# ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

**Financial Statements**
**For the year ended March 31, 2010**

# ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

## Financial Statements

**For the year ended March 31, 2010**

**Contents**

# Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization and Staff Development and have been prepared in accordance with Canadian generally accepted accounting principles. 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 to May 20, 2010.

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 Auditor General is to express an independent opinion on whether the financial statements of Organization and Staff Development are fairly represented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Organization and Staff Development

Anna Schmidt, Director
May 20, 2010

## ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

## Balance Sheet

| March 31 | | 2010 | | 2009 |
|---|---|---|---|---|
| | | (000's) | | |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and bank | $ | 333 | $ | 203 |
| Short-term investments - Province of Manitoba | | - | | 460 |
| Accounts receivable | | 192 | | 222 |
| Inventories | | 24 | | 24 |
| | | 549 | | 909 |
| **Long-term investment** (Note 5) | | 39 | | 39 |
| **Capital assets** (Note 6) | | 31 | | 36 |
| | | 70 | | 75 |
| | $ | 619 | $ | 984 |
| **Liabilities and Equity** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 7) | $ | 209 | $ | 320 |
| **Severance liability** (Note 8) | | 56 | | 58 |
| | | 265 | | 378 |
| **Equity** | | | | |
| Retained earnings | | 354 | | 606 |
| | $ | 619 | $ | 984 |

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

# ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
## Statement of Operations and Retained Earnings

**For the year ended March 31**

**(000's)**

| | **2010 Actual** | 2009 Actual | Variance | Revised Budget | Variance |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue | **$ 2,027** | $ 2,223 | $ (196) | $ 1,686 | $ 341 |
| Interest | **1** | 13 | (12) | 1 | - |
| | **2,028** | 2,236 | (208) | 1,687 | 341 |
| **Expenses** | | | | | |
| Professional fees | **884** | 1,087 | (203) | 883 | 1 |
| Salaries and benefits | **723** | 746 | (23) | 716 | 7 |
| Food and beverages | **139** | 137 | 2 | 80 | 59 |
| Accommodations | **136** | 137 | (1) | 45 | 91 |
| Operitel Learning Systems | **95** | - | 95 | 120 | (25) |
| Books and course materials | **92** | 83 | 9 | 80 | 12 |
| Travel | **42** | 45 | (3) | 40 | 2 |
| Desk top management | **30** | 29 | 1 | 25 | 5 |
| Occupancy costs | **29** | 29 | - | 30 | (1) |
| Rentals | **28** | 37 | (9) | 20 | 8 |
| Office supplies | **20** | 17 | 3 | 10 | 10 |
| Marketing | **19** | 9 | 10 | 5 | 14 |
| Communications | **19** | 20 | (1) | 14 | 5 |
| Other | **10** | 10 | - | 4 | 6 |
| Professional development | **7** | 15 | (8) | 5 | 2 |
| Amortization | **7** | 7 | - | 7 | - |
| | **2,280** | 2,408 | (128) | 2,084 | 196 |
| **Net income (loss) and comprehensive income (loss) for the year** | **(252)** | (172) | $ (80) | $ (397) | $ 145 |
| **Retained earnings**, beginning of year | **606** | 778 | | | |
| **Retained earnings**, end of year | **$ 354** | $ 606 | | | |

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

# ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
## Statement of Cash Flows

| For the year ended March 31 | 2010 | 2009 |
|---|---|---|
| | (000's) | |
| **Cash Flows from Operating Activities** | | |
| Net loss and comprehensive income (loss) for the year | **$ (252)** | $ (172) |
| Adjustment for | | |
| Amortization of capital assets | **7** | 7 |
| | **(245)** | (165) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | **30** | (41) |
| Inventories | **-** | (10) |
| Accounts payable and accrued liabilities | **(111)** | 201 |
| Severance liability | **(2)** | 6 |
| | **(83)** | 156 |
| | **(328)** | (9) |
| **Cash Flows from Investing Activities** | | |
| Purchase of capital assets | **(2)** | (7) |
| **Decrease in cash and cash equivalents** | **(330)** | (16) |
| **Cash and cash equivalents**, beginning of year | **663** | 679 |
| **Cash and cash equivalents**, end of year | **$ 333** | $ 663 |
| **Represented by** | | |
| Cash and bank | **$ 333** | $ 203 |
| Short-term investments | **-** | 460 |
| | **$ 333** | $ 663 |

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

(000's)

## 1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. 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. 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 Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

Organization and Staff Development continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

Organization and Staff Development 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.

Organization and Staff Development is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province of Manitoba and all of its capital financing requirements through the Financing Authority.

## 2. Change in Accounting Policies

Section 3064 Goodwill and Intangible Assets

Effective April 1, 2009, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064 Goodwill and Intangible Assets and the updates to the CICA Handbook section 1000 Financial Statement Concepts.

This guidance establishes updated standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets.

These changes did not have an impact on the Agency's financial statements for the year ended March 31, 2010.

**2. Change in Accounting Policies (continued)**

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

During 2009 the agency adopted the Emerging Issues Committee (EIC) 173 and amendments to Section 3855, Financial Instruments - Recognition and Measurement and 3862, Financial Instruments - Disclosures:

- Section 3855 - Effective Interest Method
- Section 3855 - Embedded Derivatives on Reclassification of Financial Assets
- Section 3855 - Impairment of Financial Assets
- Section 3862 - Fair Value and Liquidity Risk Disclosure

Due to the nature of the Agency's financial instruments, the adoption of these standards and amendments had no material impact on the financial position of the Agency.

*Section 3862 Financial Instruments – Disclosure*

The Agency has adopted the amendment to the CICA standard, Section 3862 Financial Instruments – Disclosures. This amended section, which was effective, January 1, 2009, requires an entity to classify fair value measurements into a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Agency's investments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or
Level 3 – inputs for the asset or liability that are not based on observable market data. Changes in valuation methods may result in transfer into and out of an investment's assigned level.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year-end financial statements. The only financial statement impact is to note disclosure.

Future Accounting Changes

Effective April 1, 2011 the Agency will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board. The Agency is currently in the process of quantifying the impact these changes will have on its financial position.

(000's)

**3. Significant Accounting Policies**

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Training and consulting revenue is recorded on an accrual basis by specific project.

Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital Assets

Rates of amortization applied to write off the cost of capital assets over their estimated life are as follows:

| | |
|---|---|
| Office equipment | 20% declining balance |
| Furniture and fixtures | 20% declining balance |
| Computer equipment | 20% straight-line |

In the year of acquisition, amortization is calculated at one half of the rate indicated above.

Capital Disclosures

The Agency's capital consists of its retained earnings, provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. 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.

## 4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The financial assets and liabilities of the Agency are classified and measured as follows:

| Financial Asset/Liability | Category | Subsequent Measurement |
|---|---|---|
| Cash and bank | Held for trading | Fair value |
| Short-term investments | Held for trading | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Long-term investment | Held for trading | Fair value |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of operations and retained earnings.

Fair Value of Financial Instruments

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. It has been determined that the Agency's investments are classified as Level 2 because they are invested with the Department of Finance.

Financial Risk Management - Overview

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

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

Credit Risk

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

The maximum exposure of the Agency to credit risk at March 31, 2010 is:

| | | |
|---|---|---|
| Cash and bank | $ | 333 |
| Accounts receivable | | 192 |
| Long-term investment | | 39 |
| | $ | 564 |

Cash and bank, short-term investments and long-term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of the receivables are due from other reliable organizations 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, 2010.

Liquidity Risk

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

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

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### 4. 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 short-term and long-term investments.

The interest rate risk on short-term investments is considered to be low because of their short-term nature. The interest rate risk on the long-term investment is considered to be low as the original deposit is expected to be re-invested annually at a similar rate.

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. Long-term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $39 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2010 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $39 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

### 6. Capital Assets

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Cost | Accumulated Amortization | Net Book Value |
| Office equipment | **$ 6** | **$ 4** | **$ 2** | $ 6 | $ 3 | $ 3 |
| Furniture and fixtures | **52** | **29** | **23** | 50 | 24 | 26 |
| Computer equipment | **20** | **14** | **6** | 20 | 13 | 7 |
| | **$ 78** | **$ 47** | **$ 31** | $ 76 | $ 40 | $ 36 |

**For the year ended March 31, 2010**

**(000's)**

## 7. Accounts Payable and Accrued Liabilities

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Trade accounts payable and accrued liabilities | **$** | **145** | $ | 242 |
| Accrued salaries | | **8** | | 6 |
| Accrued vacation and overtime | | **56** | | 72 |
| | **$** | **209** | $ | 320 |

## 8. Severance Liability

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, 2008. 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, 2010 was $56 (2009 - $58), with the actuarial gain or 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, 2008 valuation, and in the determination of the March 31, 2010 present value of the accrued severance benefit obligation were:

| | |
|---|---|
| Annual rate of return | |
| Inflation component | 2.50% |
| Real rate of return | 4.00% |
| | 6.50% |
| Annual salary increase rates | |
| Annual productivity increase | 0.75% |
| Annual general salary increase | 3.50% |
| | 4.25% |

**(000's)**

### 9. 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 and the transactions are measured at the exchange amount.

### 10. Contingencies

A potential claim has been filed against the Agency for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss cannot be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

### 11. Commitments

The Agency has entered into an agreement with Operitel for an online Learning Management System until March 2013. The minimum annual payments for the next three years are as follows:

| | | |
|---|---|---|
| 2011 | $ | 92 |
| 2012 | | 92 |
| 2013 | | 92 |

### 12. Pension Benefits

Employees of Organization and Staff Development 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 Organization and Staff Development, 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 of Manitoba the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2010 was $37 ($25 in 2009). Under this agreement, the Agency has no further pension liability.