Manitoba Institute of Trades & Technology
7 Fultz Boulevard
Winnipeg, MB R3Y 1G4

September 24, 2019

Grant Thornton LLP
Chartered Professional Accountants
94 Commerce Drive
Winnipeg, MB R3P 0Z3

Dear Sir/Madam

We are providing this letter in connection with your audit of the consolidated financial statements of Manitoba Institute of Trades & Technology as of June 30, 2019, and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Manitoba Institute of Trades & Technology in accordance with Canadian public sector accounting standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, as of September 24, 2019, the following representations made to you during your audit.

Financial statements

1 The consolidated financial statements referred to above present fairly, in all material respects, the financial position of the entity as at June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards, as agreed to in the terms of the audit engagement.

Completeness of information

2 We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors, and committees of directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

3 We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

4 There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the entity.

5 There were no restatements made to correct a material misstatement in the prior period consolidated financial statements that affect the comparative information.

6 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

9 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

Fraud and error

10 We have no knowledge of fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements.

11 We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators or others.

12 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

13 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the consolidated financial statements, are reasonable and appropriate in the circumstances.

14 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the consolidated financial statements.

15 All related party transactions have been appropriately measured and disclosed in the consolidated financial statements.

16 The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

17 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

18 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

19 All "off-balance sheet" financial instruments have been properly recorded or disclosed in the consolidated financial statements.

20 With respect to environmental matters:

a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;

b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements; and

c) commitments have been measured and disclosed, as appropriate, in the consolidated financial statements.

21 The entity has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the entity's assets nor has any been pledged as collateral.

22 We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

23 The Goods and Services Tax (GST) and Harmonized Sales Tax (HST) transactions recorded by the entity are in accordance with the federal and provincial regulations. The GST and HST liability/receivable amounts recorded by the entity are considered complete.

24 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of PS3250 *Retirement Benefits* or PS3255 *Post-employment benefits* of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Public Sector Accounting Standards.

25 There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the consolidated financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Other

26 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Company's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

Paulette Shonoski, VP Admin and Finance

Original Document Signed

Jennifer Lumb, Director of Finance and IT

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Independent auditor's report

To the Governing Board of
Manitoba Institute of Trades and Technology

Opinion

We have audited the consolidated financial statements of Manitoba Institute of Trades and Technology ("the Entity"), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Manitoba Institute of Trades and Technology as at June 30, 2019, and its results of revenue, expenses and accumulated surplus, its changes in its net debt, 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 *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Grant Thornton LLP

Chartered Professional Accountants

Winnipeg, Canada
September 24, 2019

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Governing Board of Manitoba Institute of Trades and Technology.

Original Document Signed	Sept. 24/19
Chairperson of the Governing Board	Date

Manitoba Institute of Trades and Technology

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2019	2018
	Financial Assets			
	Cash and Bank		3,744,825	6,195,928
	Due from	- Provincial Government	304,471	413,558
		- Federal Government	694,451	762,273
		- Municipal Government	-	-
		- Other School Divisions	294,937	6,512
		- First Nations	-	-
	Accounts Receivable		910,016	763,650
	Accrued Investment Income		-	-
*	Portfolio Investments		10,636,493	6,520,079
			16,585,193	14,662,000
	Liabilities			
	Overdraft		-	-
	Accounts Payable		1,214,533	1,159,028
	Accrued Liabilities		416,135	364,667
*	Employee Future Benefits		790,695	870,462
	Accrued Interest Payable		25,012	34,190
	Due to	- Provincial Government	1,202	5,829
		- Federal Government	1,007	98
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
*	Deferred Revenue		10,026,620	9,254,127
*	Borrowings from the Provincial Government		3,297,509	3,610,708
	Other Borrowings		-	221,406
	School Generated Funds Liability		-	-
			15,772,713	15,520,515
	Net Assets (Debt)		812,480	(858,515)
	Non-Financial Assets			
*	Net Tangible Capital Assets (TCA Schedule)		10,230,774	10,772,058
	Inventories		-	-
	Prepaid Expenses		244,969	144,028
			10,475,743	10,916,086
*	**Accumulated Surplus**		11,288,223	10,057,571

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2019	2018
	Revenue			
	Provincial Government		10,566,514	10,428,689
	Federal Government		2,298,048	2,654,725
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		2,013,723	1,782,410
	First Nations		-	-
	Private Organizations and Individuals		18,700,003	16,744,557
	Other Sources		697,409	563,744
	School Generated Funds		-	-
	Other Special Purpose Funds		117,199	108,781
			34,392,896	32,282,906
	Expenses			
	Regular Instruction		7,188,628	7,104,078
	Student Support Services		854,649	721,568
	Adult Learning Centres		2,787,524	2,804,474
	Community Education and Services		9,671,237	9,594,282
	Divisional Administration		5,652,597	5,116,428
	Instructional and Other Support Services		672,032	611,415
	Transportation of Pupils		-	-
	Operations and Maintenance		4,216,002	3,980,708
*	Fiscal	- Interest	377,610	345,213
		- Other	441,680	498,290
	Amortization		1,233,932	1,245,561
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		66,353	48,939
			33,162,244	32,070,956
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,230,652	211,950
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		1,230,652	211,950
	Opening Accumulated Surplus		10,057,571	9,845,621
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		10,057,571	9,845,621
	Closing Accumulated Surplus		11,288,223	10,057,571

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

	2019	2018
Net Current Year Surplus (Deficit)	1,230,652	211,950
Amortization of Tangible Capital Assets	1,233,932	1,245,561
Acquisition of Tangible Capital Assets	(692,648)	(693,075)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	541,284	552,486
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(100,941)	60,519
	(100,941)	60,519
(Increase)/Decrease in Net Debt	1,670,995	824,955
Net Debt at Beginning of Year	(858,515)	(1,683,470)
Adjustments Other than Tangible Cap. Assets	-	-
	(858,515)	(1,683,470)
Net Assets (Debt) at End of Year	812,480	(858,515)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	1,230,652	211,950
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,233,932	1,245,561
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(79,767)	102,288
Due from Other Organizations (Increase)/Decrease	(111,516)	683,491
Accounts Receivable & Accrued Income (Increase)/Decrease	(146,366)	119,978
Inventories and Prepaid Expenses - (Increase)/Decrease	(100,941)	60,519
Due to Other Organizations Increase/(Decrease)	(3,718)	3,527
Accounts Payable & Accrued Liabilities Increase/(Decrease)	97,795	287,130
Deferred Revenue Increase/(Decrease)	772,493	1,243,528
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,892,564	3,957,972
Capital Transactions		
Acquisition of Tangible Capital Assets	(692,648)	(693,075)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(692,648)	(693,075)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(4,116,414)	(101,818)
Cash Provided by (Applied to) Investing Transactions	(4,116,414)	(101,818)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(313,199)	168,025
Other Borrowings Increase/(Decrease)	(221,406)	80,736
Cash Provided by (Applied to) Financing Transactions	(534,605)	248,761
Cash and Bank / Overdraft (Increase)/Decrease	(2,451,103)	3,411,840
Cash and Bank (Overdraft) at Beginning of Year	6,195,928	2,784,088
Cash and Bank (Overdraft) at End of Year	3,744,825	6,195,928

Manitoba Institute of Trades and Technology

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2019

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2019	2018
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	16,868,966	-	-	43,737	1,847,004	1,982,672	899,310	-	504,555	22,146,244	21,453,169
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	16,868,966	-	-	43,737	1,847,004	1,982,672	899,310	-	504,555	22,146,244	21,453,169
Add: Additions during the year	442,552	-	-	13,700	38,533	93,311	-	-	104,552	692,648	693,075
Less: Disposals and write downs		-	-	-	-	-	-	-		-	-
Closing Cost	17,311,518	-	-	57,437	1,885,537	2,075,983	899,310	-	609,107	22,838,892	22,146,244
Accumulated Amortization											
Opening, as previously reported	9,127,279	-	-	23,203	979,548	1,244,156		-		11,374,186	10,128,625
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	9,127,279	-	-	23,203	979,548	1,244,156		-		11,374,186	10,128,625
Add: Current period Amortization	866,205	-	-	6,161	193,146	168,420		-		1,233,932	1,245,561
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	9,993,484	-	-	29,364	1,172,694	1,412,576		-		12,608,118	11,374,186
Net Tangible Capital Asset	7,318,034	-	-	28,073	712,843	663,407	899,310	-	609,107	10,230,774	10,772,058
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of organization and economic dependence

The Manitoba Institute of Trades and Technology (the Institute) is a public body that provides vocational training to adults and secondary students. The Institute is funded primarily by the Province of Manitoba. The Pembina Trails School Division contributed $1,078,733 (previous year $1,047,313) to the revenue recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The Institute is exempt from income tax and operates as a registered charity.

The Institute is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the Institute would be difficult.

2. Significant accounting policies

Basis of Accounting

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Chartered Professional Accountants of Canada (CPA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Institute. The Institute reporting entity includes funds associated with the SWTC Scholarship / Trust Fund controlled by the Institute.

All inter-fund accounts and transactions are eliminated upon consolidation.

Fund accounting

The fund method of accounting is employed by the Institute to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Institute.

School generated funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Institute are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Portfolio investments include Guaranteed Investment Certificates and a savings account.

2. Significant accounting policies (continued)

Revenue recognition

The Institute follows the deferral method of accounting for restricted revenues. Revenues that are restricted by legislation, regulation or agreement and not available for use are deferred on the consolidated statement of financial position. The revenue is recognized in the year in which it is used for the specified purpose. Unrestricted revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue, primarily from Private organizations and individuals, are recognized upon performance of the service and when collectability is reasonably assured. Deferred revenue will be recognized if the tuition fees have been invoiced but not yet earned or if student deposits for future program intakes have been received.

Tangible capital assets

Tangible capital assets are non-financial assets that are used by the Institute to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life
Land improvements	$ 25,000	10 years
Buildings – bricks, mortar and steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers and peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

Capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Institute's rate for incremental borrowing or the interest rate implicit in the lease.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant accounting policies (continued)

Employee future benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Institute. The Institute does not contribute to TRAF, and no costs relating to this plan are included in the Institute's financial statements.

The Institute does provide retirement benefits to non-certified personnel and other future benefits to its employees. These benefits include vacation and accumulated sick leave days. The Institute adopts the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution / insured benefit plans

The Retirement Plan offered to non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the Institute to make a specific fixed contribution each period. The Institute does not assume any actuarial or investment risk in the future, nor responsibility to make further contributions.

(ii) Vacation Days

Non-certified permanent personnel accrue vacation entitlement for service in accordance with Institute policy. General practice is that most days are accumulated through the period July 1- June 30. The unused entitlement balance is recorded as a liability at year end.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at year end.

(iii) Accumulated Sick Days

The Institute offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The total accrued benefit obligation is recorded as a liability at year end.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

3. Financial instruments

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Institute records its financial assets at cost, which include cash and bank, short term investments, due from government and accounts receivable. The Institute also records its financial liabilities at cost which include overdraft, accounts payable, accrued liabilities, employee future benefits, due to government, deferred revenue, debenture debt and other borrowings.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Institute did not incur any re-measurement gains and losses during the year (previous year $nil).

3. Financial instruments (continued)

Financial risk management

The Institute has exposure to the following risks from its financial instruments: credit risk and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Institute to credit risks consists principally of accounts receivable.

Due from government: The Institute is not exposed to significant credit risk as the balance is due from federal and provincial governments and other school divisions and payment in full is typically collected when it is due.

Accounts receivables: The Institute is not exposed to significant credit risk as the balance is due from a large client base and payment in full is typically collected when it is due. The Institute manages this credit risk through close monitoring of overdue accounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to debenture debt and short term investments.

The interest rate risk on debenture debt is considered to be low because of their fixed interest rates. The interest rate risk on short term investments is considered low because of their short term nature.

4. Overdraft

The Institute has an authorized demand facility with the TD Bank of Canada of $1,000,000 (previous year $1,000,000) by way of overdraft and loan and is repayable on demand at TD Prime (interest is paid monthly in arrears).

5. Employee future benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The Institute sponsors one defined contribution benefit pension plan that is provided to all non-certified employees. The defined contribution insured plan requires eligible employees to contribute a percentage of their earnings based on their age at the start of each calendar year. Employees contribute from a low of 10.65% to a high of 12.65% less their contribution to the Canada Pension Plan. As of January 2019, those employees contributing to MAST pension plans had the requirement for contributions reduced to 8%. The Institute contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution / insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2018-2019 is $nil (previous year $nil).

6. Debenture debt

The debenture debt of the Institute is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2024 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on three self-funded capital projects which mature at

6. Debenture debt (continued)

various dates from 2019 to 2032. The debentures carry interest rates that range from 3.625% to 6.125%. Debenture interest expense payable as at June 30th, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2020	$ 223,441	$ 146,010	$ 369,451
2021	233,734	135,716	369,450
2022	244,516	124,934	369,450
2023	255,810	113,640	369,450
2024	267,641	101,809	369,450
	$ 1,225,142	$ 622,109	$ 1,847,251

7. Tangible capital assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	**2019 Net Book Value**	2018 Net Book Value
Owned-tangible capital assets	$ 22,838,892	$ 12,608,119	**$ 10,230,774**	$ 10,353,820
Capital leases	0	0	**0**	418,238
	$ 22,838,892	$ 12,608,119	**$ 10,230,774**	$ 10,772,058

8. Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund		
Designated Surplus	**$ 4,856,703**	$ 3,334,543
Non-vested Sick Leave	**(42,458)**	(42,458)
Undesignated Surplus	**-**	-
	4,814,245	3,292,085
Capital Fund		
Reserve Accounts	**-**	-
Equity in Tangible Capital Assets	**6,242,334**	6,584,688
	6,242,334	6,584,688
Special Purpose Fund		
School Generated Funds	**-**	-
Other Special Purpose Funds	**231,644**	180,798
	231,644	180,798
Total Accumulated Surplus	**$11,288,223**	$10,057,571

8. Accumulated surplus (continued)

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2019	2018
Board approved appropriation by motion	$ 4,856,703	$ 3,334,543
Designated surplus	$ 4,856,703	$ 3,334,543

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2019	2018
Foundation-Scholarship	$ 231,644	$ 180,798
Other Special Purpose Funds	$ 231,644	$ 180,798

9. Interest received and paid

The Institute received interest during the year of $304,326 (previous year $184,335); interest paid during the year was $377,609 (previous year $345,213).

Interest expense is included in Fiscal and is comprised of the following

	2019	2018
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 192,525	$ 178,153
Capital Fund		
Debenture debt interest	159,467	157,613
Other interest	25,617	9,447
	$ 377,609	$ 345,213

The accrual portion of debenture debt interest expense of $25,012 (previous year $34,190) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

10. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2019	Budget 2019	Actual 2018
Salaries	$ 18,465,917	$ 17,551,947	$ 17,157,321
Employees benefits & allowances	2,012,463	2,040,307	1,744,480
Services	7,020,827	7,115,842	7,487,559
Supplies, materials & minor equipment	3,288,353	3,381,340	3,285,658
Interest	192,526	180,000	178,153
Bad debts	41,766	-	126,452
Payroll tax	399,914	-	371,838
Amortization	1,233,932	-	1,245,561
Other capital items	185,084	-	167,060
School generated funds	-	-	-
Other special purpose funds	66,353	-	48,939
Transfers	255,109	245,929	257,935
	$ 33,162,244	$ 30,515,365	$ 32,070,956

11. Contractual obligations

The Institute has entered into an operating lease agreements for certain properties and equipment used in operations with lease terms ending at various dates from 2020 to 2027. Under the terms of these lease agreements, minimum lease payments, excluding variable rent and charges, in each of the next five years are as follows:

2020	1,472,536
2021	1,454,874
2022	1,341,501
2023	1,164,194
2024	1,164,194
	$ 6,597,299

12. Other borrowings

The Institute has no additional borrowings. The capital leases were fully paid during the year.

13. Portfolio investments

Portfolio investments include guaranteed investment certificates, and a savings account bearing interest at 2.450% (2018: 2.0%). The guaranteed investment certificates mature at various dates from October 2018 to May 2019. These investments bear interest that range from 1.65% to 1.75% (2018: 1.65% to 1.75%).

	2019	2018
Steinbach Credit Union – Savings account	**$ 7,458,368**	$ 3,379,197
North Winnipeg Credit Union – GIC	**3,085,142**	3,047,899
TD Direct Investing Account	**92,983**	92,983
	$10,636,493	$ 6,520,079

14. Deferred revenue

Deferred revenue includes tuition fees invoiced but not yet earned, student deposits for future program intakes, leasehold incentives received from landlords of leased facilities and any other receipt of proceeds for services or products to be delivered in future periods. These revenues will be recognized in that future period when the courses, service or products are provided. Deferred leasehold incentives will be realized at a rate consistent with the amortization of the related leasehold improvements.

	2019	2018
Deferred tuition revenue	**$ 4,623,612**	$ 4,289,819
Student deposits	**4,901,355**	4,367,026
Deferred leasehold incentives	**437,752**	523,590
Other deferred revenues	**63,901**	73,692
	$10,026,620	$ 9,254,127

15. Accounts receivable

Accounts receivable includes amounts owing on student accounts and from commercial customers.

	2019	2018
Student receivables, net	$ 649,642	$ 557,788
Commercial receivables	260,374	205,862
	$ 910,016	$ 763,650

Included in student receivables is an allowance for doubtful accounts or $162,052 (previous year $125,804).