

Financial Statements of

**MANITOBA DEVELOPMENT
CORPORATION**

Year ended March 31, 2020

MANITOBA DEVELOPMENT CORPORATION

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Year ended March 31, 2020

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Development Corporation are the responsibility of the management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to October 23, 2020.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Development Corporation are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Development Corporation

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Ms. Amy Jordan, General Manager

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October 23, 2020



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

Opinion

We have audited the financial statements of Manitoba Development Corporation (the "Entity"), which comprise the statement of financial position as at March 31, 2020, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for any indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.



If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

October 23, 2020

MANITOBA DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	PNP-B	Business support	MTI	2020 Total	2019 Total
Assets					
Cash and cash equivalents	\$ 69,688,153	\$ 6,119,637	\$ 481,527	\$ 76,289,317	\$ 59,191,599
Accounts receivable (note 3)	315,450	10,644	2,481	328,575	181,516
Loans receivable (note 4)	–	36,464,898	–	36,464,898	41,908,896
Portfolio investments (note 5)	–	–	500,000	500,000	5,549,832
Restricted funds (note 8)	54,116,352	–	–	54,116,352	70,546,805
	<u>\$ 124,119,955</u>	<u>\$ 42,595,179</u>	<u>\$ 984,008</u>	<u>\$ 167,699,142</u>	<u>\$ 177,378,648</u>
Liabilities and Surplus					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,571,919	\$ 432,535	\$ 4,010	\$ 5,008,464	\$ 4,594,929
Deferred revenue (note 6)	–	316,146	–	316,146	316,146
Operating advance payable (note 7)	–	–	500,000	500,000	500,000
Funds provided by the Province of Manitoba	–	36,464,898	–	34,464,898	41,908,896
Deposits payable (note 8)	54,116,352	–	–	54,116,352	70,546,805
	<u>58,688,271</u>	<u>37,213,579</u>	<u>504,010</u>	<u>96,405,860</u>	<u>117,866,776</u>
Accumulated surplus (note 9)	65,431,684	5,381,600	479,998	71,293,282	59,511,872
Contingencies (note 10)					
Commitments (note 11)					
Subsequent event (note 15)					
	<u>\$ 124,119,955</u>	<u>\$ 42,595,179</u>	<u>\$ 984,008</u>	<u>\$ 167,699,142</u>	<u>\$ 177,378,648</u>

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

On behalf of the Board:

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Director

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Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
Income:			
Income from portfolio investments	\$ 295,000	\$ 133,133	\$ 361,048
Interest income	4,362,634	5,069,491	4,428,609
Deposit retentions (note 8)	9,275,000	13,606,125	4,951,100
Application processing fees (note 8)	180,000	234,920	74,890
Participation fees	–	–	31,325
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,511,983)	(1,322,792)
	<u>15,499,790</u>	<u>17,531,686</u>	<u>8,524,180</u>
Expenses:			
Program administration	3,706,000	1,195,118	1,170,383
Payment of Business Support interest on loans receivable to the Province of Manitoba	3,000,000	2,509,141	2,757,783
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,511,983)	(1,322,792)
	<u>8,093,156</u>	<u>2,192,276</u>	<u>2,605,374</u>
Transfers to the Department of Education and Training (note 12)	5,462,100	2,872,000	3,578,000
Transfers to the Department of Growth, Enterprise and Trade (note 12)	–	686,000	1,750,000
	<u>13,555,256</u>	<u>5,750,276</u>	<u>7,933,374</u>
Annual surplus	1,944,534	11,781,410	590,806
Accumulated surplus, beginning of year		59,511,872	58,921,066
Accumulated surplus, end of year		<u>\$ 71,293,282</u>	<u>\$ 59,511,872</u>

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

MANITOBA DEVELOPMENT CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 11,781,410	\$ 590,806
Net financial assets, beginning of year	59,511,872	58,921,066
Net financial assets, end of year	\$ 71,293,282	\$ 59,511,872

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

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 11,781,410	\$ 590,806
Adjustments for:		
Provision for (reversal of) doubtful loans receivable	(1,511,983)	(1,322,792)
Deposit retentions	(13,606,125)	(4,951,100)
Amortization of bond premiums	57,996	100,112
Capitalized interest	-	192,858
Recovery (reimbursement) of business support expenses to the Province of Manitoba	1,511,983	1,322,792
Change in non-cash operating working capital:		
Restricted funds	11,422,289	1,234,132
Accounts receivable	(147,059)	592,784
Loan interest receivable	11,320	(35,482)
Prepaid expenses	-	6,032
Accounts payable and accrued liabilities	413,535	(357,593)
Deferred revenue	-	(14,000)
Net change in deposits payable	(2,824,328)	3,704,804
Net cash provided by operating activities	7,109,038	1,063,353
Investing activities:		
Loans receivable principal repayments	6,944,661	8,058,905
Purchase of portfolio investments	(500,000)	(1,500,000)
Redemption of portfolio investments	10,500,000	8,750,000
Net cash provided by investing activities	16,944,661	15,308,905
Financing activities:		
Funds provided by (paid to) the Province of Manitoba for Business Support	(6,955,981)	(8,216,282)
Increase in cash and cash equivalents	17,097,718	8,155,976
Cash and cash equivalents, beginning of year	59,191,599	51,035,623
Cash and cash equivalents, end of year	\$ 76,289,317	\$ 59,191,599
Cash and cash equivalents consist of the following:		
Cash	\$ 16,484,212	\$ 18,410,915
Cash equivalents	59,805,105	40,780,684
	\$ 76,289,317	\$ 59,191,599
Supplementary information:		
Cash paid for interest	\$ 2,509,141	\$ 2,757,783
Cash received for interest	5,113,831	5,052,449

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2020

1. Nature of operations and economic dependence:

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under the *Manitoba Development Corporation Act*. The objectives of the Corporation are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are three divisions administered by the Corporation: Business Support, the Business Investor Stream of the Provincial Nominee Program (PNP-B) and Manitoba Trade and Investment (MTI). Business Support administers the Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program ("Investment Program") and other financial assistance ("Other Loans"). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for the financial assets due to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets. Losses are the responsibility of the Province and are charged directly against advances received from the Province.

The Corporation considers its capital to comprise its accumulated surplus (including share capital, restricted surplus and unrestricted surplus). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated retained earnings over its history, which is included in accumulated surplus in the statement of financial position. A portion of these funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted accumulated surplus for the year to be equal to three years' operating expenses of the PNP-B (based on the most recent year's actual expenses) plus 25 percent of the previous year's PNP-B deposit retentions. This is a reserve which is not available for distribution to the Province. Any excess beyond that amount, once it has been released by the Province, would then be transferred to unrestricted accumulated surplus. For the year ended March 31, 2020, the Corporation has complied with these restrictions.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies:

The Corporation's financial statements have been prepared by management in accordance with Canadian public sector accounting standards as defined by the Chartered Professional Accountants of Canada.

(a) Revenue recognition:

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Income from application processing fees is recognized as applications are processed. Interest income from portfolio investments and loans receivable is recognized on an accrual basis in the fiscal period in which it is earned.

(b) Cash and cash equivalents:

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

(c) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

Provisions are established for individual loans for which the estimated realizable amount is less than the carrying value. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans receivable as an adjustment of the provision.

(e) Portfolio investments:

Portfolio investments consist of provincial bonds, term deposits, guaranteed investment certificates (GICs) and equity investments.

The Corporation's investments in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The Corporation's investments in GICs and term deposits are recorded at cost.

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investment in the CentreStone Ventures Limited Partnership and Manitoba Science and Technology Fund are accounted for using the cost method of accounting.

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of investments.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(f) Restricted funds:

Restricted funds are deposits held under the PNP-B (note 8) and consist of balances with banks, provincial bonds and term deposits with maturities of three months or less held with the Province of Manitoba. The provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. Term deposits are recorded at cost.

(g) Deferred revenue:

Deferred revenue represents funds received for specific projects for which expenditures will be incurred in future periods as well as fees received in advance of event days for specific trade projects.

(h) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Guarantees:

Manitoba Development Corporation in the normal course of business, may provide a guarantee to honour repayment of debt or loans of an organization.

Guarantees by Manitoba Development Corporation are made through specific agreements to repay promissory notes, banks loans, lines of credit, mortgages and other securities. The provision for losses on guaranteed loans is determined by a review of individual guarantees. A provision for losses on these guarantees is recorded when it is likely that a loss will occur. The amount of the loss provision represents management's best estimate of probable claims against the guarantees.

(j) Contributed services:

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the carrying amount of loans receivable and portfolio investments and provisions for losses on loan guarantees. Actual results could differ from those estimates.

3. Accounts receivable:

	2020	2019
Accrued interest:		
PNP-B	\$ 315,450	\$ 161,490
Business support	10,644	17,545
Other receivables	2,481	2,481
	<u>\$ 328,575</u>	<u>\$ 181,516</u>

4. Loans receivable managed for the Province of Manitoba:

	2020	2019
Business support:		
Manitoba Industrial Opportunities Program - repayable	\$ 44,321,928	\$ 50,335,595
Other loans receivable	7,150,068	8,092,382
	<u>51,471,996</u>	<u>58,427,977</u>
Provision for doubtful loans receivable	(15,007,098)	(16,519,081)
	<u>\$ 36,464,898</u>	<u>\$ 41,908,896</u>

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Loans receivable managed for the Province of Manitoba (continued):

The Manitoba Industrial Opportunities Program (MIOP) provides repayable, secured loans for businesses that undertake significant investment in fixed assets and/or create jobs. Loan principal is due as follows:

	2020
2021	\$ 4,806,252
2022	5,455,751
2023	5,855,751
2024	5,855,751
2025	3,177,949
Subsequent to 2025	18,974,701
Accrued and capitalized interest	195,773
	44,321,928
Provision for doubtful loans receivable	(14,257,098)
	<u>\$ 30,064,830</u>

Interest rates charged for Manitoba Industrial Opportunities Program loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation, under the direction of the Province, may charge interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba, but this has not happened since 2003. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2020	2019
Greater than nil, less than 5%	\$ 23,850,334	\$ 27,612,009
5% or greater, less than 6%	20,275,821	22,254,073
Accrued and capitalized interest	195,773	501,981
	44,321,928	50,368,063
Provision for doubtful loans receivable	(14,257,098)	(15,769,081)
	<u>\$ 30,064,830</u>	<u>\$ 34,598,982</u>

When possible, the Corporation obtains various forms of security on the MIOP loans with priority ranking subject to any prior existing charges.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Loans receivable managed for the Province of Manitoba (continued):

At March 31, 2020, other loans receivable include non-interest bearing loans in the amount of \$4,657,068 and an interest bearing loan in the amount of \$2,493,000 bearing interest at 5.30 percent (2019 - non-interest bearing loans in the amount of \$5,599,382 and an interest bearing loan in the amount of \$2,493,000 bearing interest at 5.30 percent) and maturities ranging from no fixed terms of repayment to December 2022 (2019 - ranging from no fixed terms of repayment to December 2022). At March 31, 2020, the provision for doubtful loans receivable for these loans is \$750,000 (2019 - \$750,000).

Given the high degree of uncertainty caused by the COVID-19 outbreak (note 15), the estimates and judgments in the preparation of the provision for doubtful loans receivable for MIOP loans receivable and other loans receivable are subject to a high degree of estimation uncertainty. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and the consequential changes it will have on the Corporation's estimate of the provision for doubtful loans receivable.

5. Portfolio investments:

Portfolio investments are comprised of the following:

	2020	2019
Provincial bonds	\$ —	\$ 4,049,832
Term deposits	500,000	1,500,000
Equity investments	—	—
	\$ 500,000	\$ 5,549,832

At March 31, 2019, the provincial bonds, which were included in PNP-B, bore interest at 4.15 percent and matured November 2019. Interest earned on provincial bonds for the year ended March 31, 2020 totaled \$101,305 (2019 - \$194,454). Amortization of bond premiums for the year ended March 31, 2020 totaled \$49,832 (2019 - \$87,948). Fair value of the provincial bonds at March 31, 2019 was \$4,060,240.

The term deposits, which are included in MTI (2019 - Business Support and MTI), bear interest at 0.79 percent (2019 - interest rates ranging from 1.83 percent to 2.19 percent) and mature March 2021 (2019 - between May 2019 and March 2020). Fair values approximate cost. Interest earned on term deposits for the year ended March 31, 2020 totaled \$13,051 (2019 - \$123,209).

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Portfolio investments (continued):

Equity investments managed for the Province of Manitoba included in Business Support consist of the following:

	2020	2019
CentreStone Ventures Limited Partnership	\$ 3,408,522	\$ 3,408,522
Manitoba Science and Technology Fund	1,832,233	1,832,233
	5,240,755	5,240,755
Provision for decline in value of investments	(5,240,755)	(5,240,755)
	\$ —	\$ —

6. Deferred revenue:

	2020	2019
Business Support		
BFO funding (geothermal program)	\$ 148,782	\$ 148,782
Electric vehicle initiative	143,691	143,691
Manitoba Hydro funding (shallow unconventional shale gas project)	13,968	13,968
Other unearned project receipts	9,705	9,705
Deferred revenue	\$ 316,146	\$ 316,146

7. Operating advance payable:

The Corporation has a \$500,000 non-interest bearing working capital advance from the Province of Manitoba for MTI. The advance is payable on demand.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted funds and deposits payable:

As at March 31, restricted funds held under the PNP-B and invested with a Schedule I chartered bank and the Province of Manitoba were as follows:

	2020	2019
Cash and cash equivalents with a chartered bank	\$ 8,292,699	\$ 11,247,468
Amounts invested with the Minister of Finance	45,823,653	59,299,337
	\$ 54,116,352	\$ 70,546,805

At March 31, 2019, Included within amounts invested with the Minister of Finance was a provincial bond with a carrying value of \$5,008,165 with the remainder consisting of term deposits with maturities of three months or less held with the Province of Manitoba.

The provincial bond bore interest at a rate of 2.45 percent and matured December 2019.

Interest earned on the provincial bond for the year ended March 31, 2020 totaled \$78,773 (2019 - \$143,497). Amortization of bond premium for the year ended March 31, 2020 totaled \$8,164 (2019 - \$12,164). Fair value of the provincial bond at March 31, 2019 was \$5,021,150.

As at March 31, deposits payable under the PNP-B were as follows:

	2020	2019
Deposits payable	\$ 54,116,352	\$ 70,546,805

The Corporation, Manitoba Growth, Enterprise and Trade and Manitoba Education and Training operate a program known as the Business Investor Stream of the Provincial Nominee Program (formerly the Provincial Nominee Program for Business) (PNP-B). The PNP-B offers individuals who wish to immigrate to Manitoba to establish and operate a business, the opportunity to obtain a provincial Nomination Certificate. During the 2003 fiscal year, the Corporation began entering into agreements with qualified individuals whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within a specified period of time after landing in Canada.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted funds and deposits payable (continued):

As evidence of their commitment, upon approval the immigrants were required to deposit \$100,000 (or \$75,000 under the Farm Strategic Recruitment Initiative) with the Corporation prior to receiving the Nomination Certificate. These deposits are held by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the deposit agreements. The final decision as to admission to Canada for Permanent Residence is made by the Government of Canada. In the event that a nominee is not granted a Permanent Resident visa by the Government of Canada, the Corporation refunds the deposit. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B. Approved immigrants under the FSRI are required to deposit \$75,000 with the Corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application processing fees collected during the year were \$234,920 (2019 - \$74,890).

In November 2017, further changes were introduced to the PNP-B. Application processing fees will continue to be collected; however, they will not be administered by the Corporation. Also, the PNP-B now has two pathways:

- The Entrepreneur Pathway, for applicants seeking to open a business in Manitoba; and
- The Farm Investor Pathway, for those intending to operate a farm operation in rural Manitoba.

After November 2017, new business investors under the Entrepreneur Pathway are not required to submit a deposit or enter into an agreement with the Corporation. As of March 31, 2020, the PNP-B continues to process a backlog of applications submitted prior to November 2017; however, once this backlog is cleared, there will be no further application fees received and deposits (\$75,000) will only be received from individuals under the Farm Investor Pathway (which replaced the FSRI).

Actual deposits retained during the year amounted to \$13,606,125 (2019 - \$5,326,090) and are presented net of the reversal of amounts previously retained of nil (2019 - \$374,990) as a result of immigrants subsequently satisfying the conditions of the agreements. Net deposits retained are \$13,606,125 (2019 - \$4,951,100).

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Accumulated surplus:

Accumulated surplus is made up of the following:

				2020	2019
	PNP-B	Business support	MTI		
Unrestricted surplus	\$ 58,573,942	\$ 5,380,600	\$ 479,998	\$ 64,434,540	\$ 54,773,521
Restricted surplus	6,857,742	–	–	6,857,742	4,737,351
Share capital	–	1,000	–	1,000	1,000
	\$ 65,431,684	\$ 5,381,600	\$ 479,998	\$ 71,293,282	\$ 59,511,872

10. Contingencies:

Manitoba Development Corporation has guaranteed the repayment of debt, bank loans and lines of credit held by others. Debt guaranteed by MDC is guaranteed, as to principal and interest, until the debt is matured or redeemed.

The authorized limits and the outstanding guarantees are summarized as follows:

	Authorized Limit	2020	2019
Friends of the Canadian Museum for Human Rights	\$ 25,000,000	\$ 3,975,000	\$ 4,450,000
Other	2,000,000	1,114,552	1,302,000
	\$ 27,000,000	\$ 5,089,552	\$ 5,752,000

11. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

	2020	2019
Manitoba Industrial Opportunities Program	\$ 3,475,000	\$ 3,475,000
Manitoba Science & Technology Fund	667,767	667,767
CentreStone Ventures Limited Partnership	1,381,525	1,381,525
	\$ 5,524,292	\$ 5,524,292

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Growing Through Immigration Strategy and Economic Development Support:

Funds transferred to support the Growing Through Immigration Strategy and Economic Development Support are made up of the following, as approved by Treasury Board:

	2020	2019
Education and Training	\$ 2,872,000	\$ 3,578,000
Growth, Enterprise and Trade	686,000	1,750,000
	\$ 3,558,000	\$ 5,328,000

13. Related party transactions:

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

14. Financial risks and concentration of risk:

(i) 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 that potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable and trust funds.

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

	2020	2019
Cash and cash equivalents	\$ 76,289,317	\$ 59,191,599
Accounts receivable	328,575	181,516
Loans receivable	36,464,898	41,908,896
Portfolio investments	500,000	5,549,832
Restricted funds	54,116,352	70,546,805
	\$ 167,699,142	\$ 177,378,648

Cash and cash equivalents and restricted funds: the Corporation is not exposed to significant credit risk as the cash and cash equivalents and restricted funds are primarily held by the Minister of Finance and with a Schedule 1 Canadian chartered bank.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Financial risks and concentration of risk (continued):

Accounts receivable, loans receivable and portfolio investments: the Corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The provision for doubtful loans receivable is determined with reference to the Corporation's historical loss experience on similar loans and management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of estimates.

Management of credit risk is an integral part of the Corporation's activities with careful monitoring and appropriate remedial actions being taken.

Management has determined that the provision required for loans receivable as at March 31, 2020 is \$15,007,098 (2019 - \$16,519,081).

Management has determined that the provision required for loan guarantees as at March 31, 2020 is nil (2019 - nil).

Management has determined that the provision required for portfolio investments as at March 31, 2020 is \$5,240,755 (2019 - \$5,240,755).

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance and a Schedule I Canadian chartered bank. The term deposits are interest bearing with short-terms to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Financial risks and concentration of risk (continued):

(iii) Liquidity risk:

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

The Corporation manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations. Funds provided by the Province of Manitoba have a direct correlation to the loans receivable and equity investments as funds borrowed are used for these purposes. Funding is provided by the Province of Manitoba for the full amount of loans receivable and equity investments that are written off. Subsequently, the Corporation has minimal liquidity risk on its loans receivable and equity investments in respect of the funds provided by the Province of Manitoba.

There have been no significant changes to the Corporation's exposure to financial risks, concentration of risk in how they arise nor how risks are managed since the previous period.

15. Subsequent event:

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year end. Management completed this assessment and did not identify any such adjustments. While the duration of the impact of COVID-19 is uncertain at this point, it has the potential to adversely affect the value of the Corporation's loans receivable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time.

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
Income:			
Income from portfolio investments	\$ 175,000	\$ 120,082	\$ 237,839
Interest income	1,362,634	2,365,314	1,670,826
Deposit retentions	9,275,000	13,606,125	4,951,100
Application processing fees	180,000	234,920	74,890
	10,992,634	16,326,441	6,934,655
Expenses:			
Program administration	3,611,000	1,152,072	1,135,275
Transfers to the Department of Education and Training	5,462,100	2,872,000	3,578,000
Transfers to the Department of Growth, Enterprise and Trade	–	686,000	1,750,000
	9,073,100	4,710,072	6,463,275
Annual surplus	1,919,534	11,616,369	471,380
Accumulated surplus, beginning of year		53,815,315	53,343,935
Accumulated surplus, end of year		\$ 65,431,684	\$ 53,815,315

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
Income:			
Interest from portfolio investments	\$ 110,000	\$ 3,826	\$ 114,609
Interest income	3,000,000	2,704,177	2,757,783
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,511,983)	(1,322,792)
	<u>4,497,156</u>	<u>1,196,020</u>	<u>1,549,600</u>
Expenses:			
Program administration	95,000	39,914	14,284
Payment of Business Support interest on loans receivable to the Province of Manitoba	3,000,000	2,509,141	2,757,783
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,511,983)	(1,322,792)
	<u>4,482,156</u>	<u>1,037,072</u>	<u>1,449,275</u>
Annual surplus	15,000	158,948	100,325
Accumulated surplus, beginning of year		5,222,652	5,122,327
Accumulated surplus, end of year		<u>\$ 5,381,600</u>	<u>\$ 5,222,652</u>

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
Income:			
Income from portfolio investments	\$ 10,000	\$ 9,225	\$ 8,600
Participation fees	–	–	31,325
	10,000	9,225	39,925
Expenses:			
Program administration	–	3,132	20,824
Annual surplus	10,000	6,093	19,101
Accumulated surplus, beginning of year		473,905	454,804
Accumulated surplus, end of year		\$ 479,998	\$ 473,905

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2020

Under the *Manitoba Development Corporation Act*, there was no new assistance authorized in the current year.