106,642

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:

	2016						2015
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 15,963	$ 76,727	$ 22,264	$ 52,869	$ 360	$ 168,183	$ 139,631
Add: Claim costs incurred							
Current year	5,363	5,367	540	6,931	16	18,217	19,306
Prior years	5,535	(4,701)	1,392	2,469	(326)	4,369	31,492
	10,898	666	1,932	9,400	(310)	22,586	50,798
Less: Claim payments made							
Current year	4,105	92	-	2,706	2	6,905	6,515
Prior years	4,124	6,113	2,535	5,542	(62)	18,252	15,731
	8,229	6,205	2,535	8,248	(60)	25,157	22,246
Balance at end of year	$ 18,632	$ 71,188	$ 21,661	$ 54,021	$ 110	$ 165,612	$ 168,183

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.6 million ($3.8 million in 2015) 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 $42.6 million ($42.2 million in 2015) for self-insured employers' share of the long latent occupational disease liability and $13.2 million ($12.7 million in 2015) for the future cost of administering existing claims.

15. PREMIUM REVENUE

	2016	2015
Premiums - Class E employers	$ 226,639	$ 230,059
Assessments - Self-insured employers	29,268	26,310
Increase in deferred assessments (Note 7)	974	29,031
Total premium revenue	$ 256,881	$ 285,400

16. OPERATING EXPENSES

		2016		2015
Salaries, employee benefits and training	$	65,003	$	62,380
Information technology service fees		1,703		1,579
Occupancy costs		3,411		3,090
Office supplies, services and projects		1,966		1,784
Communications		1,528		1,395
Professional fees		3,099		3,268
Donations		116		108
Amortization of capital assets		3,345		2,857
		80,171		76,461
Appeal Commission		1,400		1,347
Research and Workplace Innovation Program grants		1,320		903
Recoveries from the Government of Canada		(2,193)		(1,834)
SAFE Work Manitoba		6,057		4,846
Province of Manitoba Workplace Safety and Health Department funding (Note 17)		8,961		8,889
Total operating expenses	$	95,716	$	90,612

Of the total operating expenses, $8.5 million ($7.1 million in 2015) 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 2016, the amount charged to operations under this provision was $8.3 million ($8.4 million in 2015).

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 2016, the amount charged to operations under this provision was $0.6 million ($0.7 million in 2015).

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 $3.1 million ($2.5 million in 2015) 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, 2016 are guaranteed debentures issued by the Province of Manitoba in the amount of $2.8 million ($4.0 million in 2015).

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 member 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 *Relate Party Disclosures*. 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:

	2016	2015
Short term employee benefits	$ 1,859	$ 1,625
Post-employment benefits	331	383
	$ 2,190	$ 2,008

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:

	2016	2015
Fees	$ 164	$ 165
Benefits	-	2
	$ 164	$ 167

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 the Lieutenant Governor in Council.

18. COMMITMENTS

The WCB has signed operating leases for office premises and office equipment expiring at various times until Octobe 30, 2026. The minimum lease obligations over the next five years are:

2017	2018	2019	2020	2021	Thereafter	Total
$ 1,914	$ 1,916	$ 1,612	$ 1,289	$ 1,318	$ 4,689	$ 12,738

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, the 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 2016 or 2015.

21. COMPARATIVE FIGURES

Certain comparative figures and disclosures have been reclassified to conform to the financial statement presentation adopted in the current year.

GOVERNMENT BUSINESS PARTNERSHIP

MNP LLP

North Portage Development Corporation
Consolidated Financial Statements
March 31, 2017

Independent Auditors' Report

To the Shareholders of North Portage Development Corporation:
We have audited the accompanying consolidated financial statements of North Portage Development Corporation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of income and other comprehensive income, changes in 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 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 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 North Portage Development Corporation as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The comparative figures as at March 31, 2016 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion in their report dated June 16, 2016.

Winnipeg, Manitoba

June 23, 2017

MNP LLP
Chartered Professional Accountants

North Portage Development Corporation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	*2016*
Assets		
Current		
Cash	**1,353,336**	27,053
Restricted cash *(Note 4)*	**-**	120,808
Short term investments	**5,622,762**	9,119,943
Accounts receivable *(Note 5)*	**524,011**	545,386
Inventory	**15,392**	-
Current portion of tenant receivables	**-**	4,765
Current portion of receivable from developers *(Note 6)*	**97,969**	104,600
Prepaids and other	**355,498**	156,100
	7,968,968	10,078,655
Non-current		
Property and equipment *(Note 7)*	**15,760,239**	14,804,178
Investments in properties and infrastructure enhancements *(Note 8)*	**57,878,720**	57,689,558
Long-term tenant receivables	**-**	5,414
Receivable from developers *(Note 6)*	**714,709**	1,012,991
	74,353,668	73,512,141
Total assets	**82,322,636**	83,590,796
Liabilities		
Current		
Trade and other payables *(Note 9)*	**2,946,788**	3,035,860
Funds held in trust	**161,409**	261,843
Deferred revenue	**131,794**	138,411
Current portion of long-term debt *(Note 10)*	**423,013**	399,648
	3,663,004	3,835,762
Non-current		
Long-term debt *(Note 10)*	**9,784,602**	10,207,938
Prepaid land rents	**626,786**	509,872
Deferred contributions	**11,322,115**	12,481,964
	21,733,503	23,199,774
	25,396,507	27,035,536
Shareholders' Equity		
Share capital *(Note 11)*	**3**	3
Retained earnings	**9,615,860**	9,244,991
Donated land *(Note 13)*	**8,000,000**	8,000,000
Contributed surplus	**39,310,266**	39,310,266
	56,926,129	56,555,260
	82,322,636	83,590,796

Approved on behalf of the Board

Original Document Signed

Original Document Signed

North Portage Development Corporation
Consolidated Income Statement and Other Comprehensive Income
For the year ended March 31, 2017

	2017	*2016*
Revenue		
Parking	**6,748,201**	6,559,895
The Forks Market	**3,228,604**	2,250,680
Events, sponsorship, grants and recoveries	**1,388,335**	1,243,764
Lease	**1,307,205**	1,323,469
Rental	**364,287**	231,427
Investment income	**244,659**	316,766
	13,281,291	11,926,001
Expenses		
Parking	**2,634,038**	2,650,251
The Forks Market	**2,835,837**	2,166,298
The Forks Site and Events	**2,233,006**	2,073,198
Rental	**134,979**	99,617
Investment costs	**74,836**	105,534
Planning and development	**211,512**	138,812
Marketing and communications	**370,396**	404,134
General and administrative	**2,178,954**	1,978,502
Prior year expense	**105,351**	291,386
Security services	**125,700**	149,758
	10,904,609	10,057,490
Operating income before the following	**2,376,682**	1,868,511
Other expenses (income)		
Interest on long-term debt	**589,947**	612,137
Unrealized gains (loss) on short-term investments	**(336,331)**	342,487
(Gain) loss on disposal of property and equipment	**27,179**	(2,500)
Depreciation and amortization	**2,619,841**	2,241,583
Amortization of deferred contributions	**(1,159,849)**	(1,159,849)
Donations	**265,026**	246,189
	2,005,813	2,280,047
Profit (loss)	**370,869**	(411,536)

North Portage Development Corporation
Consolidated Statement of Changes in Equity
For the year ended March 31, 2017

	Share capital	*Donated land*	*Contributed surplus*	*Retained earnings*	*Total equity*
Balance April 1, 2015	3	8,000,000	39,310,266	9,656,527	56,966,796
Net loss	-	-	-	(411,536)	(411,536)
Balance March 31, 2016	3	8,000,000	39,310,266	9,244,991	56,555,260
Net income	-	-	-	370,869	370,869
Balance March 31, 2017	3	8,000,000	39,310,266	9,615,860	56,926,129

North Portage Development Corporation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Profit (loss)	**370,869**	(411,536)
Depreciation and amortization	**2,619,842**	2,241,583
Amortization or prepaid finance costs	**3,788**	-
Amortization of deferred contributions	**(1,159,849)**	(1,159,849)
(Gain) loss on disposal of property, plant, and equipment	**27,179**	(2,500)
Unrealized loss from short-term investments	**691,105**	342,488
Gain on sale of short-term investments	**(1,027,437)**	(312,827)
	1,525,497	697,359
Changes in working capital accounts		
Accounts receivable	**21,375**	89,647
Restricted cash	**120,808**	(97,436)
Inventory	**(15,392)**	-
Prepaids and other	**(199,398)**	22,774
Trade and other payables	**(89,071)**	520,726
Funds held in trust	**(238,845)**	181,460
	1,124,974	1,414,530
Financing activities		
Repayment of long term debt	**(403,759)**	(383,511)
Prepaid land rents	**116,914**	(39,337)
Deferred revenue	**131,794**	(56,091)
	(155,051)	(478,939)
Investing activities		
Purchases of property and equipment and infrastructure enhancements	**(4,316,762)**	(6,794,056)
Proceeds from disposition of short term investments (net)	**3,833,512**	5,065,074
Developer receivables advanced	**-**	(1,405,101)
Proceeds from repayment of tenant receivables	**10,179**	14,584
Proceeds from repayment of developer receivables	**304,913**	287,510
Funds received for investment properties	**-**	1,405,101
Funds received for property and equipment	**383,200**	-
Proceeds from disposal of property and equipment	**141,318**	2,500
	356,360	(1,424,388)
Increase (decrease) in cash	**1,326,283**	(488,797)
Cash, beginning of year	**27,053**	515,850
Cash, end of year	**1,353,336**	27,053

1. Nature of operations

Mission

The mission of the organization is to act as a catalyst, encouraging activities for people in the downtown area through public and private partnerships and revitalization strategies, and to work to ensure financial self-sufficiency.

North Portage Development Corporation shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

Company background

North Portage Development Corporation (the "Company" or "NPDC") was incorporated under the Corporations Act Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

Manitou Theatre Management Ltd. ("MTML"), previously named North Portage Theatre Corporation, a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of MTML, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operates the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

The head office for NPDC is 123 Main Street, Winnipeg, Canada.

The financial statements for the year ended March 31, 2017 were approved by the Board of the Company on June 23, 2017.

2. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, under the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in the notes.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of Presentation *(continued from previous page)*

Future changes to significant accounting policies

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its Financial Statements:

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for years beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as the single approach to classifying financial assets is not expected to result in a reclassification of the Company's assets; changes to financial liabilities do not apply and the provisions on impairment and hedge accounting do not apply.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management is assessing the impact of these changes.

(iii) IFRS 16 - Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Management is assessing the impact of these changes.

(iv) IAS 40 - Investment Property ("IAS 40")

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing IAS 40 requirements. The amendment requires that an asset be transferred to, or from investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as a result of the clarifications in the amendment.

3. Summary of significant accounting policies

Except as noted above, the following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries include: The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and Manitou Theatre Management Ltd.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The Company determines whether it is a parent by assessing whether it controls an investee. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Statement of compliance

The financial statement of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently in all material respects.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rental and parking income

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

Investment income

Investment income is recognized over the passage of time using the effective interest method.

Events, sponsorship, grants and recoveries

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

Deferred revenue

Consists of advance payments received and is recognized as revenue in the period in which the related event occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks, net of any outstanding cheques. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

3. ***Summary of significant accounting policies*** *(continued from previous page)*

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The methods of depreciation and useful life applicable for each class of asset during the current and comparative period are as follows:

	Method	***Rate***
Plant and equipment	straight line	3-40 years
Equipment under finance lease	straight-line	5 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Property under construction

Items of property under construction are recorded at cost and are not amortized until they are complete and transferred to the appropriate category of asset.

Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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).

The 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.

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 and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying value 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 immediately in income.

Investment in properties and infrastructure enhancements

Investment properties and infrastructure enhancements are initially recognized at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:	**Method**	**Rate**
Buildings	straight line	20-40 years
Infrastructure enhancements	straight line	40 years

Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use or sale. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

3. **Summary of significant accounting policies** *(continued from previous page)*

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

3. ***Summary of significant accounting policies*** *(continued from previous page)*

Financial instruments

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "accounts receivable", "tenant receivables" and "receivable from developer". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Short-term investments

Short-term investments consist of GIC, short term investments, and active market equities. Investments are held for trading and are initially recognized at fair value and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

Financial liabilities measured at amortized cost:

The Company has classified the following financial liabilities as financial liabilities measured at amortized cost: trade and other payables, funds held in trust, and long-term debt. These liabilities are initially recognized at their fair value. Total interest expense, calculated using the effective interest rate method, is recognized in profit (loss). Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

Financial liabilities measured at amortized cost 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 its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether there is objective evidence that a financial asset is impaired. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in the statement of comprehensive income.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

3. *Summary of significant accounting policies* *(continued from previous page)*

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses as related costs for which funded expenditures are incurred. Government grants are recognized when there is reasonable assurance that the Company will comply with the terms and conditions associated with the grants and the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition.

4. Restricted cash

Restricted cash consists of cash held in trust for projects that are in progress on behalf of third parties. The Company is managing the accounting and cash disbursement aspect of these projects. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

5. Accounts receivable

	2017	*2016*
Trade receivable	**275,288**	358,323
Allowance for doubtful accounts	**(9,715)**	(25,184)
Goods and services tax receivable	**7,910**	66,039
Interest receivable	**250,528**	146,208
	524,011	545,386

The credit period on sale of goods and services is 30 days. The Company has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of trade receivables that are past due but not impaired:

	2017	*2016*
31-60 days	**18,335**	114,575
61-90 days	**57,296**	36,353
91+ days	**71,794**	167,496
	147,425	318,424

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

In respect of other receivables, the Company is not exposed to any significant credit risk to any single counterparty.

6. Receivable from developers

Amounts consist of the repayment of the rehabilitation costs from the developers adjacent to the streets located on the North Portage site. The below balances are unsecured.

	2017	2016
Receivable from developers bearing interest at 5% repayable at $11,702 per month (2016 - $13,164), maturing January 2024.	**812,678**	1,117,591
Current portion of receivable from developers	**(97,969)**	(104,600)
	714,709	1,012,991

7. Property and equipment

	Land	Property Under Construction	Plant and Equipment	Equipment Under Finance Lease	Tota
Cost					
Balance March 31, 2015	9,058,281	128,448	23,356,942	2,151,244	34,694,915
Additions	-	914,930	430,045	-	1,344,975
Transfer to plant and equipment	-	(213,033)	213,033	-	-
Transfer to investments in properties and infrastructure enhancements	-	(472,547)	-	-	(472,547
Balance at March 31, 2016	9,058,281	357,798	24,000,020	2,151,244	35,567,343
Additions	-	1,201,911	1,308,946	-	2,510,857
Disposals	-	(143,681)	(943,209)	(1,508,207)	(2,595,097
Grants received for assets	-	(383,200)	-	-	(383,200
Transfer to plant and equipment	-	(205,355)	205,355	-	-
Transfer to investment in properties and infrastructure enhancements	-	(237,994)	-	-	(237,994
Balance at March 31, 2017	9,058,281	589,479	24,571,112	643,037	34,861,909
Depreciation and impairment losses					
Balance March 31, 2015	-	-	18,112,731	1,961,379	20,074,110
Depreciation charge for the year	-	-	624,167	64,888	689,055
Balance at March 31, 2016	-	-	18,736,898	2,026,267	20,763,165
Depreciation charge for the year	-	-	700,217	64,888	765,105
Disposals	-	-	(918,393)	(1,508,207)	(2,426,600
Balance at March 31, 2017	-	-	18,518,722	582,948	19,101,670
Net book value					
At March 31, 2016	9,058,281	357,798	5,263,122	124,977	14,804,178
At March 31, 2017	**9,058,281**	**589,479**	**6,052,390**	**60,089**	**15,760,239**

8. Investment in properties and infrastructure enhancements

	Land	Building	Property Under Construction	Infrastructure Enhancements	Total
Cost					
Balance at March 31, 2015	28,203,066	19,115,970	1,288,805	57,785,261	106,393,102
Additions	-	2,255,052	2,552,149	641,880	5,449,081
Grants received for assets	-	-	-	(1,405,101)	(1,405,101)
Transfer to building	-	882,376	(882,376)	-	-
Transfer from property and equipment	-	-	-	472,547	472,547
Balance at March 31, 2016	28,203,066	22,253,398	2,958,578	57,494,587	110,909,629
Additions	-	101,191	1,670,868	33,845	1,805,904
Transfer to building	-	3,148,942	(3,148,942)	-	-
Transfer from property and equipment	-	103,222	-	134,772	237,994
Balance at March 31, 2017	28,203,066	25,606,753	1,480,504	57,663,204	112,953,527
Accumulated amortization					
Balance at March 31, 2015	531,494	7,324,291	-	43,811,758	51,667,543
Amortization charge for the year	-	605,624	-	946,904	1,552,528
Balance at March 31, 2016	531,494	7,929,915	-	44,758,662	53,220,071
Amortization charge for the year	-	906,154	-	948,582	1,854,736
Balance at March 31, 2017	531,494	8,836,069	-	45,707,244	55,074,807
Net book value					
At March 31, 2016	27,671,572	14,323,483	2,958,578	12,735,925	57,689,558
At March 31, 2017	27,671,572	16,770,684	1,480,504	11,955,960	57,878,720

9. Trade and other payables

	2017	2016
Trade accounts payable	**852,641**	689,124
Accrued liabilities	**2,094,147**	2,346,736
	2,946,788	3,035,860

The average credit period on purchase is 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

10. Long-term debt

	2017	2016
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on September 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements; Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**10,263,154**	10,666,913
Less: current portion	**423,013**	399,648
Less: financing fees	**55,539**	59,327
	9,784,602	10,207,938

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2018	419,225
2019	451,519
2020	477,669
2021	505,333
2022	534,560
Thereafter	7,874,848
	10,263,154

11. Share capital

	2017	2016
Common shares 3 (2016 - 3)	**3**	3

12. Government contributions

	2017	*2016*
Amounts included in deferred contributions	**11,322,115**	12,481,964
Contributions received in the year	**657,886**	94,076
Amounts recognized in income in prior years	**71,158,548**	69,998,699
Annual amortization of deferred contributions	**1,159,849**	1,159,849
Amounts recognized in income in the current year	**(282,486)**	(94,076)
Donated land	**8,000,000**	8,000,000
Contributed surplus	**39,310,266**	39,310,266
	131,326,178	130,950,778

13. Donated land

The Company acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

	Government of Canada	City of Winnipeg	From Core Area Initiative	Total
Acres	49.0	3.9	3.0	55.9

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under the FRC's ownership are 49.95 acres.

14. Operating lease arrangements

The Company as lessee

Leasing arrangements

Operating leases relate to leases of land with terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have an option to purchase the leased land at the expiry of the lease.

	2017
Minimum lease payments	236,002

The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Total lease revenue received was $1,307,205 (2016 - $1,323,469).

15. Commitments

The Company has an obligation to operate the Imax Theatre at Portage Place for a 50 years period, ending in 2035 with annual payments of $27,400.

FRC has leased parking, storage and an office site at The Forks to December 2017. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of $3,333 and provides for payment of utilities and property taxes.

16. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2017	2016
Wages and other short-term benefits	**693,015**	692,878

17. Management Capital

The Company's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Company is comprised of the following:

	2017	*2016*
Total debt and deferred shareholder contributions	**21,529,730**	23,089,551
Shareholders' equity	**56,926,130**	56,555,260
	78,455,860	79,644,811

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Company prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Company monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Company to reduce the cost of capital. An investment policy is in place to guide the Company in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

18. Financial instruments

The Company as part of its operations carries 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 financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The maximum exposure of the Company to credit risk as of March 31, 2017 is $1,336,689 (2016 - $1,673,156).

The Company is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

18. **Financial instruments** *(continued from previous page)*

Foreign currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through normal operating and financing activities.

The Company is exposed to interest rate risk with respect to cash, investments and long-term debt.

Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three Levels of fair value hierarchy. The three Levels are defined based on the operability of significant inputs to the measurement, 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 or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company does not have any financial instruments in the Level 3 category and there were no transfers between Levels during the year.

The short-term investments are classified as Level 1. The carrying value of the short-term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The Company's Level 2 financial instruments consist of accounts receivable, trade and other payables, receivable from developers, long-term debt and funds held in trust whose carrying value approximate their fair value due to the immediate or short-term nature maturity of these instruments.

Financial instruments measured at amortized cost for which the fair value is disclosed

The fair value of the long-term receivables and long term debt are impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the long-term receivables and long-term debt have been estimated based on the current market rates for mortgages and loans of similar terms and conditions.

The estimated fair value at March 31, 2017 of the receivable from developers is $714,711 (2016 - $1,157,478).

18. *Financial instruments* *(continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt are disclosed in Note 10.

	< 1 year	*1-2 years*	*> 3 years*	*Total*
Trade and other payables	2,946,787	-	-	**2,946,787**
Funds held in trust	161,409	-	-	**161,409**
Deferred revenue	131,794	-	-	**131,794**
Prepaid land rents	133,086	16,173	477,527	**626,786**
Deferred contributions from shareholders	1,159,849	2,319,698	7,842,568	**11,322,115**
Total	4,532,925	2,335,871	8,320,095	**15,188,891**

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactions for short-term investments, for which the market price fluctuates.

19. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation. The comparative figures affected on the Consolidated income statement were: The Forks Market, Events sponsorships, grants and recoveries, Investment income, The Forks Site and Events, Rental, General and administrative, and Advertising and promotion.