ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY

Financial Statements
For the year ended March 31, 2013

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

On behalf of Management,

Organization and Staff Development

I Hanson

Ingrid Hanson, Acting Director

July 22, 2013

Date

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Independent Auditor's Report

To the Auditor General
Province of Manitoba

We have audited the accompanying financial statements of **Organization and Staff Development – an Agency of the Special Operating Agency Financing Authority**, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, 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 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 **Organization and Staff Development – an Agency of the Special Operating Agency Financing Authority** as at March 31, 2013, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Public sector accounting standards.

Emphasis of Matters
We draw attention to Note 1 to the financial statements, which indicates that the designation of **Organization and Staff Development – an Agency of the Special Operating Agency Financing Authority** as a special operating agency under The Special Operating Agencies Financing Authority Act was revoked by a Manitoba Order in Council dated March 13, 2013 and its operating charter was cancelled effective March 31, 2013. The organization will continue to operate as a branch in the Civil Service Commission as of April 1, 2013.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 22, 2013

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Financial Position
(000's)

March 31	**2013**	2012
Financial Assets		
Cash and cash equivalents	**$ -**	$ 351
Accounts receivable	**-**	141
Portfolio investments	**-**	39
	-	531
Liabilities		
Accounts payable and accrued liabilities (Note 5)	**-**	124
Employee future benefits (Note 6)	**-**	94
	-	218
Net financial assets	**-**	313
Non-financial Assets		
Inventories held for use	**-**	21
Tangible capital assets (Note 7)	**-**	87
	-	108
Accumulated surplus	**$ -**	$ 421

Designated assets (Note 8)
Contingencies (Note 9)

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Operations and Accumulated Surplus
(000's)

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Fees	$ 1,550	$ 1,523	$ 1,625
Interest	-	1	2
	1,550	1,524	1,627
Expenses			
Salaries and benefits	761	782	668
Professional fees	445	458	564
Operitel Learning Systems	80	77	73
Food and beverages	35	72	62
Occupancy costs	55	60	33
Books and course materials	38	43	52
Accommodations	46	39	77
Desk top management	28	31	28
Office supplies	10	25	15
Communications	16	19	16
Travel	8	18	18
Amortization	7	16	8
Marketing	8	11	12
Rentals	5	10	10
Professional development	3	7	7
Other	5	3	5
	1,550	1,671	1,648
Annual deficit	-	(147)	(21)
Transfer to Special Operating Agencies Financing Authority (Note 1)	-	(274)	-
Accumulated surplus, beginning of year	421	421	442
Accumulated surplus, end of year	$ 421	$ -	$ 421

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Statement of Change in Net Financial Assets
(000's)

For the year ended March 31		2013 Budget		2013 Actual		2012 Actual
Annual deficit	**$**	**-**	**$**	**(147)**	$	(21)
Transfer to Special Operating Agencies Financing Authority		**-**		**(274)**		-
		-		**(421)**		(21)
Tangible capital assets						
Acquisition of tangible capital assets		**-**		**-**		(69)
Amortization of tangible capital assets		**7**		**16**		8
Decrease in tangible capital assets		**-**		**71**		-
Net acquisition of tangible capital assets		**7**		**87**		(61)
Other non-financial assets						
Decrease in prepaid expenses		**-**		**-**		66
Decrease in inventories		**-**		**21**		4
Net acquisition of other non-financial assets		**-**		**21**		70
Increase (decrease) in net financial assets		**7**		**(313)**		(12)
Net financial assets, beginning of year		**313**		**313**		325
Net financial assets, end of year	**$**	**320**	**$**	**-**	$	313

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY

Statement of Cash Flow

(000's)

For the year ended March 31	2013	2012
Cash Provided by (Applied to):		
Operating		
Annual deficit	**$ (147)**	$ (21)
Amortization of tangible capital assets	**16**	8
Transfer to Special Operating Agencies Financing Authority	**(274)**	-
	(405)	(13)
Change in:		
Accounts receivable	**141**	115
Inventories	**21**	4
Prepaid expenses	**-**	66
Accounts payable and accrued liabilities	**(124)**	(111)
Employee future benefits	**(94)**	13
	(56)	87
Cash provided by operating activities	**(461)**	74
Capital		
Acquisition of tangible capital assets	**-**	(69)
Tangible capital assets transferred to Special Operating Agencies Financing Authority	**71**	-
Cash applied to capital activities	**71**	(69)
Investing		
Portfolio investments transferred to Special Operating Agencies Financing Authority	**39**	-
Increase (decrease) in cash and cash equivalents	**(351)**	5
Cash and cash equivalents, beginning of year	**351**	346
Cash and cash equivalents, end of year	**$ -**	$ 351
Supplementary Information		
Interest received	**$ 1**	$ 2

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

ORGANIZATION AND STAFF DEVELOPMENT – AN AGENCY OF THE SPECIAL OPERATING AGENCY FINANCING AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2013

(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.

The designation of Organization and Staff Development as a special operating agency under The Special Operating Agencies Financing Authority Act was revoked by a Manitoba Order in Council dated March 13, 2013 and its operating charter was cancelled effective March 31, 2013. As of March 31, 2013 the net assets were transferred out of the organization to Special Operating Agencies Financing Authority. On April 1, 2013 Special Operating Agencies Financing Authority then transferred the net assets to the Province where Organization and Staff Development will continue to operate as a branch in the Civil Services Commission.

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.

(000's)

3. Significant Accounting Policies

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

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

c. Financial Assets
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 liabilities will result in the future transfer of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

(i) Inventories
Inventories held for use are classified as non-financial assets.

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

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

f. 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, 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.

(000's)

4. Financial Instruments and Financial Risk Management

Measurement

Financial assets and liabilities 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 accounts payable and accrued liabilities.

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, 2013 (2012 - $Nil).

Financial Risk Management - Overview

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

Credit Risk

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

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

	2013	2012
Cash and cash equivalents	**$ -**	$ 351
Accounts receivable	**-**	141
Portfolio investments	**-**	39
	$ -	$ 531

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 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, 2013 (2012 - $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 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.

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 financial instruments denominated in foreign currency.

For the year ended March 31, 2013

(000's)

5. Accounts Payable and Accrued Liabilities

	2013	2012
Trade accounts payable and accrued liabilities	**$ -**	$ 48
Accrued salaries	**-**	13
Accrued vacation and overtime	**-**	63
	$ -	$ 124

6. Employee Future Benefits

	2013	2012
Severance benefits	**$ -**	$ 79
Sick pay benefits	**-**	15
	$ -	$ 94

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 is required to pay annually to the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2013 was $39 ($34 in 2012). Under this agreement, the Agency has no further pension liability.

Severance benefits

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

(000's)

6. Employee Future Benefits (continued)

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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2013 is $94 (2012 - $79). The actuarial loss of $33 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, 2013 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 liability of the Agency has been transferred to Special Operating Agencies Financing Authority on March 31, 2013 and will be transferred to the Civil Service Commission on April 1, 2013.

The severance liability at March 31, prior to the transfer, includes the following components:

	2013	2012
Accrued benefit liability	**$ 124**	$ 112
Less: unamortized actuarial gains (losses)	**(30)**	(33)
Severance benefit liability	**$ 94**	$ 79

For the year ended March 31, 2013

(000's)

6. Employee Future Benefits (continued)

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

	2013	2012
Interest on obligation	**$ 7**	$ 7
Employer service cost	**5**	4
Amortization of actuarial loss over the expected average remaining service life of the employee group	**3**	2
	$ 15	$ 13

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 5.00% annual return and a 3.00% annual salary increase.

7. Tangible Capital Assets

	2013			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Office equipment	**$ 6**	**$ -**	**$ 6**	**$ -**
Furniture and fixtures	**121**	**-**	**121**	**-**
Computer equipment	**20**	**-**	**20**	**-**
	147	**-**	**147**	**-**
Accumulated Amortization				
Office equipment	**4**	**-**	**4**	**-**
Furniture and fixtures	**39**	**15**	**54**	**-**
Computer equipment	**17**	**1**	**18**	**-**
	60	**16**	**76**	**-**
Net book value	**$ 87**	**$ (16)**	**$ 71**	**$ -**

(000's)

7. Tangible Capital Assets

	2012			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 6	$ -	$ -	$ 6
Furniture and fixtures	52	69	-	121
Computer equipment	20	-	-	20
	78	69	-	147
Accumulated Amortization				
Office equipment	4	-	-	4
Furniture and fixtures	32	7	-	39
Computer equipment	16	1	-	17
	52	8	-	60
Net book value	$ 26	$ 61	$ -	$ 87

8. Designated Assets

The Agency has allocated $39 (2012 - $39) of its temporary investments as designated assets for cash received from the Province of Manitoba with regard to the severance pay benefits accumulated to March 31, 1998 for certain of the Agency' 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. The investment was transferred to Special Operating Agencies Financing Authority on March 31, 2013 and will be transferred to the Civil Service Commission on April 1, 2013.

9. 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.

10. 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.

11. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the Agency.