THE UNIVERSITY OF WINNIPEG

**WINNIPEG, MANITOBA, CANADA**

# CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED MARCH 31, 2020**

**THE UNIVERSITY OF WINNIPEG**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2020**

## 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

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

Julia Peemoeller, CPA, CGA, MBA
Comptroller

Winnipeg, Manitoba
June __, 2020

# INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Winnipeg

## *Opinion*

We have audited the consolidated financial statements of The University of Winnipeg (the Entity), which comprise the consolidated statement of financial position as at March 31, 2020, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations, its consolidated changes in net debt and its consolidated 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.

## *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 have 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Winnipeg, Canada

June ____, 2020

# THE UNIVERSITY OF WINNIPEG
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2020 with comparative information for 2019
Amounts in Thousands

| | 2020 | 2019 |
|---|---|---|
| | | Restated *(Note 18)* |
| Financial assets excluding portfolio investments restricted for endowments | | |
| Cash and cash equivalents *(Notes 3, 9)* | $ 57,750 | $ 48,851 |
| Accounts receivable *(Note 5)* | 7,173 | 7,028 |
| Portfolio Investments - non-endowment *(Note 4)* | 3,976 | 6,095 |
| | 68,899 | 61,974 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities *(Note 6)* | 22,755 | 20,862 |
| Employee future benefits *(Note 10)* | 4,610 | 5,685 |
| Unearned revenue *(Note 8)* | 37,090 | 41,028 |
| Long Term Debt *(Note 11)* | 158,242 | 161,962 |
| | 222,697 | 229,537 |
| Net financial debt excluding portfolio investments restricted for endowments | (153,798) | (167,563) |
| Portfolio investments - restricted for endowments *(Note 4)* | 69,962 | 75,049 |
| Net Debt | (83,836) | (92,514) |
| Non-Financial Assets: | | |
| Tangible capital assets *(Note 7)* | 219,603 | 223,252 |
| Prepaid expenses | 1,665 | 1,479 |
| | 221,268 | 224,731 |
| Accumulated surplus | $ 137,432 | $ 132,217 |

Special purpose and trust assets *(Notes 3, 12)*
Contractual obligations *(Note 14)*
Contractual rights *(Note 15)*
Contingencies *(Notes 20, 22)*
See accompanying notes to financial statements

Approved by the Board of Regents

*(Original signed by Rohith Mascarenhas)* Chair    *(Original signed by Annette Trimbee)* President & Vice Chancellor

# THE UNIVERSITY OF WINNIPEG
## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year ended March 31, 2020 with comparative information for 2019
Amounts in Thousands

| | 2020 | 2020 | 2019 |
|---|---|---|---|
| | Budget *(Note 2D)* | | Restated *(Note 18)* |
| Revenue *(Note 2B)*: | | | |
| Government Grants: | | | |
| Education and Advanced Learning | $ 72,355 | $ 73,675 | $ 74,636 |
| Province of Manitoba, other | 24 | 1,345 | 1,106 |
| Government of Canada | 1,111 | 8,438 | 7,965 |
| Student academic fees | 56,982 | 60,768 | 54,185 |
| Gifts and bequests | 2,720 | 2,480 | 1,711 |
| Investment income | 5,751 | 4,842 | 4,285 |
| Sales of services and products | 3,001 | 3,144 | 3,356 |
| Other revenue | 7,878 | 7,304 | 9,796 |
| | 149,822 | 161,996 | 157,040 |
| Expenses *(Notes 2C, 17)*: | | | |
| Academic costs and non-sponsored research | 88,330 | 87,008 | 82,164 |
| Student support | 19,492 | 19,642 | 18,887 |
| Administrative support | 6,407 | 6,495 | 5,996 |
| Facility operations and maintenance | 25,685 | 25,144 | 26,982 |
| Sponsored research | - | 10,187 | 8,622 |
| Ancillary operations | 3,288 | 3,105 | 3,093 |
| Special purpose and trust | 4,650 | 6,355 | 5,782 |
| | 147,852 | 157,936 | 151,526 |
| Annual operating surplus before restricted funding | 1,970 | 4,060 | 5,514 |
| Restricted endowment contributions | 1,000 | 1,155 | 975 |
| Annual surplus | $ 2,970 | 5,215 | 6,489 |
| Accumulated surplus, beginning of year | | 132,217 | 125,728 |
| Accumulated surplus, end of year | | $ 137,432 | $ 132,217 |
| Accumulated surplus is comprised of: | | | |
| Invested in tangible capital assets | | $ 77,396 | $ 78,105 |
| Deficit accumulated from general operations | | (8,002) | (11,778) |
| Surplus accumulated from internal restricted operations *(Note 12)* | | 9,722 | 9,298 |
| Endowments *(Note 13)* | | 58,316 | 56,592 |
| Accumulated surplus, end of year | | $ 137,432 | $ 132,217 |

See accompanying notes to financial statements.

# THE UNIVERSITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31, 2020 with comparative information for 2019
Amounts in Thousands

| | 2020 Budget | 2020 | 2019 |
|---|---|---|---|
| Annual surplus | $ 2,970 | $ 5,215 | $ 6,489 |
| Acquisition of tangible capital assets, net of proceeds of disposals | (2,000) | (3,111) | (3,544) |
| Amortization of tangible capital assets | 7,155 | 6,760 | 6,886 |
| Loss on disposal of tangible capital assets | - | - | 707 |
| | $ 8,125 | 8,864 | 10,538 |
| Change in prepaid expenses | | (186) | 141 |
| Decrease in net debt | | 8,678 | 10,679 |
| **Net debt, beginning of year** | | (92,514) | (103,193) |
| **Net debt, end of year** | | $ (83,836) | $ (92,514) |

See accompanying notes to financial statements.

# THE UNIVERSITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2020 with comparative information for 2019
Amounts in Thousands

| | 2020 | 2019 |
|---|---|---|
| | | Restated *(Note 18)* |
| Cash flows from operations activities: | | |
| Annual surplus | $ 5,215 | $ 6,489 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 6,760 | 6,886 |
| Loss on disposal of capital assets | - | 707 |
| Loss on asset impairment | 2,329 | - |
| Income from business partnerships | (284) | (240) |
| Loss on community revitalization levy | - | 100 |
| Decrease in employee future benefits | (1,075) | (2,869) |
| | 12,945 | 11,073 |
| Cash flows from non-cash operating working capital: | | |
| Accounts Receivable | (145) | 1,454 |
| Prepaid Expenses | (186) | 141 |
| Accounts Payable | 1,670 | 1,550 |
| Unearned Revenue | 2,495 | 3,557 |
| | 3,834 | 6,702 |
| Cash flows from capital activities: | | |
| Acquisition of tangible capital assets | (3,111) | (2,238) |
| Disposal of capital assets | - | 1,000 |
| | (3,111) | (1,238) |
| Cash flows from investing activities: | | |
| Investments | (1,049) | (2,033) |
| Income share distribution equity business partnerships | 75 | 49 |
| | (974) | (1,984) |
| Cash flows from financing activities: | | |
| Debt repayment | (3,795) | (3,072) |
| | (3,795) | (3,072) |
| Net change in cash and cash equivalents | 8,899 | 11,481 |
| Cash and cash equivalents, beginning of year | 48,851 | 37,370 |
| Cash and cash equivalents, end of year | $ 57,750 | $ 48,851 |

See accompanying notes to 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) Accounting and Principles of Consolidation:

Adoption of Public Sector Accounting Standards (PSAS) without Sections PS4200 - 4270:

The Province of Manitoba directed post-secondary organizations, including the University, to change its basis of accounting from the Canadian PSAS for Government Non-for-Profit Organizations ("PSAS for GNFPO"), which includes Sections PSAS 4200 - PSAS 4270 to PSAS without Sections PSAS 4200 - PSAS 4270 for the fiscal year beginning April 1, 2019.

Amounts related to March 31, 2019 and April 1, 2018 were previously presented in accordance with PSAS for GNFPO. These amounts have been restated as required to be compliant with the accounting policies for the University under PSAS. Reconciliations and descriptions relating to the transition from PSAS for GNFPO to PSAS are included in Note 18.

The most significant changes as a result of adopting this basis of accounting include:

- Deferred capital contributions regarding tangible capital assets will no longer be deferred by the University unless very specific criteria are met. Aside from contributions that satisfy the specific criteria, these contributions will now be recognized as revenue when the University receives the funding.
- Deferred contributions regarding expenses of future periods, now referred to as unearned revenue, will be recognized when the University receives one-time funding for multi-year specific projects and other purposes. Any unspent funds at the end of a fiscal year will be recognized as unearned revenue in the statement of financial position.
- Endowment reserve funds previously recorded as a component of Fund balances are now recorded as unearned revenue in the statement of financial position.
- Loans payable associated with the financing of capital equipment, capital projects and deferred maintenance projects will be recognized in the statement of financial position.
- Cash provided to pay down the principal and interest on the debt associated with funded tangible capital assets and deferred maintenance projects will be recognized upon receipt of the funding.
- Library acquisitions and collections, previously recorded as capital assets, will be expensed in the period in which they were acquired.
- The consolidated financial statements of the University now includes the consolidation of the University of Winnipeg Foundation Inc. (the Foundation), the University of Winnipeg Community Renewal Corporation (UWCRC), and 7049651 Manitoba Association Inc. (Downtown Commons). Under the previous accounting standards, the financial results of these entities were only disclosed in the notes to the financial statements.

Financial statement presentation:

- The University's budget will be presented in the statement of operations along with current year and comparative year actual amounts.

Financial statement presentation (continued)

- The statement of financial position will present financial assets and liabilities to determine a net debt position; non-financial assets are shown separately and the accumulated surplus is the sum of the above-noted items.
- The statement of changes in fund balances will be replaced by the statement of changes in net debt, which presents the activity during the year that contributed to the change in the net debt position on the statement of financial position.

(B) Revenue Recognition

Government transfers from Education and Advanced Learning ("EAL") for operating purposes are recognized as revenue in the period in which all eligibility criteria have been met and the amounts are authorized. When revenue is received without eligibility criteria and with stipulations, it is recognized when the transfer from EAL is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the University. If the obligation does meet the definition of a liability, the related revenue is recognized as the obligation is settled.

Funding received for the acquisition or development of tangible capital assets is recognized as revenue in one of two ways:

i) Assets funded by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.

ii) Assets funded by an allocation of cash: revenue is recognized immediately when all eligibility criteria are met and no stipulations exist. If stipulations exist and the funding obligation meets the definition of a liability for the University, the revenue is deferred until the stipulations are met.

Any restricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the University if the amount can be reasonably estimated and collection is reasonably assured. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

Investment income is recognized as revenue in the year in which the income was earned. Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments, exclusive of restricted transfers or donations, are recognized in the statement of remeasurement gains and losses until the related investments are sold. When realized, these gains or losses are recognized in the statement of operations. Investment income and unrealized gains and losses from restricted transfers or donations are allocated to their respective balances according to the provisions with the individual agreements. The University's portfolio investments at March 31, 2020 and March 31, 2019 are restricted for endowments with the unrealized gain and losses recorded in unearned revenue. As the remaining unrestricted portfolio investments are in short-term deposits, the carrying value approximates the fair value and no unrealized gains or losses exist on the unrestricted portfolio investments.

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. The unearned portion of tuition fees received but not earned is recorded as unearned revenue.

The Foundation recognizes unrestricted contributions, restricted contributions and pledge payments in the related fund in the year received. Contributions to be permanently endowed are recorded in the Endowment Fund. Investment income and unrealized change in market value of investments are recorded in the Endowment Fund Reserve as it is not subject to externally imposed restrictions to be maintained permanently. The Endowment Fund Reserve is recorded as a component of Unearned Revenue, until the income is spent at which point it is recognized as revenue.

(C) Expenses by Function

The University uses the following categories as functions in the Statement of Operations:

Academic Costs and Non-Sponsored Research - expenses relating to activities directly and indirectly supporting innovative learning, programming, and teaching. This includes credit and non-credit courses, diploma, certificate and degree programs; continuing education; curriculum and program development; libraries; on-line delivery; information technology; specific purpose funding; and endowment non-award funding.

Student Support - expenses that directly support the individual students or groups of students. These include student service administration; registrar, counseling; career services; social development and recreation; financial aid administration; scholarships and bursaries; endowment fund administration and any other centralized general and financial administration and support costs related to these activities.

Administrative Support - expenses that support the institution as a whole, such as executive management; governance committees; the Board and Senate; corporate finance; human resources; purchasing; and any other centralized institution-wide general administrative activities.

Facility Operations and Maintenance - all of capital asset related expenditures for the operation of the University, including centralized management and maintenance of grounds, equipment and buildings. Examples include utilities, security services, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, major repairs and renovations, administration of infrastructure development, and amortization expense and debt servicing costs related to the entire University.

Sponsored Research - expenses for research activities specifically funded by contracts and/or grants from external organizations and undertaken within the University to produce research outcomes. Costs associated with this function include such things as research administration and support costs established to conduct all research projects.

Special Purpose and Trust - funds, including donations, that are restricted by external sources, or internally restricted by the University's governing body, for purposes other than sponsored research (Sponsored Research fund), or capital (Capital fund).

Ancillary Operations - expenses related to secondary services available to students, faculty, and staff that are supplementary to the University's primary operating activities of instruction and research. Services include student housing and home stay, food services, parking, university facility rentals and event services.

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(D) Budget Figures

Budget figures have been provided for comparative purposes and have been derived from the 2019/20 University of Winnipeg budget approved by the Board of Regents on May 6, 2019 and combined with the budgets of the consolidated entities, approved by their Boards of Directors.

(E) Financial Instruments

All currently held financial instruments are reported at cost, fair value 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.

Cash, accounts receivable, inter-company balances and accounts payable - these financial assets and liabilities are classified as held-for-trading and are measured at their amortized cost.

Short term and long term investments - these financial assets are classified as held-for-trading and are measured at fair value. Unrealized gains and losses are recorded in the Statement of Remeasurement Gains and Losses except for remeasurement gains/losses on restricted endowment funds which are reflected in unearned revenue.

Financial Instruments (continued)

Fair Value Measurement - fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The University has categorized it's assets and liabilities that are carried at fair value into one of three fair value levels, as follows:

i) Level 1 - for instruments measured at unadjusted quoted prices in active markets for identical assets or liabilities

ii) Level 2 - for instruments measured using significant observable inputs, either directly or indirectly, and

iii) Level 3 - for instruments measured using inputs that are not based on observable market data or using valuations based on quoted prices for similar instruments and are significant to the fair value measurement

Net realized gain (loss) on sale of investments - net realized gain (loss) on the sale of investments is the difference between proceeds received and the average cost of investments sold.

Investment Income - investment income, which is recorded on the accrual basis, includes interest income and dividends.

Transaction costs - transaction costs are the incremental costs directly attributable to the acquisition, issue or disposal of financial assets or financial liabilities. Actual transaction costs incurred are expenses and are included in net realized gains or losses.

(F) 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 one year or less.

(G) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond one year and are not intended for sale in the ordinary course of business.

Tangible capital assets are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Contributed tangible capital assets are recorded at fair value at the date of contribution. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Building, additions and improvements | 60 years |
| Furnishings and equipment | 10 to 15 years |
| Major system computer software | 10 years |
| Computer equipment | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | Term of lease |

Assets under construction or development are not amortized until the asset is ready to use.

(H) Accrued Vacation Pay

The University recognizes vacation pay as an expense on the accrual basis.

(I) Employee Future 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.

(J) 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 member's mortality. Consistent with PS 3250 the University has amortized actuarial gains and losses over the expected 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.

(K) Use of Estimates

The preparation of the University's financial statements in conformity with PSAS 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.

(L) Change in accounting policies

On April 1, 2019 the University adopted PSAS 3430, Restructuring Transactions. The adoption of this standard did not have a material impact on the financial statements.

Amounts in Thousands

(M) Consolidated Entities

The consolidated financial statements include the assets, liabilities, revenues and expenses of the University of Winnipeg Foundation, University of Winnipeg Renewal Corporation and 7049651 Manitoba Association Inc., organizations controlled by the University of Winnipeg. Inter-organizational transactions and balances have been eliminated on consolidation.

i) The establishment of the University of Winnipeg Foundation Inc. (the Foundation) resulted from a desire and decision in 2002 by the Board of Regents of the University of Winnipeg (the University) to create an effective vehicle to provide a private funding source for the University. The Foundation was incorporated on August 2, 2002 under Part XXII of the Corporations Act (Manitoba). The Foundation is a not-for-profit registered charitable organization and is designated as a Public Foundation, as defined under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is registered to issue donation receipts for income tax purposes. The Foundation's intended purpose is to act as a fundraising body for the benefit of the University. The Foundation receives funding and support from the University and exists for the sole purpose of supporting the University.

ii) The University of Winnipeg Community Renewal Corporation (UWCRC) was incorporated April 6, 2005 as a corporation without share capital. The corporation is a charitable not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada). UWCRC's mandate is to support the University of Winnipeg by developing a sustainable University community that promotes the attractiveness to the faculty, staff, students and the greater community. UWCRC owns an interest in the 491 Portage building and Diversity Foods and provides development services for the University.

iii) 7049651 Manitoba Association Inc. (Downtown Commons) was incorporated on December 29, 2014 as a corporation without share capital. The Downtown Commons is a non-charitable not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada). The Downtown Commons mandate is to supply long-term residential accommodation to low and moderate income households, including the provision of housing on a rent-geared-to-income basis. A number of units have also been established for use by University of Winnipeg students. The Downtown Commons is a controlled entity of the University of Winnipeg Community Renewal Corporation (UWCRC).

(N) Endowments

Endowment funds consist of restricted contributions which require the capital to be held in perpetuity. Investment income on these funds must be used in accordance with the purposes specified by the funder.

(O) Internally Restricted Funds and Reserves

The University sets aside certain accumulated surpluses to be used for future operating and capital activities. Additions to and from these funds and reserves are recorded as adjustments to the respective funds.

**3. Cash and cash equivalents**

| | 2020 | 2019 |
|---|---|---|
| Unrestricted funds | $ 32,560 | $ 27,142 |
| Restricted funds: | | |
| Internally restricted | 9,722 | 9,298 |
| Sponsored research and designated funds | 8,994 | 7,098 |
| Special purpose and trust funds | 6,474 | 5,313 |
| | $ 57,750 | $ 48,851 |

Amounts in Thousands

## 4. Portfolio Investments

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Non-endowed investments | | | | |
| Operating short term investments | $ | 140 | $ | 138 |
| Investment in 491 Portage Avenue | | 3,691 | | 5,878 |
| Investment in Diversity Food Services | | 145 | | 79 |
| | $ | 3,976 | $ | 6,095 |

| | | | | |
|---|---|---|---|---|
| Restricted endowment investments | | | | |
| Portfolio investments carried at fair value:: | | | | |
| Canadian Pooled Fixed | | 20,217 | | 22,799 |
| Canadian Pooled Equities | | 19,448 | | 19,981 |
| Global Pooled Equities | | 27,907 | | 29,151 |
| | | 67,572 | | 71,931 |
| Portfolio investments at cost: | | | | |
| Cash | | 736 | | 1,588 |
| Other | | 1,654 | | 1,530 |
| | | 2,390 | | 3,118 |
| | $ | 69,962 | $ | 75,049 |

The University, through UWCRC, has an investment of 25% in 4306946 Manitoba Ltd. (Trustee), which acts as a bare trustee to own the land and buildings commonly known as 491 Portage Avenue. UWCRC is entitled to share in the revenue and receipts of the joint venture and in it's gains and net profits and losses to the proportion of 25%. This investment is accounted for using the modified equity method.

The University, through UWCRC, owns 100% of the issued share capital of 5782539 Manitoba Inc. (the "Subsidiary"). The Subsidiary's information is consolidated into the financial statements as presented. The Subsidiary, along with another corporation has created an incorporated joint venture, Diversity Food Services. An unrelated corporation, SEED Winnipeg Inc. owns the balance of 48% of the joint venture. The Subsidiary is entitled to a 52% share of any profits earned and is also responsible for it's proportionate share of any losses incurred in Diversity Food Services. The Subsidiary, and consequently UWCRC upon consolidation of the Subsidiary, jointly controls Diversity Food Services joint venture and therefore accounts for the investment using the modified equity method.

## 5. Accounts Receivable

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Students | $ | 3,812 | $ | 2,738 |
| Government of Canada | | 841 | | 1,416 |
| Province of Manitoba | | 1,471 | | 703 |
| Other | | 2,690 | | 3,247 |
| Less: allowance for doubtful accounts | | (1,641) | | (1,076) |
| | $ | 7,173 | $ | 7,028 |

Amounts in Thousands

## 6. Accounts Payable and Accrued Liabilities

| | 2020 | 2019 |
|---|---|---|
| Accrued salaries & benefits | $ 4,572 | $ 5,100 |
| Accruals | 8,194 | 6,075 |
| Trade payables | 3,170 | 3,419 |
| Accrued vacation payable | 2,576 | 2,575 |
| Deposits | 2,249 | 1,845 |
| UWSA | 820 | 1,126 |
| Due to other charities | 365 | 361 |
| Other | 809 | 361 |
| | $ 22,755 | $ 20,862 |

## 7. Tangible Capital Assets

| Cost | March 31 2019 | Additions | Disposals | March 31 2020 |
|---|---|---|---|---|
| Land | $ 12,236 | $ - | $ - | $ 12,236 |
| Buildings | 250,397 | 834 | - | 251,231 |
| Furnishings and equipment | 48,208 | 1,334 | (176) | 49,366 |
| Computer software | 4,800 | 367 | - | 5,167 |
| Assets under construction | 218 | 576 | - | 794 |
| Equipment under capital lease | 2,336 | - | - | 2,336 |
| | $ 318,195 | $ 3,111 | $ (176) | $ 321,130 |

| Accumulated Amortization | March 31 2019 | Additions | Disposals | March 31 2020 |
|---|---|---|---|---|
| Buildings | $ 49,928 | $ 4,070 | $ - | $ 53,998 |
| Furnishings and equipment | 39,693 | 2,384 | (176) | 41,901 |
| Computer software | 2,992 | 300 | - | 3,292 |
| Equipment under capital lease | 2,330 | 6 | - | 2,336 |
| | $ 94,943 | $ 6,760 | $ (176) | $ 101,527 |

| Net Book Value | 2020 Total | 2019 Total |
|---|---|---|
| Land | $ 12,236 | $ 12,236 |
| Buildings | 197,233 | 200,469 |
| Furnishings and equipment | 7,465 | 8,515 |
| Computer software | 1,875 | 1,808 |
| Assets under construction | 794 | 218 |
| Capital lease equipment | - | 6 |
| | $ 219,603 | $ 223,252 |

## 8. Unearned Revenue

| | 2020 | 2019 |
|---|---|---|
| Unearned revenue is comprised of: | | |
| Deferred revenue | $ 8,501 | $ 7,615 |
| Sponsored Research & Designated funds | 9,621 | 8,167 |
| Special Purpose Trust | 6,474 | 6,434 |
| Endowment fund reserve | 11,956 | 18,234 |
| Building & Program fund | 538 | 578 |
| | $ 37,090 | $ 41,028 |

Amounts in Thousands

## 9. 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, 2020 or March 31, 2019.

UWCRC has a revolving line of credit with a bank, authorized in the amount of $330. The line of credit is unsecured and bears an interest rate of prime plus 1.50%. It was not utilized at March 31, 2020 ($288 - March 31, 2019).

## 10. Employee future benefits

| | 2020 | 2019 |
|---|---|---|
| Obligation for compensated absences | $ 435 | $ 466 |
| Pension obligation | 4,175 | 5,219 |
| | $ 4,610 | $ 5,685 |

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 5.90%
- 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 (Note 19). 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 (YMPE), the applicable contribution formula, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date.

## 11. Long Term Debt

| | 2020 | 2019 |
|---|---|---|
| Promissory Notes | $ 158,025 | $ 161,656 |
| Supplementary Pensions Payable | 217 | 306 |
| | $ 158,242 | $ 161,962 |

Amounts in Thousands

Long Term Debt (continued)

| | 2020 | 2019 |
|---|---|---|
| Province of Manitoba Promissory Notes Secured by: | | |
| Duckworth expansion (Interest rate 5.55%, due October 31, 2047) | $ 1,758 | $ 1,784 |
| McFeetors Hall (Interest rate 5.25%, due October 31, 2049) | 9,835 | 9,970 |
| 460 Portage Avenue | | |
| Interest rate 4.65%, due December 31, 2020 | 254 | 578 |
| Interest rate 5.60%, due December 31, 2050 | 8,474 | 8,575 |
| Interest rate 3.80%, due October 31, 2052 | 2,582 | 2,622 |
| 366 Spence & 336 Young (Interest rate 4.95%, due March 31, 2051) | 637 | 645 |
| Richardson College for the Environment & Science Complex | | |
| Interest rate 4.95%, due March 31, 2051 (Parking Lot) | 3,548 | 3,596 |
| Interest rate 2.35%, due January 31, 2020 | - | 226 |
| Interest rate 5.65%, due December 31, 2048 | 1,676 | 1,734 |
| Interest rate 5.60%, due October 31, 2049 | 3,384 | 3,428 |
| Interest rate 5.80%, due June 15, 2047 | 4,662 | 4,730 |
| Interest rate 5.15%, due February 28, 2047 | 4,296 | 4,368 |
| Interest rate 5.875%, due August 31, 2049 | 4,339 | 4,486 |
| Interest rate 4.875%, due October 31, 2050 | 775 | 800 |
| Interest rate 5.95%, due June 15, 2049 | 2,471 | 2,501 |
| Interest rate 4.75%, due July 31, 2050 | 17,717 | 18,301 |
| United RecPlex | | |
| Interest rate 4.10%, due October 31, 2054 | 18,143 | 18,377 |
| Interest rate 3.90%, due October 31, 2055 | 2,992 | 3,030 |
| Interest rate 3.90%, due March 31, 2056 | 13,500 | 13,875 |
| | 101,043 | 103,626 |
| Province of Manitoba Unsecured Notes: | | |
| 491 Portage Annex (Interest rate 5.40%, due July 31, 2050) | 2,549 | 2,582 |
| Pension settlement (Interest rate 5.35%, due January 31, 2050) | 7,928 | 8,033 |
| Pension Plan special payments | | |
| Interest rate 4.15%, due May 31, 2053 | 1,842 | 1,867 |
| Interest rate 4.10%, due December 31, 2054 | 1,884 | 1,908 |
| Deferred Maintenance | | |
| Interest rate 5.45%, due November 30, 2049 | 2,042 | 2,068 |
| Interest rate 4.85%, due November 30, 2050 | 2,140 | 2,210 |
| Interest rate 5.75%, due January 30, 2049 | 1,608 | 1,663 |
| Interest rate 3.75%, due July 31, 2052 | 556 | 573 |
| Interest rate 4.00%, due March 31, 2053 | 110 | 114 |
| Interest rate 4.625%, due December 31, 2053 | 1,490 | 1,534 |
| Interest rate 4.375%, due March 31, 2054 | 145 | 149 |
| Interest rate 3.75%, due January 31, 2055 | 2,302 | 2,369 |
| Interest rate 3.90%, due March 31, 2056 | 1,880 | 1,932 |
| Interest rate 4.125%, due March 31, 2057 | 1,792 | 1,841 |
| Interest rate 3.875%, due April 30, 2058 | 530 | 544 |
| Bankers Acceptance Notes (Variable interest rates, 3 month term) | 1,942 | 2,068 |
| | 30,740 | 31,455 |
| Other Debt: | | |
| Balmoral Street - ACU Mortgage (Interest rate 3.96%, due March 31, 2025) | 677 | 710 |
| Downtown Commons - RBC Mortgage (Interest rate 4.00%, due January 31, 2057) | 25,565 | 25,865 |
| | 26,242 | 26,575 |
| | $ 158,025 | $ 161,656 |

Amounts in Thousands

Long Term Debt (continued)

Principal payments on the long term debt until maturity are approximately as follows:

| | | |
|---|---|---|
| 2021 | $ | 5,268 |
| 2022 | | 3,143 |
| 2023 | | 3,217 |
| 2024 | | 3,294 |
| 2025 | | 3,372 |
| Thereafter | | 139,948 |
| | $ | 158,242 |

Supplementary pensions payable represent payments due to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2020 is $51 (2019 - $57).

Interest expense during the year on long term debt totaled $7,444 (2019 - $7,629).

**12. Accumulated surplus - internally restricted**

| | March 31, 2019 | Reductions | Additions | March 31, 2020 |
|---|---|---|---|---|
| Unrestricted Trust | $ 1,779 | $ - | $ 305 | $ 2,084 |
| Internally restricted | 3,738 | - | 220 | 3,958 |
| Strategic provisions: | | | | |
| Capital projects | 97 | - | - | 97 |
| Project development | 3,371 | (1,065) | 953 | 3,259 |
| Capital reserve | 67 | - | 32 | 99 |
| Building Program fund | 246 | (2,417) | 2,396 | 225 |
| | $ 9,298 | $ (3,482) | $ 3,906 | $ 9,722 |

The cumulative net unrestricted 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.

Strategic provisions represent an appropriation from unrestricted net assets to internally restricted. 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.

**13. Accumulated surplus - endowments**

| | 2020 | 2019 |
|---|---|---|
| Cash and short term investments | $ 1,167 | $ 1,182 |
| Long term investments | 57,149 | 55,410 |
| | $ 58,316 | $ 56,592 |

Amounts in Thousands

## 14. 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 obligations require annual payments over the next five years and thereafter as follows:

| | Lease | Contracts | Total |
|---|---|---|---|
| 2020/21 | $ 1,857 | $ 946 | $ 2,803 |
| 2021/22 | 1,852 | - | 1,852 |
| 2022/23 | 1,788 | - | 1,788 |
| 2023/24 | 1,752 | - | 1,752 |
| 2024/25 | 1,742 | - | 1,742 |
| Thereafter | 4,230 | - | 4,230 |
| | $ 13,221 | $ 946 | $ 14,167 |

In addition to the above, 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.

The UWCRC guarantees specific debts of the UWCRC 2.0, a related but uncontrolled corporation, and its controlled entities. At March 31, 2020 the UWCRC provided guarantees for the following loans:

i) CMHC Rental Construction Financing Initiative loan of up to $26,162 for the construction of the Muse Flats (209 Colony), $20,855 was outstanding as of March 31, 2020. This guarantee will expire once construction on the project is complete and after the lease-up and stabilization period is complete. 7049651 Manitoba Association Inc. (Downtown Commons) also provides a guarantee on this loan with the same term and conditions.

ii) CMHC National Co-Investment Fund loan of up to $25,555 for the construction of the West Broadway Commons (167 Colony), $8,100 was outstanding at March 31, 2020. This guarantee will expire once construction on the project is complete and after the building has achieved lease-up.

iii) RBC Line of Credit of up to $2.5 million, $282 was outstanding at March 31, 2020. This guarantee expires September, 2021.

## 15. Contractual rights

As part of its operations, the University enters into agreements with varying expiry dates for which it is entitled to receive leasing revenues. Total amounts outstanding from these agreements are as follows:

| | |
|---|---|
| 2020/21 | $ 738 |
| 2021/22 | 426 |
| 2022/23 | 411 |
| 2023/24 | 413 |
| 2024/25 | 239 |
| Thereafter | - |
| | $ 2,227 |

Amounts in Thousands

## 16. Financial Instrument Risk Management

The University is exposed to credit, interest rate and liquidity, market and foreign exchange risk. The University manages its financial assets in accordance with the Board of Regents Oversight and Budgeting Policy. In accordance with the University's investment policy, the investment objective of the University 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.

### Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to its accounts receivable and investments.

The University assesses, on a continuous basis, accounts receivable and provides for any amounts that it determines to be uncollectible in the allowance of doubtful accounts. The maximum exposure to credit risk at March 31, 2020 is the carrying value of these assets.

| | 2020 | 2019 |
|---|---|---|
| Accounts receivable, gross | | |
| Current | $ 5,187 | $ 5,421 |
| Past due | 3,627 | 2,683 |
| | 8,814 | 8,104 |
| Less: Allowance for doubtful accounts | (1,641) | (1,076) |
| Accounts receivable, net | $ 7,173 | $ 7,028 |

Long term investments include fixed income securities. 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% (currently 1%) of an individual investment manager's portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate 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 changes to the interest rate risk exposure from 2019.

Amounts in Thousands

**Liquidity risk**

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

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, 2020

There have been no significant changes to the interest rate risk exposure from 2019.

**Market risk**

Market risk is the risk that the University's fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Foundation has categorized it's assets and liabilities that are carried at fair value into one of three fair value levels, as follows:

i) Level 1 - for instruments measured at unadjusted quoted prices in active markets for identical assets or liabilities

ii) Level 2 - for instruments measured using significant observable inputs, either directly or indirectly, and

iii) Level 3 - for instruments measured using inputs that are not based on observable market data or using valuations based on quoted prices for similar instruments and are significant to the fair value measurement

| Investments at Fair Market Value - March 31, 2020 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 736 | $ - | $ - | $ 736 |
| Accounts Receivable | - | - | 447 | 447 |
| Insurance Policies | - | - | 1,207 | 1,207 |
| Short term investments | - | 378 | - | 378 |
| Long term investments | 20,217 | 46,977 | - | 67,194 |
| | $ 20,953 | $ 47,355 | $ 1,654 | $ 69,962 |

| Investments at Fair Market Value - March 31, 2019 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 1,588 | $ - | $ - | $ 1,588 |
| Accounts Receivable | - | - | 348 | 348 |
| Insurance Policies | - | - | 1,182 | 1,182 |
| Short term investments | - | 388 | - | 388 |
| Long term investments | 22,799 | 48,744 | - | 71,543 |
| | $ 24,387 | $ 49,132 | $ 1,530 | $ 75,049 |

There have been no significant changes from the previous year in exposure to risk or policies, procedures and methods used to measure the risk.

Amounts in Thousands

### Foreign Exchange Risk Management

The University has certain investments denominated in foreign currencies, which exposes the University to foreign currency risk. During this fiscal year the University did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio. The University has exposure to non-Canadian dollars, with foreign holdings of $27,906 CAD (market value) or 43.1% of the portfolio (2019 - $29,151 or 42.2%).

## 17. Classification of expenditures by object

The Statement of Operations reports the expenditures by function; the following classifies those same expenditures by object:

| | 2020 | 2019 |
|---|---|---|
| Salaries and benefits | $ 100,952 | $ 94,432 |
| Supplies, services and other expenses | 21,365 | 21,276 |
| Cost of sales | 962 | 1,019 |
| Building, utilities and related expenses | 12,223 | 12,390 |
| Interest | 7,444 | 7,629 |
| Provincial and municipal taxes | 2,209 | 2,036 |
| Scholarships and awards | 6,021 | 5,858 |
| Amortization of capital assets | 6,760 | 6,886 |
| | $ 157,936 | $ 151,526 |

## 18. Restatement of prior period financial statements

*Reconciliation of accumulated surplus (deficit) and annual surplus*
Certain accounting policies previously applied under PSAS for GNFPOs have been amended to comply with PSAS without Sections PSAS 4200 - PSAS 4270. The comparative figures for March 31, 2019 were restated to reflect these adjustments. The following reconciliations provide a description of the effect of transition.

| | Annual surplus for the year ended March 31, 2019 | Accumulated surplus at April 1, 2018 |
|---|---|---|
| Excess of revenues over expenses and fund balances (PSAS for GNFPOs) | $ 8,296 | $ 70,205 |
| *Adjustments:* | | |
| Reversal - amortization of deferred capital contributions | (3,998) | - |
| Reversal - deferred operating contributions | (245) | - |
| P&I grant revenue | 5,167 | - |
| Interest expense on loans payable | (3,376) | - |
| Government transfers related to capital | 560 | - |
| Endowment fund net transactions | (15) | - |
| Capital activity changed to operating activity | 100 | - |
| Deferred capital contributions - unamortized balance | - | 56,880 |
| Deferred operating contributions - unamortized balance | - | 1,102 |
| Tangible capital items - expensed | - | (2,459) |
| Annual surplus and accumulated surplus, (PSAS without Section PS4200) | $ 6,489 | $ 125,728 |

Amounts in Thousands

## 19. University of Winnipeg Trusteed Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan effective September 1, 1972 and 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.

An independent Board of Trustees assumed responsibility for the administration of the Plan from the University in July 2008. 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 $115.1 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, 2019 | Dec 31, 2018 |
|---|---|---|
| Balance, beginning of year | $ 80,185 | $ 77,441 |
| Contributions | 7,232 | 6,897 |
| Benefits and refunds paid | (6,561) | (3,046) |
| Net investment return | 13,564 | (1,107) |
| Balance, end of year | $ 94,420 | $ 80,185 |
| Expense recognized for the period ending December 31 | $ 3,604 | $ 3,461 |

*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 December 31, 2018 valuation of the defined benefit segment of the Plan, there were 101 active members with an average age of 59.2. There were 29 former employees entitled to deferred pension benefits and 296 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, 2018, and the results were extrapolated to December 31, 2019. 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 (6.2 years).

Amounts in Thousands

University of Winnipeg Trusteed Pension Plan (continued)

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, 2019, the expected future inflation rate is 2.0%. Salaries are assumed to increase 3.0% 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 5.65%.

Pension fund assets are valued at market value. The expected rate of return on plan assets net of investment expenses is 5.65% per year. The actual return on pension fund assets in 2019 was 11.39%.

Since December 31, 2019, and as of the date of this report, there has been a significant deterioration to global equity markets, as well as declining bond yields in connection with COVID-19. The impact on the market value of assets, underlying assumptions and any other effects related to COVID-19 are not reflected in the valuation results and as such, the Plan financial position shown may be materially different if those factors were incorporated in our valuation. These effects will be revealed in future valuations.

*Change in accrued benefit obligation - Calendar year ending December 31:*

| | 2019 | 2018 |
|---|---|---|
| Accrued benefit obligation, beginning of year | $ 140,397 | $ 142,536 |
| Current service cost | 1,272 | 1,455 |
| Interest cost | 8,001 | 7,990 |
| Benefits and refunds paid | (10,855) | (11,001) |
| Actuarial (gains)/ losses | 4,144 | (583) |
| Accrued benefit obligation, end of year | $ 142,959 | $ 140,397 |

*Change in market value of plan assets - calendar year ending December 31:*

| | 2019 | 2018 |
|---|---|---|
| Market value of plan assets, beginning of year | $ 126,389 | $ 137,241 |
| University contributions | 3,958 | 3,667 |
| Member contributions | 508 | 582 |
| Benefit payments | (10,855) | (11,001) |
| Actual return on plan assets | 14,014 | (3,941) |
| Plan expenses | (263) | (159) |
| Market value of plan assets, end of year | 133,751 | 126,389 |
| Expected market value of assets, end of year | 126,998 | 138,090 |
| Gain (loss) on plan assets | $ 6,753 | $ (11,701) |

*The Plan assets for the calendar year ending December 31 consist of:*

| | 2019 | 2018 |
|---|---|---|
| Domestic fixed income | $ 45,882 | $ 44,564 |
| Canadian equity | 20,026 | 19,340 |
| U.S. equity | 17,948 | 12,941 |
| International equity | 31,767 | 32,288 |
| Real estate | 16,968 | 15,483 |
| Cash and cash equivalents | 1,134 | 1,639 |
| Net accruals | 25 | 134 |
| | $ 133,750 | $ 126,389 |

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

Amounts in Thousands

University of Winnipeg Trusteed Pension Plan (continued)

*Reconciliation of unamortized gains/(losses) - fiscal year ending March 31:*

| | 2020 | 2019 |
|---|---|---|
| Expected average remaining service life | 6.3 | 6.6 |
| Net unamortized gain (loss), beginning of year | $ (7,951) | $ 3,732 |
| New net gain (loss) for current year | 2,609 | (11,118) |
| Amortization for current year | 1,262 | (565) |
| Net unamortized gain (loss), end of year | $ (4,080) | $ (7,951) |

*Pension expense - fiscal year ending March 31:*

| | 2020 | 2019 |
|---|---|---|
| University service cost | $ 764 | $ 873 |
| Interest cost | 8,001 | 7,990 |
| Expected return on plan assets | (7,261) | (7,760) |
| Amortization of net actuarial gains/(losses) | 1,262 | (565) |
| Plan expenses | 263 | 159 |
| Net pension expense | $ 3,029 | $ 697 |

*Reconciliation of deficit to accrued liability, end of fiscal year:*

| | 2020 | 2019 |
|---|---|---|
| Deficit, end of year | $ (9,208) | $ (14,008) |
| University contributions after the measurement date | 953 | 838 |
| Net unamortized amounts | 4,080 | 7,951 |
| Accrued benefit liability, end of year | (4,175) | (5,219) |
| Valuation allowance, end of year | - | - |
| Accrued benefit liability, net of valuation allowance, end of year | $ (4,175) | $ (5,219) |

*Significant actuarial assumptions used to determine pension expense:*

| | % | % |
|---|---|---|
| Discount rate | 5.90 | 5.80 |
| Post-retirement indexing | 0.75 | 0.75 |
| Rate of salary increase | 3.00 | 3.00 |
| Expected rate of return on plan assets | 5.90 | 5.80 |

*Significant actuarial assumptions used to determine the defined benefit obligation at December 31:*

| | % | % |
|---|---|---|
| Discount rate | 5.65 | 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, 2018 confirms that the defined benefit segment of the Plan has a solvency deficiency of $35,906 and a solvency ratio of 0.719 (2017 - 0.758)

University of Winnipeg Trusteed Pension Plan (continued)

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, 2018 was $23,024 and the annual deficiency funding payments are $2,897, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2018, the University was required to make an additional contribution in 2019 of $370 (2018 - $638) in order to fully fund the cost of accruing benefits and administration expenses.

## 20. 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.

## 21. Economic dependence

The University received approximately 49% (2018 - 48%) of its total revenue from the Province of Manitoba - Education and Advanced Learning and is economically dependent on the Province for continued operations.

## 22. Subsequent event - COVID-19 pandemic

The recent events of the COVID-19 pandemic will have an economic impact on the University of Winnipeg. This includes, but is not limited to, a significant decline in the market value of investments, revenue reductions due to the cancellation of spring/summer in-person classes, early termination of student's residence contracts, and Provincial operating budget reductions. As well, future economic conditions will impact the operations of the University.

## 23. Comparative figures

Comparative figures for the year ended March 31, 2019 have been reclassified where necessary to conform with the presentation adopted for the year ended March 31, 2020.