PUBLIC ACCOUNTS 2012/13

For the Year Ended March 31, 2013

VOLUME 4

the financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

Manitoba

VOLUME 4

TABLE OF CONTENTS PAGE

SECTION 1:

SECTION 2:

SECTION 3:

SECTION 4:

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with *The Financial Administration Act*, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2013 consist of the following volumes:

Volume 1

- Volume 1 is published as part of the Government's Annual Report and contains:
  - The Economic Report
  - The Financial Statement Discussion and Analysis.
  - The audited Summary Financial Statements of the government focusing on the entire reporting entity.
  - Other audited and unaudited Financial Reports.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Government Departments as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies' payments in excess of $5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains a reconciliation of core government results to Summary results.
- Contains the details of selected core government financial information.
- Contains the details of the core government Revenue and Expense.
- Contains information provided under Statutory Requirement.

These statements are all unaudited with the exception of the following:
- The Report of Amounts Paid or Payable to Members of the Assembly

Volume 4

- Contains a compendium of unaudited financial statements of special funds and audited financial statements of organizations, agencies and enterprises included in the Government Reporting Entity, but is not considered to be part of the Public Accounts of Manitoba.

VOLUME 4

TABLE OF CONTENTS

PAGE

Section 1:

TABLE OF CONTENTS PAGE

Section 2:

CROWN ORGANIZATIONS (CONTINUED):

TABLE OF CONTENTS

VOLUME 4

TABLE OF CONTENTS PAGE

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

VOLUME 4

TABLE OF CONTENTS PAGE

VOLUME 4 - SECTION 1

TABLE OF CONTENTS		PAGE

Section 1:

TABLE OF CONTENTS PAGE

SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	1,491,243	1,160,199
RECEIPTS:		
Royalties	334,119	332,000
Interest	5,899	12,109
	340,018	344,109
DISBURSEMENTS:		
Rehabilitation payments	593,091	13,065
Balance, end of year	1,238,169	1,491,243

THE BIODIESEL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	72,091	-
RECEIPTS:		
Miscellaneous	178,670	72,091
DISBURSEMENTS:		
Payments	250,761	-
Balance, end of year	0	72,091

THE COMMUNITY REVITALIZATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	-	-
RECEIPTS	16,083	
DISBURSEMENTS	16,083	
Balance, end of year	-	-

THE ETHANOL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the four months ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of period	4,943,535	-
RECEIPTS:		
Transfer of Gasoline Tax Revenue	18,043,378	28,611,823
DISBURSEMENTS:		
Payments	14,407,855	23,668,288
Balance, end of period	8,579,058	4,943,535

NOTE: The Ethanol fund was established by The Biofuels Act on December 1, 2007. Pursuant to the Act, the purpose of the Ethanol Fund is to support the production of denatured ethanol in Manitoba.

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	534,809	530,315
RECEIPTS:		
Interest Revenue	4,705	4,494
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	539,514	534,809

FINANCIAL LITERACY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	56,500	42,500
RECEIPTS:		
Department of Family Services and Consumer Affairs	35,000	25,500
DISBURSEMENTS:		
Payments	4,452	11,500
Balance, end of year	87,048	56,500

NOTE: The Financial Literacy Fund was established on February 18, 2011 for the purpose of educating the public on matters related to financial literacy.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	324,778	298,466
RECEIPTS:		
Premiums	32,588	26,312
DISBURSEMENTS:		
Claims	1,700	-
Balance, end of year	355,666	324,778

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	114,166	86,509
RECEIPTS:		
Department of Justice	85,000	85,000
DISBURSEMENTS:		
Claims	102,918	57,343
Balance, end of year	96,248	114,166

THE EXCHANGE
chartered accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Manitoba Trucking Productivity Improvement Fund, which comprise the statement of financial position as at March 31, 2013 and the statements of earnings and accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The Fund derives revenue from proponents, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and the accumulated surplus.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Manitoba Trucking Productivity Improvement Fund as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
June 17, 2013

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3
Telephone: (204) 943-4584 Fax: (204) 957-5195
Toll Free: 1-866-EXG-0303
E-mail: info@exg.ca Website: www.exg.ca

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Financial Position

March 31, 2013

		2013		2012
FINANCIAL ASSETS				
Cash	$	**345,972**	$	392,115
Portfolio investments		**1,146,972**		832,436
Accounts receivable		**73,966**		38,606
Interest receivable		**1,231**		574
	$	**1,568,141**	$	1,263,731
LIABILITIES				
Accounts payable and accrued liabilities	$	**4,500**	$	6,700
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS	$	**1,563,641**	$	1,257,031

ON BEHALF OF THE BOARD

____________________________ *Director*

____________________________ *Director*

See notes to financial statements

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Earnings and Accumulated Surplus

Year Ended March 31, 2013

	Budget (Unaudited) 2013	2013	2012
REVENUE			
Proponent fees	$ 190,000	$ 303,617	$ 195,558
Interest income	5,000	9,993	6,868
	195,000	313,610	202,426
EXPENSES			
Audit fees	7,000	2,200	6,937
Highway rehabilitation and improvement	5,500	4,800	4,800
Miscellaneous	7,500	-	-
	20,000	7,000	11,737
EXCESS OF REVENUE OVER EXPENSES	175,000	306,610	190,689
ACCUMULATED SURPLUS - BEGINNING OF YEAR	1,066,342	1,257,031	1,066,342
ACCUMULATED SURPLUS - END OF YEAR	$ 1,241,342	$ 1,563,641	$ 1,257,031

See notes to financial statements

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Cash Flows

Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 306,610	$ 190,689
Changes in non-cash working capital:		
Accounts receivable	(35,360)	(983)
Interest receivable	(658)	(15)
Accounts payable and accrued liabilities	(2,200)	280
	(38,218)	(718)
Cash flow from operating activities	268,392	189,971
INVESTING ACTIVITY		
Purchase of portfolio investments (net)	(314,535)	(17,053)
INCREASE (DECREASE) IN CASH	(46,143)	172,918
CASH - BEGINNING OF YEAR	392,115	219,197
CASH - END OF YEAR	$ 345,972	$ 392,115

See notes to financial statements

1. DESCRIPTION OF OPERATIONS

The Manitoba Trucking Productivity Improvement Fund was established in June, 2004 under the authority of The Highways and Transportation Act (S.M. 2004, c.8). The Fund became operational in April 2005. The purpose of the Fund is to provide a mechanism whereby motor carriers may take advantage of the productivity gains accrued by carrying increased weights on the Manitoba highway system in return for paying for the damages caused to the highway infrastructure. The fees paid to the Fund will be expended on the related highway rehabilitation and improvement projects. Capital assets constructed or purchased as a result of the Fund agreements are included in the Summary Financial Statements of the Province of Manitoba.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenues

Proponent fees are recognized on an accrual basis when earned and collection is reasonably assured.

Expenses

All expenses incurred for goods and services are recognized at the gross amount on an accrual basis.

Financial assets

(i) Cash

Cash includes cash held in trust by the Province of Manitoba.

(ii) Receivables

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

(iii) Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at amortized cost.

Liabilities

Liabilities present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amounts involved.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Measurement

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

The Fund records its financial assets at cost or amortized cost. Financial assets include cash, accounts receivable and portfolio investments. The Fund also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities.

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 statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Fund did not incur any re-measurement gains and losses during the year ended March 31, 2013 (2012 - $nil).

Financial risk management – overview

The Fund has exposure to the following risks from its use of financial instruments: credit risk; market 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 Fund to credit risk consist principally of cash, receivables and portfolio investments.

Cash and portfolio investments: The Fund is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

Receivables: The Fund is exposed to credit risk from its proponents. The receivable balances are from a large client base, and payment in full is typically collected when it is due. An allowance for doubtful accounts was not recorded as of March 31, 2013.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Fund's income from operations or the fair values of its financial instruments.

Interest rate risk

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

The interest rate risk on cash is considered to be low because of its short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

4. CONTRIBUTED SERVICES

During the year, the Operating Fund of the Province of Manitoba provided office space and other administrative services to the Fund at nil cost (2012 - $nil). Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	15,671,708	14,097,725
RECEIPTS:		
Transfer of Mining Tax Revenues	2,402,038	3,274,285
Interest received during the year	369,222	99,724
	2,771,259	3,374,009
DISBURSEMENTS:		
Manitoba Geological Survey's Far North Geomapping Initiative Inc.	-	34,912
Leaf Rapids Town Properties Inc.	130,000	205,500
Transfer to General Revenue Initiative	-	1,486,710
MEAP Payments	203,449	-
Leaf Rapids Housing Renewal	51,400	-
Lynn Lake Economic Development Office	-	32,904
Snow Lake Community Economic Development Office	40,000	-
Northern Mining Acadamy	-	-
Leaf Rapids Municipal Budget Shortfall	75,000	40,000
MGS - New Geoscience Initiative	250,000	-
TNB Economic Development Fund	150,000	-
	899,849	1,800,026
Balance, end of year	17,543,118	15,671,708

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	1,889,302	1,690,158
RECEIPTS:		
Royalties	12,513,293	540,000
Interest	11,001	10,786
	12,524,295	550,786
DISBURSEMENTS:		
Payments	-	351,642
Balance, end of year	14,413,597	1,889,302

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013	2012
	$	$
Balance, beginning of year	5,310,758	5,994,409
RECEIPTS:		
Royalties	3,056,572	1,446,766
Interest	35,749	36,243
	3,092,321	1,483,009
DISBURSEMENTS:		
Rehabilitation payments	2,556,852	2,166,660
Balance, end of year	5,846,227	5,310,758

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	5,048	5,048
RECEIPTS:		
Repayment of bursaries	13,055	15,600
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	10,125	15,600
Balance, end of year	7,978	5,048

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	3,085,755	3,620,714
RECEIPTS:		
Surcharge on Provincial Fines	5,096,767	4,838,168
Interest	24,847	20,150
	5,121,614	4,858,318
DISBURSEMENTS:		
Operating expenses	5,473,129	5,393,277
Balance, end of year	2,734,240	3,085,755

WASTE REDUCTION AND RECYCLING SUPPORT (WRARS) FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	351	174
RECEIPTS:		
Levy Revenues	10,017,048	9,723,000
DISBURSEMENTS:		
Municipal Rebates	7,883,662	7,698,335
Program and Operating Expenses	2,124,360	2,024,488
	10,008,022	9,722,823
Balance, end of year	9,377	351

WORKPLACE SAFETY AND HEALTH
PUBLIC EDUCATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2013
(with comparative figures for the year ended March 31, 2012)

	2013 $	2012 $
Balance, beginning of year	8,184	12,553
RECEIPTS:		
Department of Labour and Immigration	3,500	-
DISBURSEMENTS:		
Payments	4,042	4,369
Balance, end of year	7,642	8,184

CROWN ORGANIZATIONS

pwc

June 27, 2013

Independent Auditor's Report

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the accompanying financial statements of Addictions Foundation of Manitoba, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Addictions Foundation of Manitoba as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 (204) 926 2400, F: +1 (204) 944 1020

Addictions Foundation of Manitoba

Statements of Financial Position

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
Assets			
Current assets			
Cash	6,253,741	5,111,059	3,766,466
Accounts receivable	794,599	567,202	548,582
Prepaid insurance	81,531	97,145	57,719
Vacation pay recoverable from the Province of Manitoba (note 4)	667,567	667,567	667,567
	7,797,438	6,442,973	5,040,334
Capital assets (note 5)	10,787,323	11,058,882	11,351,621
Recoverable from the Province of Manitoba			
Pre-retirement pay (note 7)	1,153,316	1,153,316	1,153,316
Long-term pension funding (note 8)	24,861,881	24,129,145	23,113,494
	44,599,958	42,784,316	40,658,765
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	1,305,341	1,019,564	1,255,255
Accrued vacation pay (note 4)	1,468,607	1,513,595	1,361,867
Current obligations under capital lease (note 6)	31,300	13,429	10,373
	2,805,248	2,546,588	2,627,495
Obligations under capital lease (note 6)	59,761	28,303	33,059
Accrued pre-retirement pay (note 7)	2,190,711	2,182,445	2,109,477
Provision for employee pension benefits (note 8)	24,861,881	24,129,145	23,113,494
Deferred contributions (note 9)	7,981,157	7,917,237	8,474,900
	37,898,758	36,803,718	36,358,425
Net assets			
Invested in capital assets	3,138,141	3,161,645	2,918,589
Internally restricted (note 10)	150,000	150,000	1,164,900
Unrestricted	3,413,059	2,668,953	216,851
	6,701,200	5,980,598	4,300,340
	44,599,958	42,784,316	40,658,765

Commitments (note 11)

Approved by the Board of Directors

_______________________ Chair

_______________________ Treasurer

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

Addictions Foundation of Manitoba

Statements of Operations

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
Revenue		
Government of the Province of Manitoba		
Operating	19,529,625	19,499,000
Contract funding		
1-800 Phone Line	70,004	60,000
Brief Intervention Training	278,122	262,864
Knowledge Exchange	251,897	-
Knowledge Exchange Symposium	91,369	-
Riverpoint Centre	56,000	-
Mental Health First Aid Instructor	-	3,500
Long-term pension - net (note 8)	116,428	487,789
Capital	12,606	203,246
Impaired Drivers' Program fees	1,124,340	1,097,655
Manitoba Lotteries Corporation	3,593,400	3,383,300
School Support Program	693,337	618,692
Recovery of wages, medical and treatment services and travel expenses	897,232	957,322
Family Services and Labour Funding - Youth Residential Program	255,700	242,300
Drug Treatment Court Program	448,621	471,410
Drug Treatment Housing Program	200,319	43,068
Amortization of deferred capital contributions (note 9(b))	397,590	408,946
Other (Schedule A)	241,911	271,788
	28,258,501	28,010,880
Expenses		
Salaries	15,027,854	14,168,399
Wages	2,928,884	2,891,667
Amortization	701,374	720,599
Drug Treatment Court Program	424,122	434,621
Drug Treatment Housing Program	182,109	39,153
Employee benefits	1,892,515	1,539,172
Health and post-secondary education tax levy	371,204	359,069
Pension (note 8)	1,978,246	1,997,447
Fees	695,364	680,213
Food and household supplies	546,121	585,995
Materials, repairs and maintenance	503,280	775,994
Medical services and supplies	539,870	476,817
Rent, insurance and property taxes	462,159	464,938
Other (Schedule B)	1,284,797	1,450,652
	27,537,899	26,584,736
Surplus	720,602	1,426,144

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

Addictions Foundation of Manitoba

Statements of Changes in Net Assets

For the years ended March 31, 2013 and March 31, 2012

	Invested in capital assets $	Internally restricted $	Unrestricted $	2013 Total $	2012 Total $
Balance - Beginning of year	3,161,645	150,000	2,668,953	5,980,598	4,300,340
Surplus	(303,784)	-	1,024,386	720,602	1,426,144
Investment in capital assets	280,280	-	(280,280)	-	-
Transfer of contribution related to land acquired	-	-	-	-	254,114
Balance - End of year	3,138,141	150,000	3,413,059	6,701,200	5,980,598

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

Addictions Foundation of Manitoba

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Surplus	720,602	1,426,144
Items not affecting cash		
Amortization	701,374	720,599
Amortization of deferred contributions	(397,590)	(408,946)
	1,024,386	1,737,797
Net change in non-cash working capital items		
Accounts receivable	(227,397)	(18,620)
Prepaid insurance	15,614	(39,426)
Long-term pension funding commitment	(732,736)	(1,015,651)
Accounts payable and accrued liabilities	285,777	(235,691)
Accrued vacation pay	(44,988)	151,728
Provision for employee pension benefit	732,736	1,015,651
Net change in accrued pre-retirement pay	8,266	72,968
Net change in deferred contributions related to future expenses	311,975	(21,868)
	1,373,633	1,646,888
Investing activities		
Additions to capital assets	(358,187)	(417,640)
Financing activities		
Principal payments on capital lease obligations	(22,299)	(11,920)
Deferred contributions received related to capital assets	149,535	127,265
	127,236	115,345
Increase in cash	1,142,682	1,344,593
Cash - Beginning of year	5,111,059	3,766,466
Cash - End of year	6,253,741	5,111,059
Supplementary cash flow information		
Interest received	68,753	58,811
Interest paid	3,570	2,686
Non-cash financing and investing activities		
Capital assets acquired through capital lease	71,628	10,220

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

1 Nature of the Foundation

The Foundation is incorporated under the *Addictions Foundation of Manitoba Act*. The Foundation is the provincial authority for providing prevention, education and treatment programs related to addictions to individuals and communities and for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the *Income Tax Act*.

2 Basis of presentation and adoption of GNFPO

Effective April 1, 2011, the Foundation elected to adopt Canadian accounting standards for government not-for-profit organizations ("GNFPO") in CICA Public Sector Accounting Handbook Section PS4200 as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The following adjustments and elections were made by the Foundation on transition to GNFPO:

	$
Reconciliation of net assets	
Net assets as at March 31, 2011, as previously reported	4,300,340
Impact of transitional exemptions	-
Opening net assets as at April 1, 2011 under GNFPO	4,300,340
Reconciliation of surplus (deficit)	
Surplus (deficit) for the year ended March 31, 2012, as previously reported	1,426,144
Adjustment to recoverable from Province of Manitoba	569,023
Employee pension obligation adjustment	(569,023)
Surplus (deficit) for the year ended March 31, 2012 under GNFPO	1,426,144

Under GNFPO, actuarial gains and losses are amortized to the liability or asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. Previously, the Foundation had been recognizing the actuarial gain or loss in the year it occurred. As a result, there were no changes to opening net assets.

As a result of the adjustment to the employee benefit obligation, the recoverable from the Province of Manitoba was increased by the same amount.

Under GNFPO, employee future benefit obligations are determined by applying a discount rate equal to the plan asset earning or cost of borrowing. In accordance with GNFPO transitional provision, the Foundation has elected to delay application of the discount rate until the date of the next actuarial valuation or within three years, whichever is sooner.

3 Significant accounting policies

a) Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. The amortization methods and annual rates applicable to the various classes of assets are as follows:

Buildings	5% declining balance
Computer equipment	30% declining balance
Furniture and equipment	20% declining balance
Leasehold improvements	Straight-line over the term of the lease

Assets under capital leases are amortized on a straight-line basis over the life of the asset.

During the construction of new buildings, third party borrowing costs are capitalized as incurred. Buildings under construction are not amortized.

b) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Recovery of wages, medical and treatment services is recognized as revenue upon completion of the related treatment. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

c) Vacation pay

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year end. This amount is based on current remuneration.

d) Pension costs

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Foundation to contribute to the fund 50 percent of the pension obligation upon commencement of an employee's retirement for employees hired prior to October 1, 2002. For employees hired on or after October 1, 2002, the Foundation is required to make an equivalent contribution of 6.1 percent based upon an employee's pensionable earnings up to the yearly maximum pensionable earnings ("YMPE") as based upon the Canada Pension Plan; and 8 percent on pensionable earnings in excess of the YMPE. These contributions are also recognized as operating expenses. In addition, a provision has been recorded in the accounts of the Foundation for the employer's share of current and past service pension obligations.

e) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value, and subsequently carried at fair value or amortized cost.

f) Use of estimates

The preparation of financial statements 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 revenues and expenses during the year. Actual results could differ from those estimates.

4 Vacation pay recoverable from the Province of Manitoba

The Province of Manitoba funds a portion of the vacation pay benefits of the Foundation, limited to the amount estimated at March 31, 1995. Accordingly, the Foundation has recorded a receivable in the amount of $667,567 (2012 - $667,567) from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. The vacation pay recoverable has no specified terms of repayment.

The Foundation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba. At March 31, 2013, the liability for accrued vacation pay is $1,468,607 (2012 - $1,513,595).

5 Capital assets

	2013			2012
	Cost $	Accumulated amortization $	Net $	Net $
Land	713,106	-	713,106	713,106
Computer equipment	1,911,841	1,315,067	596,774	487,893
Furniture and equipment	698,398	426,865	271,533	287,480
Leasehold improvements	642,125	322,430	319,695	340,628
Buildings	12,674,798	3,803,906	8,870,892	9,098,481
Construction in progress	15,323	-	15,323	131,294
	16,655,591	5,868,268	10,787,323	11,058,882

6 Obligations under capital lease

	2013 $	2012 $
2013	-	15,605
2014	35,196	15,605
2015	33,074	13,483
2016	20,144	1,137
2017	9,364	-
Net minimum lease payments	97,778	45,830
Less: Amount representing interest	(6,717)	(4,098)
Present value of net minimum capital lease payments	91,061	41,732
Less: Current portion	(31,300)	(13,429)
	59,761	28,303

7 Province of Manitoba pre-retirement pay

The Foundation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility. At March 31, 2013, the obligation for pre-retirement pay is estimated to be approximately $2,190,711 (2012 - $2,182,445) for which the Foundation has recorded an accrued pre-retirement pay liability on the statement of financial position

The amount of funding which will be provided by the Province of Manitoba for pre-retirement pay was initially determined based on the pre-retirement pay liability as at April 1, 1998 and was recorded as a receivable from the Province of Manitoba. Since fiscal 1999, the Foundation has received funding on an annual basis from the Province of Manitoba, which includes funding for the change in the pre-retirement pay liability and retirement payments in the year, including an interest component on the pre-retirement pay receivable. The pre-retirement pay recoverable from the Province of Manitoba at March 31, 2013, aggregates $1,153,316 (2012 - $1,153,316) and has no specified terms of repayment.

8 Provision for employee pension benefits

The Foundation records the actuarial pension liability and the related pension expense including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial valuation as of December 31, 2010, the Foundation has recorded an amount of $24,861,881 (2012 - $24,129,145) in its financial statements, representing the estimated unfunded liability for the Foundation's employees as at March 31, 2012. Total net pension expense of $1,978,246 (2012 - $1,997,447) has been recorded in the statements of operations.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense including the interest component. The Foundation has therefore recorded an amount recoverable from the Province of Manitoba of $24,861,881 (2012 - $24,129,145) equal to the estimated value of its actuarially determined liability in its financial statements. The Foundation has recorded the associated revenue or expense for the change in the liability in the period offset by the contributions made to the Fund in the amount of $616,308 (2012 - $527,861). The Province of Manitoba makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

	2013 $	2012 $
Balance - beginning of year	24,129,145	23,113,494
Change in trust account held by Province of Manitoba	(47,712)	(40,118)
Benefits accrued	1,147,451	1,104,558
Interest accrued (6.5%; 2012 - 6.5%)	1,670,684	1,499,595
Benefits paid	(1,997,042)	(1,548,384)
Amortization of actuarial loss (gain)	(40,645)	-
Balance - end of year	24,861,881	24,129,145

The extrapolation of the actuarial valuations as at December 31, 2011 and 2010 were completed in December 2012 and 2011, respectively, and the resulting adjustment recorded in the year ended March 31, 2013 and 2012, respectively. This resulted in higher (2012 - lower) pension expense and a corresponding adjustment to long-term pension revenue, net in the statement of revenue and expenses in 2013 and 2012.

There is a net unamortized actuarial gain (loss) of $(280,914) (2012 - $569,023) to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (14 years).

9 Deferred contributions

	2013 $	2012 $
Future expenses (a)	331,975	20,000
Capital assets (b)	7,649,182	7,897,237
	7,981,157	7,917,237

a) Future expenses

	2013 $	2012 $
Balance - beginning of year	20,000	41,868
Contributions received in the current year	608,900	20,000
Amount recognized as revenue in the current year	(296,925)	(41,868)
Balance - end of year	331,975	20,000

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount of grants, donations and other revenue received for the acquisition of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenses. The changes in the deferred contributions related to capital assets are as follows:

	2013 $	2012 $
Balance - beginning of year	7,897,237	8,433,032
Add: Contributions received for capital purposes	149,535	127,265
Less: Amortization of deferred contributions	(397,590)	(408,946)
Transfer of contribution related to land acquired	-	(254,114)
Balance - end of year	7,649,182	7,897,237

Unamortized capital contributions of $7,649,182 include contributions received from the Province of Manitoba for the purchase of capital assets, including amounts to repay the operating interim construction loan credit facility in prior years for the Thompson facility. The Foundation has executed a promissory note for this contribution, payable to the Government of Manitoba.

Manitoba Health has agreed to fund the principal and interest payments owing on the promissory note over the 20 year term of the debt, and accordingly the loan is presented as a deferred contribution by the Foundation. In the event that such payments are not made, the principal outstanding together with interest owing shall, at the Government of Manitoba's option, become due and payable on demand.

The balance of the promissory note described above for the Thompson facility is as follows:

	2013 $	2012 $
Thompson facility		
Opening balance	7,773,312	8,213,312
Less: Payments made by Manitoba Health	(440,000)	(440,000)
	7,333,312	7,773,312

10 Internally restricted net assets

Internally restricted net assets represent commitments for future expenditures on projects and capital expenditures. At the time the commitments are settled, expenditures are recorded in the statement of financial position or statement of revenue and expenses as appropriate and the restrictions are removed.

	2013 $	2012 $
Balance - beginning of year	150,000	1,164,900
Internal restrictions settled in the current year	-	(1,014,900)
Balance - end of year	150,000	150,000

Internal restrictions have been imposed for the following:

	2013 $	2012 $
Ontario Health referrals potential cancellation	150,000	150,000

11 Commitments

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2014 and 2018. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

	$
2014	410,643
2015	282,457
2016	177,208
2017	157,453
2018	136,582

12 Financial instruments

The fair value of the pre-retirement pay recoverable and the long-term pension funding recoverable from the Province of Manitoba approximates the carrying value as the interest component (see notes 7 and 8) is comparable to current market rates.

The fair value of accounts receivable, vacation pay recoverable, accounts payable and accrued liabilities and accrued vacation pay approximates their carrying value due to the short-term nature of these instruments.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and expenses. This risk arises from differences in the timing and amount of cash flows related to the Foundation's liabilities. This risk is not significant to the Foundation as there is minimal debt held by the Foundation subject to floating interest rates.

Credit risk

Credit risk is the risk that a financial loss could arise from a counterparty not being able to meet its obligations. The Foundation's financial assets that are exposed to credit risk consist of accounts receivable. The Foundation performs regular assessments on the collectability of its accounts receivable. The risk is not significant to the Foundation as substantially all of the receivables are from the government.

Addictions Foundation of Manitoba

Other Revenue

For the years ended March 31, 2013 and March 31, 2012 **Schedule A**

	2013 $	2012 $
Training course fees	71,422	96,786
Donations	27,318	38,773
Interest	68,753	58,811
Property and parking rentals	38,085	32,234
Manitoba Government and General Employees' Union	19,489	13,595
Miscellaneous	16,844	31,589
	241,911	271,788

Other Expenses

For the years ended March 31, 2013 and March 31, 2012 **Schedule B**

	2013 $	2012 $
Advertising and exhibits	31,419	57,336
Audit	20,077	22,837
Board of Governors' honorarium	10,547	8,142
Books, journals and audio-visual aids	69,952	46,475
Courier, postage and telephone	335,256	315,698
Interest (note 8)	3,575	2,686
Miscellaneous	632	2,279
Printing, stationery and office supplies	180,372	268,556
Staff development	54,043	90,114
Training	43,458	47,031
Transportation of clients	33,097	35,052
Travel and automobile	273,765	301,857
Utilities	228,604	252,589
	1,284,797	1,450,652

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

BDO

Tel: 204 727 0671
Fax: 204 726 4580
www.bdo.ca

BDO Canada LLP
148 - 10th Street
Brandon MB R7A 4E6 Canada

Auditors' Report

To the Directors of
Assiniboine Community College

We have audited the statements of **Assiniboine Community College**, which comprise the statement of financial position as at June 30, 2012 and the statements of operations, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of **Assiniboine Community College** as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada

Chartered Accountants

Brandon, Manitoba
October 18, 2012

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012
(in thousand $)

ASSETS	**2012**	**2011**
CURRENT		
Cash and short term investments (note 1)	4,238	3,904
Accounts receivable (note 2)	1,817	1,972
Due from Province of Manitoba (note 3)	522	522
Inventories (note 4)	52	57
Prepaids	796	748
	7,425	**7,203**
NON-CURRENT		
Due from Department of Education and Training (note 2)	203	44
Due from Province of Manitoba (note 3)	1,999	1,999
	2,202	**2,043**
CAPITAL ASSETS (note 5)		
Land, buildings and equipment	11,358	11,003
Library holdings	661	661
	12,019	**11,664**
	21,646	**20,910**

LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 6)	4,227	3,986
Deferred revenue (note 7)	1,931	1,798
Current portion of long-term debt (note 8)	109	104
	6,267	**5,888**
NON-CURRENT		
Long-term loan (note 8)	470	579
Accrued severance liability (note 9)	2,658	2,502
	3,128	**3,081**
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 10)	5,650	5,744
NET ASSETS		
Net assets invested in capital assets	5,791	5,237
Net assets internally restricted (note 11)	595	595
Unrestricted net assets	215	365
	6,601	**6,197**
	21,646	**20,910**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2012
(in thousand $)

	Budget (unaudited)	2012	2011
REVENUES			
Academic training fees	3,470	3,352	3,079
Grants	24,896	24,896	23,699
Market driven training	2,000	1,870	3,904
Continuing studies	1,581	1,461	1,864
Ancillary services	183	176	180
Apprenticeship training	2,770	2,510	2,150
Other revenue	465	626	446
Amortization of deferred contributions	1,436	1,436	1,261
	36,801	**36,327**	**36,583**
EXPENDITURES			
Academic	22,008	21,005	22,268
Administration	5,330	5,602	5,075
Program support	1,848	1,829	1,947
Plant	4,276	4,118	3,528
Management information services	1,473	1,504	1,345
Library	296	295	394
Ancillary services	2	2	0
Amortization of capital assets	1,568	1,568	1,441
	36,801	**35,923**	**35,998**
EXCESS OF REVENUE OVER EXPENDITURES	**-**	**404**	**585**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2012 TOTAL	2011 TOTAL
Balance - beginning of year	5,237	595	365	6,197	5,612
Excess of revenue over expenditures	-	-	404	404	585
Change in internally restricted net assets	(1,369)	-	1,369	-	-
Investment in capital assets	1,923	-	(1,923)	-	-
Balance - end of year	5,791	595	215	6,601	6,197

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(in thousand $)

	2012	2011
Cash from operating activities		
Excess of revenues over expenditures	404	585
Amortization of capital assets	1,568	1,441
Amortization of deferred capital contributions	(1,436)	(1,261)
Change in non-cash working capital items	379	75
Net cash generated through operating activities	**915**	**840**
Financing and investing activities		
Purchase of capital assets	(1,788)	(3,237)
Donated capital assets	(135)	(512)
Contributions received for capital purposes	1,342	2,670
Net cash used in financing and investing activities	**(581)**	**(1,079)**
Net increase (decrease) in cash and short term investments	**334**	**(239)**
Cash and short term investments, beginning of year	3,904	4,143
Cash and short term investments, end of year	**4,238**	**3,904**

June 30, 2012

Operations

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the Income Tax Act.

In accordance with the activities or objectives specified by donors and other sources outside the College and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable, and severance liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The organization has continued to apply the accounting standards for S.3861 - Financial Instruments - Disclosure and Presentation and has not adopted S.3862 and S.3863 related to Financial Instruments.

The entity has classified its cash and short-term investments as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

June 30, 2012

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at the following rates:

Buildings	2 %
Leasehold improvements	2 %
Computer systems	10 %
Computer equipment	20 %
Furniture and equipment	10 %

No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant. The base stock is reviewed annually to determine if adjustments are required to the total library stock held.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Deferred Revenue

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

Revenue Recognition

Government grants are recognized when the final amount to be received is readily determinable and revenue is earned.

Tuition and other training revenue is recognized when the final amount to be received is readily determinable. In the case of funding received for programs taking place over a period of time longer than 1 year, the revenues are recognized when the related expenditures are incurred.

The deferral method of accounting for contributions is used. Restricted contributions are deferred and matched with the related expenses when incurred.

Donations are reported when received. Donations of Capital Assets are reported at fair market value.

Employee Future Benefits

The college provides severance benefits based on length of service and final earnings, payable on retirement, death, or permanent layoff. Accounting standards require the recognition of a liability and an expense for such employee future benefits in the period in which the employee renders service in return for the benefits. The recognition date begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these future benefits earned by employees is determined by an actuary using the projected benefit method pro rated on service and management's best estimates for the discount rate for liabilities, the rate of salary escalation and the ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. There are no assets supporting the plan benefits.

Actuarial gains and losses are fully recognized in the year immediately following the year in which they arise.

June 30, 2012

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

The Accounting Standards Board (AcSB) has finalized new accounting standards for not-for-profit organizations. These new standards will be effective for fiscal years beginning on or after January 1, 2012. Under the new standards, the not-for-profit organization may choose to adopt either Public Sector Accounting Standards (PSAB) or Canadian Accounting Standards for Not-for-Profit Organizations.

The organization is expected to adopt public sector accounting standards and is currently assessing the impact of these new standards.

1. Cash and Cash Equivalents

	2012	2011
Cash	**133**	186
Term deposits - Manitoba Finance	**4,105**	3,718
	4,238	3,904

Cash and cash equivalents includes bank accounts and term deposits with maturity dates three months or less.

2. Accounts Receivable

	2012	2011
Current		
Tuition and contract training	**1,765**	1,919
Goods and Services Tax rebate	**62**	63
Allowance for doubtful accounts	**(10)**	(10)
	1,817	1,972
Non-current		
Education and Training	**203**	44
	2,020	2,016

The department of Education and Training guarantees a base amount of funds to the College each year to assist with the cost of providing apprenticeship programs in addition to providing funding for each student enrolled in the program. The receivable balance is non-interest bearing and is an ongoing balance that is not expected to be received during the year.

3. Due from Province of Manitoba

	2012	2011
Current		
Property taxes	**331**	331
Accommodation cost-recovery system	**180**	180
10% tuition rebate	**11**	11
	522	522
Non-current		
Severance pay	**1,124**	1,124
Vacation pay	**875**	875
	1,999	1,999
	2,521	2,521

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of 1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out 1,479,080 in severance pay relating to pre-1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

4. Inventories

	2012	2011
Books and supplies	**52**	57

Inventory expensed during the fiscal year was 1,839,267 (in actual $).

5. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**4**	**-**	4	-
Buildings	**2,326**	**82**	2,002	45
Computer systems	**9,382**	**7,295**	8,685	6,581
Furniture and equipment	**16,097**	**11,694**	15,469	10,921
Leasehold improvements	**4,012**	**1,392**	3,737	1,347
Laptop program	**107**	**107**	107	107
	31,928	**20,570**	30,004	19,001
Net book value		**11,358**		11,003

	2012	2011
Library holdings, at estimated value	**661**	661

6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade payables	**1,424**	1,342
Accrued vacation pay	**2,803**	2,644
	4,227	3,986

7. Deferred Revenue

	2012	2011
Opening tuition and commitment fees	**222**	294
Opening contract training fees	**426**	1,215
Opening other deferrals/revenue	**481**	644
Opening provincial grant	**669**	700
Total opening deferred revenue	**1,798**	2,853
Tuition and commitment fees received	**391**	321
Contract training fees received	**5,121**	8,716
Other deferrals/revenue received	**260**	590
Provincial grant received	**2,270**	3,997
Total received	**8,042**	13,624
Tuition and commitment fees recognized	**(383)**	(393)
Contract training fees recognized	**(4,932)**	(9,505)
Other deferrals/revenue recognized	**(337)**	(753)
Provincial grant recognized	**(2,257)**	(4,028)
Total recognized	**(7,909)**	(14,679)
Ending tuition and commitment fees	**230**	222
Ending contract training fees	**615**	426
Other deferrals/revenue	**404**	481
Ending provincial grant	**682**	669
	1,931	1,798

8. Long-term Debt

	2012	2011
Loan payable to Province of Manitoba at the rate of 4.75%, due in 2017, repayable in monthly instalments of $11,193 principal and interest.	**579**	683
Less amounts due within one year included in current liabilities	**109**	104
	470	579

8. **Long-term Debt** (continued)

Principal repayments for the next five years and thereafter are as follows:

2013	109
2014	114
2015	121
2016	126
2017	-
Thereafter	-
	470

9. **Accrued Severance Liability**

Assiniboine Community College provides certain severance benefits payable upon retirement. An actuarial valuation, using the accrued benefit method, to determine the value of severance pay is carried out every three years. The most recent actuarial valuation was at June 30, 2010, with the next valuation to be at June 30, 2013.

The accrued benefit liability for employee future benefits is reported in the college's Statement of Financial Position under Accrued Severance Liability.

Information about the college's employee future benefits is as follows:

	2012	2011
Accrued severance liability to date	**$ 2,668**	$ 2,668
Less: unadjusted liability at June 30, 2012	**(10)**	(166)
Accrued severance liability on statement of financial position	**2,658**	2,502
Interest cost	**175**	162
Current service cost	**175**	206
Current year severance expense	**350**	368
Accumulated benefits paid	**1,479**	1,285

The significant actuarial assumptions adopted in measuring the college's accrued severance liability and cost are as follows:

	2012	2011
Discount rate (accrued severance obligation)	**7.0**	7.0
Rate of compensation increase (weighted average)	**3.25**	3.25

10. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2012	2011
Net book value, beginning of year	**5,744**	4,339
Add: Capital contributions during the year		
Contributions	**1,342**	2,666
Less: Current year amortization	**(1,436)**	(1,261)
Net book value, end of year	**5,650**	5,744

11. Net Assets Internally Restricted

	2012	2011
General Reserve, opening balance	**595**	840
Appropriations	**-**	-
Withdrawals	**-**	(245)
General Reserve, ending balance	**595**	595

12. COPSE Grants

	2012	2011
Grants Received	**26,520**	25,423
Add:		
Deferred contributions recognized	**-**	45
Less:		
Deferred capital contributions	**(1,114)**	(1,264)
	25,406	24,204
Represented by:		
Base	**24,896**	23,699
Market Driven Training	**265**	265
Continuing Studies	**245**	240
	25,406	24,204

13. Pension Costs and Obligations

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experience gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2009, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

14. Related Party Transactions

During the year the College provided a grant of 7,850 (2011 - 7,850) to Assiniboine Community College Foundation Inc. (in actual $), a grant of 5,000 (2011 - 5,000) to Assiniboine Campus Radio Society Inc. (in actual $), and a grant of 18,500 (2011 - 18,500) to the student association (in actual $). Transactions with the Assiniboine Community College Foundation Inc., Assiniboine Campus Radio Society Inc., and the Assiniboine Community College Student Association are measured at the exchange amount. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. There were no intercompany payables or receivables outstanding at fiscal year-end.

15. Commitments

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments (in actual dollars):

2012/13	1,214,182
2013/14	1,134,215
2014/15	1,071,301
2015/16	1,066,881
2016/17	1,065,863

16. Economic Dependence

The College presently receives annual funding of approximately 24,895,656 (23,698,956 in 2011) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). The College is economically dependent on the Province of Manitoba for funding.

17. Cash Flows - Supplemental Information

The college paid interest on long term debt in the year of 30,202 (2011 - $35,022) (in actual $). In the year, the college received interest 71,652 (2011 - 59,730) (in actual $).

18. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a monthly basis to determine if there any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash and short-term investments, receivables and payables, accrued liabilities and long-term debt.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments of the entity are held for trading instruments which are exposed to interest rate risk. The long term debt is also affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The US bank account of the entity is exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The entity's receivables relate primarily to tuition, sponsorships, refundable GST, and various other trade receivables. The credit risk is minimal.

19. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide services to its members and allow for future equipment and building purchases. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

20. Income Taxes

The College is exempt from income taxes.

21. Prior Year's Figures

The prior year's figures have been adjusted to conform to the current year's presentation standards.

22. Consolidation

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of these entities on the financial statements of the College, had these entities been consolidated, would be as follows (in actual dollars):

	Increase (Decrease)
Cash	96,912
Accounts receivable	73,721
Other assets	55,680
Investments	2,437,717
Equipment	9,672
Accounts payable	7,195
Deferred revenue	388
Deferred contributions	1,245,312
Unrestricted net assets	(7,803)
Endowment funds	1,418,938
Invested in capital assets	9,672
Revenue	544,988
Expenditures	551,617

Tel: 204 727 0671
Fax: 204 726 4580
www.bdo.ca

BDO Canada LLP
148 - 10th Street
Brandon MB R7A 4E6 Canada

Auditors' Comments on Supplementary Financial Information

To the Directors of
Assiniboine Community College

The audited financial statements of the organization as at June 30, 2012 and our report thereon dated October 18, 2012 are presented in the preceding section of this annual report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Canada

Chartered Accountants

Brandon, Manitoba
October 18, 2012

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2012
(in thousand $)

Schedule 1

	Budget (unaudited)	2012	2011
Academic Training Fees			
Day program tuition fees	3,470	3,352	3,079
Grants			
Provincial (note12)	24,896	24,896	23,699
Market Driven / Contract Training (schedule 2)	2,000	1,870	3,904
Continuing Studies (schedule 3)	1,581	1,461	1,864
Ancillary Services (schedule 4)	183	176	180
Apprenticeship Training (schedule 5)	2,770	2,510	2,150
Sundry and Other Revenue			
Interest	50	72	60
Other	415	554	386
	465	626	446
Amortization of deferred capital contributions	1,436	1,436	1,261
Total Revenue	36,801	36,327	36,583

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2012
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2012	2011
Academic			
Salaries			
Instructional	12,474	12,248	13,192
Administrative	3,240	3,008	3,248
Program Support	249	289	248
Fringe Benefits	1,990	1,837	1,963
Operating	4,055	3,623	3,617
	22,008	21,005	22,268
Administration			
Salaries	3,193	3,093	2,425
Fringe Benefits	908	928	876
Operating	1,229	1,581	1,774
	5,330	5,602	5,075
Program Support			
Salaries	1,451	1,456	1,577
Fringe Benefits	198	186	202
Operating	199	187	168
	1,848	1,829	1,947
Plant			
Salaries	568	565	538
Fringe Benefits	83	77	74
Operating	3,625	3,476	2,916
	4,276	4,118	3,528
Management Information Services			
Salaries	829	891	828
Fringe Benefits	110	114	107
Operating	534	499	410
	1,473	1,504	1,345
Library			
Salaries	193	191	192
Fringe Benefits	28	26	26
Operating	75	78	176
	296	295	394
Ancillary Services (schedule 4)	2	2	0
Amortization of Capital Assets	1,568	1,568	1,441
Total Expenditures	36,801	35,923	35,998

ASSINIBOINE COMMUNITY COLLEGE Schedule 2
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2012
(in thousand $)

	Budget (unaudited)	**2012**	**2011**
Revenue			
Tuition fee contracts	148	58	105
Contract training	794	849	2,650
Grants	1,055	900	1,090
Other revenue	3	63	59
Total Revenue	2,000	1,870	3,904
Expenditures			
Direct Expenditures			
Instructional salaries	668	658	1,851
Fringe benefits	85	71	197
Operating	398	345	473
	1,151	1,074	2,521
Indirect Expenditures			
Administrative salaries	287	199	150
Fringe benefits	37	23	23
Operating	25	26	22
	349	248	195
Total Expenditures	1,500	1,322	2,716
Excess of Revenue over Expenditures	500	548	1,188

ASSINIBOINE COMMUNITY COLLEGE Schedule 3
CONTINUING STUDIES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2012
(in thousand $)

	Budget (unaudited)	2012	2011
Revenue			
Brandon campus	434	460	836
Dauphin campus	127	52	143
Winnipeg campus	126	94	98
Regional centres	649	610	547
Grants	245	245	240
Total Revenue	1,581	1,461	1,864
Expenditures			
Direct Expenditures			
Instructional salaries	485	386	570
Fringe benefits	58	32	56
Operating	239	206	254
	782	624	880
Indirect Expenditures			
Administrative salaries	476	450	481
Fringe benefits	74	67	68
Operating	110	94	90
	660	611	639
Total Expenditures	1,442	1,235	1,519
Excess of Revenue over Expenditures	139	226	345

ASSINIBOINE COMMUNITY COLLEGE Schedule 4
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2012
(in thousand $)

	Budget (unaudited)	2012	2011
Revenue	183	176	180
Expenditures			
Salaries & benefits	0	0	0
Operating	2	2	0
Total Expenditures	2	2	0
Excess of Revenue over Expenditures	181	174	180

ASSINIBOINE COMMUNITY COLLEGE Schedule 5
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2012
(in thousand $)

	Budget (unaudited)	2012	2011
Revenue			
Tuition Revenue	2,770	2,510	2,150
Expenditures			
Direct Expenditures			
Instructional salaries	1,934	1,917	1,674
Fringe benefits	255	230	202
Operating	608	494	404
Total Expenditures	2,797	2,641	2,280
Deficiency of revenue over expenditures	(27)	(131)	(130)

Assiniboine Community College
Schedule 6 - Schedule of Board Member Compensation

For the year ended June 30		2012
Randy Brown	$	1,500
Doug Crookshanks		2,150
Harvey Armstrong		3,000
Ernest Bart		1,800
Janet Chaboyer		2,400
Chris Nicholson		150
Danielle Gobeil		300
Curtis Dixon		750
Robin Paulishyn		1,800
Martijn Van Luijn		1,500
Michael Cox		1,800
Raymond Berthelette		1,800
Vickie Hanwell-McLean		1,800
	$	20,750

(In actual dollars)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The statements are examined by the Auditor General of Manitoba, whose opinion is included herein.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

William Schaffer
Treasurer, Board of Governors

Scott J. B. Lamont, FCGA, MBA
Vice-President (Administration & Finance)

June 22, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Lieutenant Governor-in-Council
To the Legislative Assembly of Manitoba
To the Board of Governors of Brandon University

We have audited the accompanying financial statements of Brandon University, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flow for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brandon University as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Basis of Presentation

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that Brandon University adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management in these financial statements except for the accounting standards for financial instruments which were applied prospectively on April 1, 2012.

Original document signed by
Carol Bellringer

June 22, 2013
Winnipeg, Manitoba

Carol Bellringer, FCA, MBA
Auditor General

Brandon University

Statement of Financial Position
as at

	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
Current Assets			
Cash and cash equivalents	$ 5,213,581	$ 1,561,061	$ 3,905,740
Short-term investments	100,000	1,806,164	5,404,689
Accounts receivable (note 4)	1,871,014	7,830,858	1,717,484
Inventories (note 8)	550,761	536,034	502,730
Prepaid expenses	325,721	275,723	256,291
	8,061,077	12,009,840	11,786,934
Capital Assets and Collections (notes 2H and 9)	61,788,744	51,582,729	44,710,193
	$ 69,849,821	$ 63,592,569	$ 56,497,127
LIABILITIES & NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	$ 4,995,680	$ 4,080,938	3,951,319
Unearned revenue	105,272	123,632	269,116
Deferred contributions (note 10)	2,808,789	4,321,647	3,609,957
Current portion of long-term debt (note 13)	65,745	101,217	134,050
	7,975,486	8,627,434	7,964,442
Long-Term Liabilities			
Unfunded post-employment benefits (note 12)	1,469,617	1,372,209	1,285,343
Unfunded pension liability (note 11)	26,405,000	27,032,000	28,918,000
Mortgages payable (note 13)	770,078	835,823	937,039
	28,644,695	29,240,032	31,140,382
Deferred Capital Contributions	-	-	503,600
Unamortized Deferred Capital Contributions (note 10)	47,783,932	40,423,554	33,405,535
Net Assets			
Unrestricted net assets			
Operating	3,340,853	3,512,041	3,516,441
Post-employment benefits and compensated absences	(1,544,058)	(1,421,782)	(1,348,720)
Pension liability	(26,405,000)	(27,032,000)	(28,918,000)
Vacation pay	(918,855)	(872,417)	(898,996)
	(25,527,060)	(25,814,158)	(27,649,275)
Internally restricted net assets (note 7)	1,039,037	893,569	898,874
Investment in capital assets and collections	9,933,731	10,222,138	10,233,569
	(14,554,292)	(14,698,451)	(16,516,832)
	$ 69,849,821	$ 63,592,569	$ 56,497,127

Approved by the Brandon University
Board of Governors on June 22, 2013

Treasurer

Vice-President (Administration & Finance)

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

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2013

		Unrestricted Net Assets		Internally Restricted Net Assets		Investment in Capital Assets and Collections		Total 2013
Balance, beginning of year	$	(25,814,158)	$	893,569	$	10,222,138	$	(14,698,451)
Excess of revenue over expenses		143,709						143,709
Direct increases to net assets								
Donations of capital assets						450		450
Transfers								
Internally funded								
Capital asset additions		(755,321)				755,321		
Capital asset disposals (net)		5,497				(5,497)		
Amortization		1,139,898				(1,139,898)		
Repayment of long-term debt		(101,217)				101,217		
Allocation to internally restricted net assets		(145,468)		145,468				
Balance, end of year	$	(25,527,060)	$	1,039,037	$	9,933,731	$	(14,554,292)

Statement of Changes in Net Assets
for the year ended March 31, 2012

		Unrestricted Net Assets		Internally Restricted Net Assets		Investment in Capital Assets and Collections		Total 2012
Balance, beginning of year	$	(27,558,375)	$	898,874	$	10,233,569	$	(16,425,932)
Restatements (note 18)		(90,900)						(90,900)
Restated balance, beginning of year		(27,649,275)		898,874		10,233,569		(16,516,832)
Excess of revenue over expenses		1,818,381						1,818,381
Transfers								
Internally funded								
Capital asset additions		(1,007,910)				1,007,910		
Capital asset disposals (net)		1,067				(1,067)		
Amortization		1,152,324				(1,152,324)		
Repayment of long-term debt		(134,050)				134,050		
Allocation to internally restricted net assets		(208,105)		208,105				
Internally restricted net asset purchases		213,410		(213,410)				
Balance, end of year	$	(25,814,158)	$	893,569	$	10,222,138	$	(14,698,451)

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

Brandon University

Statement of Operations

for the Years Ended	March 31, 2013	March 31, 2012
Revenues		
Tuition fees and other student fees	$ 8,706,331	$ 8,002,778
Grants		
Council on Post-Secondary Education	37,144,726	36,546,281
Province of Manitoba	410,069	1,004,992
Government of Canada	1,605,199	1,558,768
Sales of goods and services	6,305,363	6,239,459
Brandon University Foundation	2,103,887	1,762,770
Amortization of deferred capital contributions	1,926,188	1,738,699
Interest income	117,590	144,449
Miscellaneous	661,326	679,029
	58,980,679	57,677,225
Expenses		
Salaries - academic	21,707,148	20,459,761
Salaries - support	12,648,609	12,554,012
Benefits	9,373,739	7,906,271
Travel	1,606,064	1,516,935
Supplies and consumable expenses	6,161,145	6,125,020
Major renovations	300,253	311,716
Property taxes	124,665	142,381
Utilities	901,672	853,805
Cost of goods sold	1,668,796	1,735,017
Scholarships and bursaries	1,200,424	1,279,739
Interest on long-term debt	73,772	82,536
Amortization expense	3,066,086	2,891,023
Loss on disposal of capital assets	4,597	628
	58,836,970	55,858,844
Excess of revenue over expenses	$ 143,709	$ 1,818,381

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

Brandon University

Statement of Cash Flow

for the Years Ended	**March 31, 2013**	**March 31, 2012**
Cash Provided By (Used In) Operating Activities		
Net excess of revenues over expense before interest	$ 99,891	$ 1,756,468
Interest received	117,590	144,449
Interest paid	(73,772)	(82,536)
Excess of revenues over expense	143,709	1,818,381
Items not affecting cash flow		
Amortization of deferred capital contributions	(1,926,188)	(1,738,699)
Amortization of capital assets	3,066,086	2,891,023
Loss on disposal of capital assets	(4,597)	(628)
Net change in non-cash operating working capital		
Accounts receivable	5,959,844	(6,113,374)
Accounts payable and accrued liabilities	914,742	129,619
Deferred contributions	(1,512,858)	711,690
Unfunded post-employment benefits and compensated absences	97,408	86,866
Unfunded pension liability	(627,000)	(1,886,000)
Other non-cash working capital	(83,086)	(198,215)
	6,028,060	(4,299,337)
Cash Provided By (Used In) Capital Activities		
Capital asset additions	(13,278,209)	(9,764,626)
Proceeds on disposal of capital assets	10,706	1,691
	(13,267,503)	(9,762,935)
Cash Provided By Investing Activities		
Sale of short-term investments	1,706,164	3,598,525
Cash Provided By (Used In) Financing Activities		
Long-term debt repayments	(101,217)	(134,050)
Capital contributions	9,287,016	8,253,118
	9,185,799	8,119,068
Increase/(Decrease) in cash and cash equivalents	3,652,520	(2,344,679)
Cash and cash equivalents, beginning of year	1,561,061	3,905,740
Cash and cash equivalents, end of year	$ 5,213,581	$ 1,561,061

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

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music, health studies and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

Brandon University's financial statements 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.

B. Fund Accounting

The University uses fund accounting to segregate accounts to be used for specific purposes.

Restricted funds include the research and special project fund, special program fund, and capital fund. The purpose of the research and special project fund is to report the restricted revenues and expenses for these activities. The special program fund reports revenues and expenses for the education programs of PENT, CBE and BUNTEP. The capital fund reports revenues and expenses for major renovation projects and for the acquisition of capital assets.

Unrestricted funds include the general operating fund and Ancillary Services. The purpose of the general operating fund is to report revenues and expenses for operating, research and special projects, and capital activities funded from unrestricted revenues. The purpose of the Ancillary Services fund is to report the revenues and expenses of the residences, food services, bookstore and parking. Ancillary Service funds include a grant for payment of mortgages and sales of goods and services.

C. Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered and collection is reasonably assured.

The University accounts for contributions using the deferral method. Externally restricted non-capital contributions are recorded as deferred contributions when received or receivable and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received or receivable, and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

D. Capital Grants

The University entered into promissory notes with the Provincial Government, for the the construction of capital assets and for deferred maintenance projects. These will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) and are, in substance, capital grants. These grants, under the deferral method of accounting, are reflected as deferred capital contributions and unamortized deferred capital contributions in the statement of financial position. The interest expense and related funding from COPSE, over the terms of the promissory notes, to offset the principal payments and interest expense, are both excluded from the statement of operations.

E. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, cash balances with Canadian banks and highly liquid temporary money market instruments convertible to cash within three months or less.

F. Short-Term Investments

Short-term investments are recorded at amortized cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. These investments are acquired principally for the purpose of selling in the near term and are part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking.

G. Brandon University Foundation

Contributions from the Brandon University Foundation to the University are recorded as revenue in accordance with the University's revenue recognition accounting policy.

The accounts of the Brandon University Foundation do not form part of the financial statements of the University. The financial statements of the Foundation are audited on an annual basis.

H. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. 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 the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furniture & equipment	10 years
Library collections	10 years
Computer equipment	5 years
Vehicles	5 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

I. Inventories

Inventories are measured at the lower of cost and net realizable value using a valuation allowance.

J. Pension Plan

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. The pension expense is determined actuarially using the projected unit credit actuarial cost method pro-rated on service and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of active employees (EARSL), commencing in the year following the year the respective annual actuarial gains or losses arise.

The accounts of the Brandon University Retirement Plan are not consolidated in the financial statements of the University. The financial statements of the Plan are audited.

The University's pension liability is the net of pension obligations less Plan assets and adjusted for any unamortized actuarial gains or losses.

K. Other Post-Employment Benefits and Compensated Absences

The University provides severance and retiring allowance benefits based on length of service and final earnings, payable on retirement. Accounting standards require the recognition of a liability and an expense for such post-employment benefits in the period in which the employee renders service in return for the benefits. The recognition date for rendered service begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these post-employment benefits earned by employees is determined by an actuary using the projected benefit method pro-rated on service and management's best estimates for the discount rate, the rate of salary escalation and the retirement ages of employees. The discount rate used to determine the accrued benefit obligation was the same rate as used to value the University pension plan. There are no assets supporting the plan benefits. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life (EARSL), commencing in the year following the year the respective annual actuarial gains or losses arise.

The University provides for compensated absences to certain employee groups for sick leave benefits that accumulate but do not vest. The cost of this benefit is estimated using the discounted cash flows of the average of the cost of the excess sick leave taken over the annual entitlement earned, as a series of payments over the average remaining service life of employees (EARSL). The discount rate used was the same rate used to estimate the University pension liability.

Certain other employees are entitled to 180 days of sick leave that are non-vesting, non-accumulating and are event driven. The benefit expense and liability are recorded when the event occurs.

L. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, determination of useful lives of capital assets for amortization and of the liabilities for pension, severance and retiring allowances, and other compensated absences. Actual results could differ from these estimates.

M. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt.

In the Statement of Financial Position, cash and cash equivalents are measured at cost; short-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt at amortized cost, using the effective interest rate method.

3. First Time Adoption of Public Sector Accounting Standards

Previously, Brandon University's financial statements were presented in accordance with Canadian generally accepted accounting principles for not-for-profit entities. The Public Sector Accounting Board issued new standards for government public sector not-for-profit entities for years beginning on or after January 1, 2012. Commencing with the 2012/13 fiscal year, the University has adopted Canadian public sector accounting standards. Accounting policies set out in the Summary of Significant Accounting Policies have been applied to these financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and the opening balances at the date of transition of April 1, 2011.

The adoption of public accounting standards has resulted in adjustments to previously reported liabilities, net assets, excess of revenue over expenses, and cash flows of the University. The impacts on the opening balances as at April 1, 2011 and the balances for the year ended March 31, 2012, as previously reported, as a result of the conversion to Canadian public sector accounting standards, are reported below. An explanation of how this transition affected the University's financial position, operations, changes in net assets and cash flows is included.

Section 2125, First-Time Adoption by Government Organizations has been used in the preparation of the first statements under these standards. The new standards are required to be applied retroactively to the the transition date of April 1, 2011; however, Brandon University is electing to adopt an exemption available under PS 2125.

Pension Plans and Other Post-employment Benefits

PS 3250 and PS 3255 require actuarial gains and losses for pension plans and other post-employment benefits to be amortized over a reasonable future period. The University is electing to adopt PS 2125.10 and recognize all unamortized actuarial gains and losses at the date of transition directly into net assets and did not restate unamortized actuarial gains or losses at the date of transition. These standards also require a change in the discount rate used to calculate the pension and other post-employment benefits obligations. The University has selected the expected return on Plan assets as the discount rate.

This resulted in an increase in the pension liability of $25,287,000, a decrease in the post-employment benefits of $29,000, and a decrease in unrestricted net assets of $25,258,000 as at April 1, 2011. There was no change in the discount rate used for the valuation as at April 1, 2011. The corresponding changes as at March 31, 2012, were an increase in pension liability of $22,534,000, a decrease in post-employment benefits of $134,000, and a decrease in unrestricted net assets of $22,400,000. The changes in the liabilities for pension and other post-employment benefits also incorporate a change in the discount rate used for the March 31, 2012 valuations from 4.0% to 5.0%. The effect on the Statement of Operations was an decrease to salaries – support of $105,000 and a decrease in benefits of $2,753,000.

Compensated Absences

Previously, the University recognized the expense of compensated absences for sick leave as they occurred. Public sector accounting standards require compensated absences that are accumulating and non-vesting, as well as those that are event driven to be estimated and a liability and expense to be recorded. The estimated liability of these benefits is recorded in the Statement of Financial position under accounts payable and accrued liabilities and long-term liabilities.

The cost to the University for event driven sick leave, as at April 1, 2011, was \$63,377 and at March 31, 2012 was \$49,573. As a result, the opening balance of post-employment benefits and compensated absences for April 1, 2011 was increased by \$63,377 and on the Statement of Operations, salaries – academic for the year ended March 31, 2012 were reduced by \$13,803.

The cost to the University for accumulating, non-vesting sick leave as at April 1, 2011 was estimated to be \$70,343 and at March 31, 2012 was estimated to be \$103,208. As a result, the opening balance of post-employment benefits and compensated absences for April 1, 2011 was increased by \$70,343 and on the Statement of Operations, salaries – support for the year ended March 31, 2012 were increased by \$32,865.

Mandatory Exceptions - Accounting Estimates

Estimates used in the preparation of the opening balances are to be consistent with the estimates used under the previous accounting policies unless there is objective evidence those estimates were in error. The University has made no revision to any estimates used in the preparation of these financial statements.

Impact of Conversion

In order to comply with public sector accounting standards, the financial statements of the University have been amended from the pre-changeover Canadian GAAP for the required accounting policy changes. The April 1, 2011 figures and the comparative figures for March 31, 2012 were restated to reflect these adjustments. The following disclosures represent these changes:

Statement of Financial Position as at April 1, 2011 - Transition Date

	April 1, 2011 Previously Reported	Transitional Adjustments	April 1, 2011 Restated PSAS
Accounts payable and accrued liabilities	$ 3,887,942	$ 63,377	$ 3,951,319
Long-term Liabilities			
Unfunded post-employment benefits	1,244,000	41,343	1,285,343
Unfunded pension liability	3,631,000	25,287,000	28,918,000
	$ 8,762,942	$ 25,391,720	$ 34,154,662
Net Assets			
Unrestricted net assets			
Operating	$ 3,516,441	$	$ 3,516,441
Post-employment benefits and compensated absences	(1,244,000)	(104,720)	(1,348,720)
Pension liability	(3,631,000)	(25,287,000)	(28,918,000)
Vacation pay	(898,996)		(898,996)
	$ (2,257,555)	$ (25,391,720)	$ (27,649,275)

Statement of Financial Position as at March 31, 2012

	March 31, 2012 Previously Reported	Transitional Adjustments	March 31, 2012 Restated PSAS
Accounts payable and accrued liabilities	$ 4,031,365	$ 49,573	$ 4,080,938
Long-term Liabilities			
Unfunded post-employment benefits	1,403,000	(30,791)	1,372,209
Unfunded pension liability	4,498,000	22,534,000	27,032,000
	$ 9,932,365	$ 22,552,782	$ 32,485,147
Net Assets			
Unrestricted net assets			
Operating	$ 3,512,041	$	$ 3,512,041
Post-employment benefits and compensated absences	(1,403,000)	(18,782)	(1,421,782)
Pension liability	(4,498,000)	(22,534,000)	(27,032,000)
Vacation pay	(872,417)		(872,417)
	$ (3,261,376)	$ (22,552,782)	$ (25,814,158)

Statement of Operations for the Year Ended March 31, 2012

	March 31, 2012 Previously Reported	Transitional Adjustments	March 31, 2012 Restated
Salaries - academic	$ 20,473,564	$ (13,803)	$ 20,459,761
Salaries - support	12,626,147	(72,135)	12,554,012
Benefits	10,659,271	(2,753,000)	7,906,271
	43,758,982	(2,838,938)	40,920,044
Excess of revenue over expenses	$ (1,020,557)	$ 2,838,938	$ 1,818,381

Statement of Cash Flows for the Year Ended March 31, 2012

The transition to public sector accounting standards had no impact on the total operating and financing activities of the statement of cash flows. The change in net deficit for the year ended March 31, 2012 has been offset by adjustments to operating activities. The statement of cash flows now has a new category for activities relating to the acquisition and disposal of capital assets which were previously categorized as investing activities.

4. Accounts Receivable

	2013	2012
Student receivables	$ 743,370	$ 664,179
Brandon University Foundation	463,058	4,937,692
Government of Canada	443,728	1,128,803
Province of Manitoba	128,636	925,164
Miscellaneous	119,222	202,020
Less: allowance for doubtful accounts	(27,000)	(27,000)
	$ 1,871,014	$ 7,830,858

5. Financial Risk Management

Financial instruments are exposed to risk through the normal course of operations. These risks are managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

i) Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of these three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is exposed to this risk through its interest bearing investments. The University's short-term investment, which matures on October 21, 2013, is a guaranteed investment certificate bearing an interest rate of 2.25%.

Currency risk is the risk the value of non-Canadian investments measured in Canadian dollars will fluctuate due to changes in foreign exchange rates. Brandon University has no investments held in foreign currencies.

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

ii) Liquidity Risk

Liquidity risk is the risk the University will encounter difficulty in having available sufficient funds to meet its commitments.

The cash flow of operating funds is prepared on a just in time basis. The short-term funds of the University are invested so maturity dates coincide with cash requirements. As well, the University has access to a short-term line of credit with CIBC is designed to ensure sufficient funds are available as required.

iii) Credit Risk

Credit risk arises from the possibility a loss may occur from the failure of another party to perform according to the terms of a contract.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at March 31 was:

	Carrying Amount	
	2013	2012
Cash, cash equivalents and short-term investments	$ 5,313,581	$ 3,367,225
Accounts receivable	1,871,014	7,830,858
Totals	$ 7,184,595	$ 11,198,083

The short-term investments of the University are purchases made with excess cash intended to be for short periods of time and are held in high quality instruments with a guaranteed credit rating of R1 or backed by an extremely strong borrower.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students and the balance from government agencies. Credit risk from student receivables is managed through registration cancellations and by maintaining standard collection procedures.

There have been no substantive changes in the University's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

6. Brandon University Foundation

The Brandon University Foundation operates under the authority of the Brandon University Foundation Act. The Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising funds for future operation and capital expenditures, research and student awards.

Brandon University Foundation is not a controlled entity of Brandon University however, in the event of the dissolution of the Foundation, after the payment of all debts and liabilities, any remaining rights, property and assets of the Foundation shall be transferred or assigned to Brandon University as long as it is at that time a charitable, non-profit corporation.

The Foundation statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Brandon University Foundation has adopted Part III - Accounting Standards for Not-For-Profit Organizations following the deferral method of accounting for contributions. The investments of the Foundation are recorded at fair value. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

	2012	2011
Assets	$44,426,876	$43,528,550
Liabilities	$ 968,304	$ 338,700
Deferred contributions	4,148,164	9,583,087
Net Assets		
Unrestricted and internally restricted net assets	6,621,769	3,371,636
Endowment funds	32,688,639	30,235,127
	39,310,408	33,606,763
Total Liabilities and Net Assets	$44,426,876	$43,528,550

Statement of Operations

	2012	2011
Revenue		
Realized income	$ 6,812,337	$ 275,715
Unrealized income	3,259,952	(3,438,430)
Net investment income	10,072,289	(3,162,715)
Donations	644,752	1,179,805
Other contributions	89,407	407,819
	10,806,448	(1,575,091)
Expense		
Grants to Brandon University	6,339,390	1,139,828
Scholarships and bursaries	1,150,879	632,437
Campaign expenses	288,917	5,035
Other expenses	35,333	37,642
	7,814,519	1,814,942
Net income/(loss) for the year	$ 2,991,929	$(3,390,033)

The net result of the transactions from January 1, 2013 to March 31, 2013 was a gain of $3,215,899 (2012 - $848,284) which includes unrealized investment gains of $2,054,434 (2012 - $2,802,939).

The value of outstanding pledges to the Foundation as at March 31, 2013 is $ 721,518 (2012 - $ 572,173). These will be recorded as revenue in the Foundation when received.

7. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	2012 Opening Balance	Current Provision	Purchases	2013 Closing Balance
Ancillary Services	$ 566,091	$ 48,582	$	$ 614,673
Kiln Replacement	9,000	5,000		14,000
IT Services maintenance agreement	(12,690)	6,345		(6,345)
Mail & Print Services		2,900		2,900
Telephone replacement	301,879	69,189		371,068
Vehicle replacement	29,289	13,452		42,741
	$ 893,569	$ 145,468	$ -	$ 1,039,037

	2011 Opening Balance	Current Provision	Purchases	2012 Closing Balance
Ancillary Services	$ 639,113	$ 48,248	$ (121,270)	$ 566,091
Kiln Replacement	4,000	5,000		9,000
IT Services maintenance agreement		6,345	(19,035)	(12,690)
Telephone replacement	226,472	148,512	(73,105)	301,879
Vehicle replacement	29,289			29,289
	$ 898,874	$ 208,105	$ (213,410)	$ 893,569

8. **Inventories**

Inventories are measured at the lower of cost and net realizable value. The year end carrying values and the amounts recognized as expense during the year were as follows:

	2013 Cost of Sales	2012 Cost of Sales	2013 Carrying Values	2012 Carrying Values
Athletics	$ 4,755	$	$ 12,952	$
Bookstore	1,117,284	1,205,781	450,007	467,914
Food Services	551,512	529,236	48,669	37,732
Print Shop	39,208	36,707	39,133	30,388
	$ 1,712,759	$ 1,771,724	$ 550,761	$ 536,034

9. **Capital Assets and Collections**

	2013 Cost	2013 Accumulated Amortization	2013 Net Book Value	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value
Land	$ 498,680	$	$ 498,680	$ 498,680	$	$ 498,680
Buildings	90,319,101	(39,151,986)	51,167,115	78,626,233	(37,611,886)	41,014,347
Furniture & equipment	21,964,417	(15,637,281)	6,327,136	21,639,310	(15,458,725)	6,180,585
Library collections	11,138,403	(8,545,212)	2,593,191	10,710,697	(8,023,752)	2,686,945
Collections	1,202,622		1,202,622	1,202,172		1,202,172
	$125,123,223	$(63,334,479)	$ 61,788,744	$112,677,092	$(61,094,363)	$ 51,582,729

Capital asset additions during the year included donations in kind in the amount of $450 (2012- $-).

Buildings include assets under construction of $ 24,372 (2012 - $8,653,985)

10. **Deferred Contributions and Unamortized Deferred Capital Contributions**

Deferred contributions and deferred capital contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions, deferred capital contributions and unamortized deferred capital contributions balances are as follows:

	2013 Deferred Contributions	2013 Unamortized Deferred Capital Contributions	2012 Deferred Contributions	2012 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 4,321,647	$ 40,423,554	$ 4,022,657	$ 33,405,535
Restatements (note 18)			90,900	
Restated deferred balance, beginning of year	4,321,647	40,423,554	4,113,557	33,405,535
Contributions received and receivable				
Tuition and miscellaneous	1,296,267		1,548,535	
COPSE	1,505,156		3,816,800	
Province of Manitoba	2,996,687		2,781,263	
Government of Canada	4,527,968		3,803,147	
City of Brandon	1,880,000			
Brandon University Foundation	1,916,643		4,512,181	
	14,122,721		16,461,926	
Transfers to revenue				
Tuition, grants and contributions	(6,349,013)		(7,497,118)	
Amortization of assets acquired from capital assets		(1,926,188)		(1,738,699)
Transferred to acquire capital assets	(9,286,566)	9,286,566	(8,756,718)	8,756,718
Balance, end of year	$ 2,808,789	$ 47,783,932	$ 4,321,647	$ 40,423,554
Balance consists of:				
Research	$ 2,030,648		$ 2,811,582	
Special programs	778,141		1,510,065	
Deferred contributions	$ 2,808,789		$ 4,321,647	

11. Pension Plan

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held in trust in the name of ten Trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The Trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. An asset manager invests the Plan assets according to the terms of an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba and the Income Tax Act (Canada). Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

An actuarial valuation of the plan, as required by The Pension Benefits Act of Manitoba, was conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2012. The next actuarial valuation is required as at December 31, 2013 and will be completed in 2014.

The defined benefit obligation has been calculated pursuant to CICA Handbook section PS3250, using the projected unit credit actuarial method, prorated on service, and assumptions developed using management's

best estimates of investment performance, salary escalation, retirement ages of employees and member mortality.

The University uses a December 31 measurement date for reporting plan assets and obligations.

Plan assets are comprised of:

	(in thousands of dollars)	
	December 31 2012	**December 31 2011**
Accounts receivable and other	$ 7	$ 352
Cash and short-term investments	5,302	5,458
Bonds and debentures	37,328	37,673
Canadian equities	46,322	38,352
Foreign equities	34,433	27,705
Total Assets	$ 123,392	$ 109,540

The fair value of plan assets and the actuarial present value of benefits, as of December 31, were as follows:

	(in thousands of dollars)	
	December 31 2012	**December 31 2011**
Reconciliation of Plan Assets		
Fair value, beginning of year	$ 109,540	$ 108,800
Employer contributions	6,970	6,328
Employee contributions	2,003	1,935
Transfers from other plans	66	
Benefit payments	(5,625)	(5,734)
Actual return on plan assets (net of expenses)	10,438	(1,789)
Fair value, end of year	$ 123,392	$ 109,540

	(in thousands of dollars)	
	December 31 2012	**December 31 2011**
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation, beginning of year	$ 149,249	$ 139,177
Employer service cost	5,136	5,098
Interest cost	7,450	7,360
Benefit payments	(5,625)	(5,734)
Transfers from other plans	66	
Actuarial (gains)/losses	(4,559)	3,348
Actuarial present value of accrued pension benefits, end of year	$ 151,717	$ 149,249

	(in thousands of dollars)	
	December 31 2012	December 31 2011
Reconciliation of Unamortized (Gains)/Losses		
Net unamortized lossess, beginning of year	$ 10,970	$
Net actuarial (gains)/losses	(9,436)	10,970
Amortization of actuarial loss	(1,155)	
Net unamortized actuarial losses, end of year	$ 379	$ 10,970

The accrued pension liability and the net pension plan expense, as at March 31, are as follows:

	(in thousands of dollars)	
	March 31 2013	March 31 2012
Accrued Pension Liability		
Accrued pension liability, beginning of year	$ (27,032)	$ (28,918)
Employer contributions	6,804	6,576
Net pension plan expense	(6,177)	(4,690)
Pension liability, end of year	$ (26,405)	$ (27,032)

	(in thousands of dollars)	
	March 31 2013	March 31 2012
Reconciliation of Deficit to Accrued Liability		
Deficit	$ (28,325)	$ (39,709)
Net unamortized actuarial losses	379	10,970
Employer contribution after measurement date	1,541	1,707
Accrued pension liability, end of year	$ (26,405)	$ (27,032)

	(in thousands of dollars)	
	March 31 2013	March 31 2012
Net Pension Plan Expense		
Current service cost, net of employee contributions	$ 3,133	$ 3,163
Interest accrued on benefits	7,450	7,360
Expected return on plan assets	(5,561)	(5,833)
Amortization of actuarial loss	1,155	
Net benefit plan expense	$ 6,177	$ 4,690

Significant Long-term Actuarial Assumptions Used in Measurement of the Pension Expense

	2013	2012
Discount rate	5.00 %	5.30 %
Rate of salary increase	3.40 %	3.00 %
Mortality rate	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted by a factor of 75% at each age	

Significant Long-term Actuarial Assumptions Used in Measurement of the End of Year Obligations

	2013	2012
Discount rate	5.25 %	5.00 %
Rate of salary increase	3.00 %	3.00 %
Mortality rate	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted by a factor of 75% at each age	

The unamortized net actuarial losses will be amortized over the expected average remaining service life (EARSL) which is 10 years.

Subsequent Event
On April 20, 2013 the Board of Governors of Brandon University approved a supplementary pension increase of 1.39% to be applied to pensions effective July 1, 2013. .59% of this increase was discretionary in accordance with article 7.3(e) of the Brandon University Retirement Plan and was recommended by the Plan Trustees.

Solvency Deficiency Exemption
The Brandon University Retirement Plan is subject to the Manitoba Pension Benefits Act and Regulations. The University Pension Plans Exemption Regulation 141/2007 allowed the University to make an election to be exempt from solvency and transfer deficiency payments. "2(1) an employer in relation to a university plan may, by filing an election with the plan administrator, elect to be exempt from the solvency and transfer deficiency provisions." On January 19, 2009 the University filed such an election.

Funding of Going-Concern Deficiencies
With the exemption, the Plan will continue to be subject to the going-concern funding provisions of the Act. The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs. The funding deficit of $29,844,000 will have to be funded over a maximum of 15 years. Special payments totaling $3,115,000 will be made in 2013 (2012 - $3,810,234). The next going-concern valuation will be performed as at December 31, 2013 and will be completed in 2014.

12. Other Post-employment Benefits and Compensated Absences

Other Post-employment Benefits

Brandon University provides certain severance and retiring allowance benefits payable upon retirement. An actuarial valuation, using the accrued benefit method, to determine the value of severance pay and retiring allowance benefits is carried out every three years. The most recent actuarial valuation was as at March 31, 2013 with the next valuation due at at March 31, 2016.

Information about the University's employee future benefits is as follows:

	2013	2012
Accrued Benefit Obligation		
Accrued benefit obligation, beginning of year	$ 1,298,000	$ 1,215,000
Employer service cost	53,000	51,000
Interest cost	65,000	65,000
Benefit payments	(106,000)	(62,000)
Actuarial (gains)/losses	(66,000)	29,000
Accrued benefit obligation, end of year	$ 1,244,000	$ 1,298,000

	2013	2012
Accrued Benefit Liability		
Accrued benefit liability, beginning of year	$ 1,269,000	$ 1,215,000
Employer contributions	(106,000)	(62,000)
Benefit expense	121,000	116,000
Accrued benefit liability, end of year	$ 1,284,000	$ 1,269,000

	2013	2012
Benefit Plan Expense		
Employer service cost	$ 53,000	$ 51,000
Interest cost	65,000	65,000
Amortization of net actuarial loss	3,000	-
Total benefit plan expense	$ 121,000	$ 116,000

The significant actuarial assumptions adopted in measuring the University's accrued benefit liability and benefit costs are as follows:

	2013	2012
Discount rate (accrued benefit obligation)	5.25%	5.00%
Rate of compensation increase (weighted average)	4.30%	4.60%

The unamortized net actuarial losses will be amortized over the expected average remaining service life (EARSL) which is 10 years.

Compensated Absences

The University provides certain employee groups with a sick leave entitlement that accumulates but does not vest. These plans accumulate at a rate of 1/2 day for each pay period to a maximum of 12 days per year. Each plan has a total accumulation allowed. Accumulated sick days may be used in future years. Sick leave, when paid, is paid at the salary in effect at the time of usage. The sick leave benefit is a consideration of the expectation of future benefit utilization. The expected cost of the liability is estimated using the discounted cash flows of the average cost of the excess sick leave taken over the annual entitlement earned, as a series of payments, over EARSL which is 10 years.

	2013	2012
Accrued benefit liability	$ 185,617	$ 103,209
Net benefit cost	$ 82,409	$ 32,865
Discount rate	5.25%	5.00%

The University provides certain other employees with their maximum sick leave entitlement of 180 days upon start of employment. This sick leave neither vests nor accumulates. The expected cost of the liability is recognized in the period in which the event occurs and is based on the salary that will be paid for the sick leave.

	2013	2012
Accrued benefit liability and benefit cost	$ 74,441	$ 49,573

The accrued benefit liability for post-employment and other compensated benefits is reported in the University's Statement of Financial Position under accounts payable and accrued liabilities and long-term liabilities.

13. Long-term Liabilities

Mortgages Payable

The mortgages are building mortgages. The buildings form part of the security for the full amount of the moneys secured by the mortgages.

	2013	2012
Darrach Hall & Flora Cowan Hall Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ -	$ 40,578
McMaster Hall Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	835,823	896,462
	835,823	937,040
Current portion of long-term debt	65,745	101,217
	$ 770,078	$ 835,823
Interest expense	$ 73,772	$ 82,536

Principal payments in the next five years are as follows:

2014	$ 65,745
2015	$ 71,281
2016	$ 77,283
2017	$ 83,780
2018	$ 90,845

14. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

15. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

16. Contractual Obligations

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $0 for the year ended March 31, 2013 (2012 - $0).

The Brandon University signed an agreement with Penn-Co Construction Canada (2003) Ltd. on July 20, 2011 for the construction of the Healthy Living Centre which involves the construction of a new facility and renovations of the existing facility. The expected completion date is April 30, 2013. The project is funded by the Building Canada Fund - Major Infrastructure Component with a federal and provincial share, a municipal contribution from the City of Brandon and through fundraising of the Brandon University Foundation. The total project cost is to be not less than $19,623,029 with $18,510,946 expended to March 31, 2013 (2012 - $7,488,319).

17. Related Party Transactions

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

18. Restatements

In prior periods, research and special project accounts funded by the Brandon University Foundation were included in unrestricted net assets. These funds are externally restricted and unspent balances are now included in deferred contributions. As well, the restriction of certain accounts has changed from restricted to unrestricted and those deferred balances are now included in unrestricted net assets. As a result, the opening balance of unrestricted net assets as at April 1, 2011 has been decreased by $90,900 and the deferred contributions have been increased by the same. Revenues in the Statement of Operations for the year ended March 31, 2012 have been decreased by $105,697 and deferred contributions have been increased accordingly.

19. Comparative Figures

Comparative figures for the year ended March 31, 2012 have been reclassified where necessary to conform with the presentation adopted for the year ended March 31, 2013.

Brandon University

Additional Financial Information
<u>for the year ended March 31, 2013</u>

The foregoing consolidated financial statements and accompanying notes to the financial statements have been audited by the Auditor General for Manitoba and are the subject of the audit report dated June 22, 2013.

The following schedules 1 through 7 have been prepared to provide additional information and are not covered in the Auditor's report. The information in schedule 6 is used for the program costing calculations.

Schedule 1
(unaudited)

Brandon University

Detailed Schedule of Operations - Unrestricted
for the Year Ended March 31, 2013

	General Operating	Ancillary Services	Total 2013	Total 2012
REVENUES				
Tuition and other student fees	$ 7,752,780	$	$ 7,752,780	$ 7,064,288
Grants - Council on Post-Secondary Education	34,774,911	174,989	34,949,900	33,355,500
Sales of goods and services		4,590,732	4,590,732	4,642,800
Brandon University Foundation	1,358,549		1,358,549	1,407,136
Amortization of deferred capital contributions	1,926,188		1,926,188	1,738,699
External cost recoveries	1,714,631		1,714,631	1,596,659
Interest income	117,590		117,590	144,449
Miscellaneous	148,421		148,421	559,661
	47,793,070	4,765,721	52,558,791	50,509,192
EXPENSES				
Salaries - academic	19,493,034		19,493,034	18,175,715
Salaries - support	9,802,144	1,457,665	11,259,809	11,129,995
Benefits	8,663,973	237,658	8,901,631	7,324,530
Travel	1,217,742	2,897	1,220,639	1,022,752
Supplies and consumable expenses	3,366,764	995,333	4,362,097	3,878,599
Major renovations	133,475	4,385	137,860	174,091
Property taxes	124,665		124,665	142,381
Utilities	592,541	309,131	901,672	853,805
Cost of goods sold		1,668,796	1,668,796	1,735,017
Scholarships and bursaries	1,124,206	76,218	1,200,424	1,279,739
Interest on long-term liabilities		73,772	73,772	82,536
Amortization	3,066,086		3,066,086	2,891,023
Loss on disposal of capital assets	4,597		4,597	628
	47,589,227	4,825,855	52,415,082	48,690,811
Excess/(deficiency) of revenue over expenses	$ 203,843	$ (60,134)	$ 143,709	$ 1,818,381

Schedule 2

(unaudited)

Brandon University

Detailed Schedule of Operations - Restricted
for the Year Ended March 31, 2013

	Research & Special Projects	Special Programs	Restricted Capital	Total 2013	Total 2012	Deferred Contributions 2013	Deferred Contributions 2012	Transfer To Statement of Operations 2013	Transfer To Statement of Operations 2012
Revenues									
Tuition fees	$	$ 746,073	$	$ 746,073	$ 938,490	$ 207,478	$	$ 953,551	$ 938,490
Grants									
COPSE	787,000	330,935	387,221	1,505,156	3,816,800	689,670	(626,019)	2,194,826	3,190,781
Province of Manitoba	394,318		2,602,369	2,996,687	2,781,263	(2,586,618)	(2,180,498)	410,069	600,765
Government of Canada	1,669,052		2,858,916	4,527,968	3,803,147	(2,922,769)	(2,244,379)	1,605,199	1,558,768
City of Brandon			1,880,000	1,880,000		(1,880,000)			
Brandon University Foundation	740,468	4,870	1,171,305	1,916,643	4,512,181	(1,171,305)	(4,156,547)	745,338	355,634
Miscellaneous	550,194			550,194	610,045	(37,289)	(86,450)	512,905	523,595
	4,141,032	1,081,878	8,899,811	14,122,721	16,461,926	(7,700,833)	(9,293,893)	6,421,888	7,168,033
Expenses									
Salaries - academic	1,043,286	1,170,828		2,214,114	2,284,046			2,214,114	2,284,046
Salaries - support	1,148,300	240,500		1,388,800	1,424,017			1,388,800	1,424,017
Benefits	317,713	154,395		472,108	581,741			472,108	581,741
Travel	324,143	61,282		385,425	494,183			385,425	494,183
Supplies and other expenses	1,612,251	186,797		1,799,048	2,246,421			1,799,048	2,246,421
Major renovations	157,627		4,766	162,393	137,625			162,393	137,625
	4,603,320	1,813,802	4,766	6,421,888	7,168,033			6,421,888	7,168,033
Excess/(deficiency) of revenue over expenses	$ (462,288)	$ (731,924)	$ 8,895,045	$ 7,700,833	$ 9,293,893	$ (7,700,833)	$ (9,293,893)	$ -	$ -

28

Brandon University

Deferred Contributions and Unamortized Deferred Capital Contributions
for the Year Ended March 31, 2013

	Research & Special Projects	Special Programs	Restricted Capital	Total 2013	Total 2012	Unamortized Deferred Capital Contributions 2013	2012
Contributions received							
Tuition and related fees	$	$ 746,073	$	$ 746,073	$ 938,490	$	$
Grants	2,850,370	330,935	7,728,506	10,909,811	10,401,210		
Brandon University Foundation	740,468	4,870	1,171,305	1,916,643	4,512,181		
Miscellaneous	550,194			550,194	610,045		
Expenses	(4,603,320)	(1,813,802)	(4,766)	(6,421,888)	(7,168,033)		
Transfers from/to:							
Unrestricted accounts	72,875			72,875	(329,085)		
Capital aquisitions	(391,521)		(8,895,045)	(9,286,566)	(8,756,718)	9,286,566	8,756,718
Amortization of deferred capital contributions						(1,926,188)	(1,738,699)
	(780,934)	(731,924)		(1,512,858)	208,090	7,360,378	7,018,019
Deferred balance, beginning of year	2,811,582	1,510,065		4,321,647	4,022,657	40,423,554	33,405,535
Restatements (note 18)					90,900		
Restated deferred balance, beginning of year	2,811,582	1,510,065		4,321,647	4,113,557		
Deferred balance, end of year	$ 2,030,648	$ 778,141	$ -	$ 2,808,789	$ 4,321,647	$ 47,783,932	$ 40,423,554

Schedule 4
(unaudited)

Brandon University

Schedule of Investment in Capital Assets and Collections for the Year Ended March 31, 2013

	Total 2013	Total 2012
Balance, beginning of year	$ 10,222,138	$ 10,233,569
Internally funded capital asset additions		
General operating funds		
Land and buildings	3,659	276,294
Furniture and equipment	314,049	296,758
Library acquisitions	427,706	433,013
Ancillary services		
Furniture and equipment	9,907	1,845
	755,321	1,007,910
Non-amortizable capital asset donations	450	
Disposals (net book value) - internally funded capital assets	(5,497)	(1,067)
Amortization of internally funded capital assets	(1,139,898)	(1,152,324)
Repayment of long-term debt	101,217	134,050
Balance, end of year	$ 9,933,731	$ 10,222,138

Brandon University

Schedule of Operating Revenues for the Year Ended March 31, 2013

		Total 2013		Total 2012
Grants				
Council on Post Secondary Education				
Operating	$	34,444,911	$	32,808,900
Renovations and equipment		330,000		330,000
		34,774,911		33,138,900
Tuition				
Campus Manitoba		21,043		13,216
Faculty of Arts		1,987,630		1,767,459
Faculty of Education		1,020,985		1,093,307
Faculty of Science		2,103,921		1,791,502
School of Health Studies		1,352,374		1,195,379
School of Music		435,936		405,669
Visa Premium		322,938		297,830
		7,244,827		6,564,362
Music Conservatory		335,631		359,802
Other student fees		172,322		140,124
Brandon University Foundation		474,058		468,396
Interest income		117,590		144,449
Miscellaneous		80,074		97,524
Total Operating Revenues	$	43,199,413	$	40,913,557

Schedule 6
(unaudited)

BRANDON UNIVERSITY

Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2013

	Academic	Support	Benefits	Travel	Supplies & Other Expenses	Deduct: Cost Recoveries	Total March 31, 2013	Total March 31, 2012
Faculty of Arts								
Office of the Dean	$ 592,197	$ 189,385	$ 109,280	$ 25,244	$ 52,244	$ 3,677	$ 964,673	$ 850,985
Drama	120,148		21,328	1,549	4,661		147,686	120,459
Economics	287,064		54,077	4,861	1,066		347,068	305,474
English	594,181		111,080	7,282	3,520		716,063	634,622
History	441,914		81,929	8,430	2,270		534,543	533,860
Languages	314,722		57,982	7,210	2,058	1,980	379,992	392,602
Gender & Women's Studies					554		554	418
Philosophy	276,380		53,993	7,395	1,670		339,438	305,133
Political Science	285,225		54,700	2,110	1,296		343,331	304,293
Religion	268,782		53,534	4,019	652		326,987	294,549
Sociology	381,918		74,071	7,733	1,396		465,118	397,054
Native Studies	285,613		56,207	4,780	1,895		348,495	305,776
Business Administration	382,706		72,659	14,180	2,468		472,013	415,237
Fine Arts	366,024	14,367	71,662	6,663	24,326	14,740	468,302	488,973
Anthropology	287,909		44,322	3,504	1,021	160	336,596	358,951
Rural Development	355,191		64,470	5,757	1,928		427,346	376,590
Archeology Field School		2,621	227		711		3,559	(11,743)
	5,239,974	206,373	981,521	110,717	103,736	20,557	6,621,764	6,073,233
Faculty of Science								
Office of the Dean	174,601	187,521	78,978	11,300	19,295		471,695	497,451
Applied Disaster & Emergency Studies	265,920	392	51,007	7,596	5,438		330,353	359,652
Biology	1,104,631	33,015	207,903	24,217	40,279	12,658	1,397,387	1,263,633
Chemistry	489,161	6,720	112,827	13,992	29,055	23,210	628,545	536,974
Environmental Science	98,864		18,896	1,662	919		120,341	132,732
Geography	545,870	6,642	103,912	21,854	10,358	9,862	678,774	632,175
Geology	494,302	6,125	93,847	12,633	13,846	7,595	613,158	610,243
Mathematics/Comp. Sci.	1,069,587	24,800	186,292	14,167	12,965		1,307,811	1,215,189
Physics/Astronomy	526,343	4,163	100,175	8,947	16,863	548	655,943	492,992
Psychology	721,919	17,254	139,754	19,886	10,910	480	909,243	936,870
	5,491,198	286,632	1,093,591	136,254	159,928	54,353	7,113,250	6,677,911
Faculty of Health Studies								
Office of the Dean	120,169	62,210	33,114	62,638	69,442		347,573	340,641
Psychiatric Nursing	2,067,042	86,846	424,285	10,706	161,547	1,708	2,748,718	2,480,397
Bachelor of Nursing	1,166,760	88,616	243,644	5,793	21,725	673	1,525,865	1,432,950
Indigenous Health & Human Services	182,501		37,666	107	5,004		225,278	298,297
Masters Psychiatric Nursing	15,273		482		2,117	1,500	16,372	75,206
	3,551,745	237,672	739,191	79,244	259,835	3,881	4,863,806	4,627,491

BRANDON UNIVERSITY

Schedule 6
(unaudited)

Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2013

	Academic	Support	Benefits	Travel	Supplies & Other Expenses	Deduct: Cost Recoveries	Total March 31, 2013	Total March 31, 2012
Faculty of Education								
Office of the Dean	266,878	149,514	68,179	41,010	16,344	13,856	528,069	488,380
Field Experience	193,541	41,391	33,800	18,962	8,988	4,980	291,702	302,579
Teacher Education	1,620,843		252,040		13,105	7,010	1,878,978	1,921,721
Physical Education	494,220		99,362	6,575	30,433	18,102	612,488	502,520
Graduate Studies	108,018		12,189	268	4,570	10,275	114,770	125,872
	2,683,500	190,905	465,570	66,815	73,440	54,223	3,426,007	3,341,072
School of Music	2,091,814	163,723	403,684	126,395	195,569	121,001	2,860,184	2,533,904
Campus Manitoba	24,959		3,289				28,248	5,558
Music Conservatory	307,691	30,131	6,268	150	10,397	2,575	352,062	392,443
Total Academic	19,390,881	1,115,436	3,693,114	519,575	802,905	256,590	25,265,321	23,651,612
Library Services		1,049,045	230,654	10,402	461,786	123,454	1,628,433	1,795,459
Student Services								
Student Services		1,132,732	228,895	58,695	126,709	4,000	1,543,031	1,521,210
Athletic Programs		501,947	81,511	434,159	246,314	221,990	1,041,941	805,741
		1,634,679	310,406	492,854	373,023	225,990	2,584,972	2,326,951
Administration								
Board of Governors				4,979	15,706		20,685	19,724
President		412,787	72,306	22,873	172,454		680,420	669,875
Vice-President (Administration & Finance)		243,523	43,171	13,584	6,240		306,518	303,207
Vice-President (Academic & Provost)		319,482	72,511	30,606	199,209	6,015	615,793	394,898
		975,792	187,988	72,042	393,609	6,015	1,623,416	1,387,704
General Support								
Chancellor				8,898	3,241		12,139	4,353
Convocation		4,667	511	1,462	45,030	35	51,635	49,189
Information Technology Services		824,204	175,787	14,358	281,598	443,416	852,531	778,542
Institutional Advancement		402,753	78,818	11,295	136,996	7,878	621,984	538,570
Financial & Registration Services		630,992	152,993	7,565	6,402	82,189	715,763	693,186
Healthy Living Centre		140,000	22,211	1,413	44,942	154,545	54,021	100,703
Human Resources		514,132	167,379	2,135	94,623		778,269	714,367
Institutional membership fees					37,731		37,731	35,315
Print/Mail Services		62,893	15,392		(37,396)		40,889	43,647
Professional fees					104,304		104,304	319,728
Registrar		517,748	108,357	4,080	24,716	2,254	652,647	598,165
		3,097,389	721,448	51,206	742,187	690,317	3,921,913	3,875,765

Schedule 6
(unaudited)

BRANDON UNIVERSITY

Detailed Schedule of Operating Expenses
for the Year Ended March 31, 2013

	Academic	Support	Benefits	Travel	Supplies & Other Expenses	Deduct: Cost Recoveries	Total March 31, 2013	Total March 31, 2012
Miscellaneous Initiatives								
Bran-U-Day Care subsidy					4,773		4,773	4,686
Office of International Activities		58,795	12,877	45,148	27,932		144,752	110,627
English for Academic Purposes		154,324	10,762	1,616	5,311	231,545	(59,532)	(50,066)
Research development					32,913		32,913	27,692
Other		47,024	3,314		(102,405)		(52,067)	(206,827)
Pension liability payments			3,639,125				3,639,125	3,497,128
Junior Kindergarten		40,840	9,890		1,592	35,843	16,479	12,498
Rural Development	96,185	66,644	31,689	1,567	3,172	69	199,188	196,166
International Student Scholarships					54,265		54,265	52,874
University scholarships					214,145		214,145	236,634
	96,185	367,627	3,707,657	48,331	241,698	267,457	4,194,041	3,881,412
Physical Plant								
Plant maintenance		757,919	199,741	18,115	334,397	62,508	1,247,664	997,216
Buildings & grounds		603,172	233,605	98	90,943		927,818	1,177,578
Insurance					252,684		252,684	219,471
Security					70,550		70,550	68,449
Service contracts					62,153		62,153	45,949
Property taxes					128,068		128,068	141,031
Utilities					592,541	82,300	510,241	487,953
		1,361,091	433,346	18,213	1,531,336	144,808	3,199,178	3,137,647
Total Operating Expenses	$ 19,487,066	$ 9,601,059	$ 9,284,613	$ 1,212,623	$ 4,546,544	$ 1,714,631	$ 42,417,274	$ 40,056,550

Schedule 7
(unaudited)

Brandon University

Detailed Schedule of Ancillary Services
for the year ended March 31, 2013

	Bookstore	Food Services	Parking	Residence	Total 2013	Total 2012
Revenues						
Room and board fees	$	$ 1,030,697	$	$ 1,164,887	$ 2,195,584	$ 2,173,603
Conventions		73,984		61,837	135,821	172,464
Canteen and vending machines		165,547			165,547	152,447
Internal functions		78,003			78,003	70,331
Other	114,920	34,207	194,992	192,328	536,447	494,910
Book sales	1,479,330				1,479,330	1,579,045
Total Revenues	1,594,250	1,382,438	194,992	1,419,052	4,590,732	4,642,800
Expenses						
Salaries	255,382	572,234	22,328	440,156	1,290,100	1,311,892
Staff benefits	51,990	128,356	3,585	30,049	213,980	208,313
Cost of goods sold	1,117,284	551,512			1,668,796	1,735,017
Supplies and other expenses	90,880	141,375	53,143	375,318	660,716	865,532
Scholarships				76,218	76,218	69,575
Rent	46,436				46,436	44,367
Utilities		88,272	5,628	215,231	309,131	297,378
Total Expenses	1,561,972	1,481,749	84,684	1,136,972	4,265,377	4,532,074
Net Gain before specific provisions, capital acquisitions and transfers	32,278	(99,311)	110,308	282,080	325,355	110,726
Appropriated specific provision	(7,969)	(5,336)		(35,278)	(48,583)	72,022
Transfers to operating	(95,700)	(82,775)	(11,550)	(296,681)	(486,706)	(471,233)
Capital purchases			(9,907)		(9,907)	(1,845)
Students' Union share of Bookstore profit						
Net Loss	$ (71,391)	$ (187,422)	$ 88,851	$ (49,879)	$ (219,841)	$ (290,330)

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the accompanying financial statements of CancerCare Manitoba, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, the statement of remeasurement gains and losses for the year ended March 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

KPMG LLP

June 20, 2013

Winnipeg, Canada

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2013

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Assets				
Current assets:				
Cash	$ 5,489,405	$ –	$ 13,058	$ 5,502,463
Restricted cash (note 4)	2,061,761	–	–	2,061,761
Short-term investments (schedule 1)	1,258,785	–	947,930	2,206,715
Due from Manitoba Health (note 5)	6,314,667	–	–	6,314,667
Accounts receivable (note 6)	2,671,117	–	6,708,869	9,379,986
Inter-fund accounts	(2,439,324)	3,093,472	(654,148)	–
Prepaid expenses	579,303	–	–	579,303
Vacation entitlements receivable (note 15)	1,730,141	–	–	1,730,141
	17,665,855	3,093,472	7,015,709	27,775,036
Restricted cash (note 4)	3,673,087	–	–	3,673,087
Retirement entitlement obligation receivable (note 7)	1,419,400	–	–	1,419,400
Investments (schedule 2)	6,965,020	–	3,018,901	9,983,921
Capital assets (note 8)	–	59,251,858	1,614,535	60,866,393
	$ 29,723,362	$ 62,345,330	$ 11,649,145	$ 103,717,837
Liabilities, Deferred Contributions and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 15)	$ 13,755,970	$ –	$ 114,674	$ 13,870,644
Due to Manitoba Health (note 5)	2,230,728	–	–	2,230,728
Deferred contributions - expenses of future periods [note 9(a)]	2,618,408	–	–	2,618,408
	18,605,106	–	114,674	18,719,780
Deferred contributions - capital assets [note 9(b)]	–	62,184,881	1,236,644	63,421,525
Employee future benefits (notes 7 and 15)	7,332,590	–	–	7,332,590
	25,937,696	62,184,881	1,351,318	89,473,895
Fund balances:				
Invested in capital assets (note 10)	–	160,449	377,891	538,340
Externally restricted (note 11)	–	–	9,013,173	9,013,173
Internally restricted	2,061,761	–	940,400	3,002,161
Unrestricted	1,759,746	–	–	1,759,746
	3,821,507	160,449	10,331,464	14,313,420
Accumulated remeasurement gains (losses)	(35,841)	–	(33,637)	(69,478)
	3,785,666	160,449	10,297,827	14,243,942
Commitment (note 12)				
Contingencies (note 13)				
	$ 29,723,362	$ 62,345,330	$ 11,649,145	$ 103,717,837

See accompanying notes to financial statements.

Approved by the Members:

Member   Member

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2012

		General Fund		Capital Fund		Clinical, Basic Research and Special Projects Fund		Total
Assets								
Current assets:								
Cash	$	–	$	–	$	3,599	$	3,599
Restricted cash (note 4)		2,041,296		–		–		2,041,296
Short-term investments (schedule 1)		4,275,899		–		794,713		5,070,612
Due from Manitoba Health (note 5)		4,628,756		–		–		4,628,756
Accounts receivable (note 6)		2,929,377		–		9,058,321		11,987,698
Inter-fund accounts		130,387		2,928,805		(3,059,192)		–
Prepaid expenses		748,500		–		–		748,500
Vacation entitlements receivable (note 15)		1,730,141		–		–		1,730,141
		16,484,356		2,928,805		6,797,441		26,210,602
Restricted cash (note 4)		3,636,629		–		–		3,636,629
Retirement entitlement obligation receivable (note 7)		1,419,400		–		–		1,419,400
Investments (schedule 2)		6,246,400		–		3,180,334		9,426,734
Capital assets (note 8)		–		63,519,829		370,270		63,890,099
	$	27,786,785	$	66,448,634	$	10,348,045	$	104,583,464
Liabilities, Deferred Contributions and Fund Balances								
Current liabilities:								
Bank indebtedness	$	1,452,998	$	–	$	–	$	1,452,998
Accounts payable and accrued liabilities (note 15)		12,413,090		7,234		55,620		12,475,944
Due to Manitoba Health (note 5)		617,624		–		–		617,624
Deferred contributions - expenses of future periods [note 9(a)]		2,546,438		–		–		2,546,438
		17,030,150		7,234		55,620		17,093,004
Deferred contributions - capital assets [note 9(b)]		–		66,280,951		–		66,280,951
Employee future benefits (notes 7 and 15)		6,955,558		–		–		6,955,558
		23,985,708		66,288,185		55,620		90,329,513
Fund balances:								
Invested in capital assets (note 10)		–		160,449		370,270		530,719
Externally restricted (note 11)		–		–		9,031,773		9,031,773
Internally restricted		2,041,296		–		890,382		2,931,678
Unrestricted		1,759,781		–		–		1,759,781
		3,801,077		160,449		10,292,425		14,253,951
Commitment (note 12)								
Contingencies (note 13)								
	$	27,786,785	$	66,448,634	$	10,348,045	$	104,583,464

CANCERCARE MANITOBA

Statement of Financial Position

April 1, 2011

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Assets				
Current assets:				
Cash	$ 1,775,160	$ –	$ 127,967	$ 1,903,127
Restricted cash (note 4)	2,020,952	–	–	2,020,952
Short-term investments (schedule 1)	502,014	–	656,990	1,159,004
Due from Manitoba Health (note 5)	6,681,205	–	–	6,681,205
Accounts receivable (note 6)	2,113,563	–	5,631,255	7,744,818
Inter-fund accounts	(2,057,883)	2,363,230	(305,347)	–
Prepaid expenses	572,689	–	–	572,689
Vacation entitlements receivable (note 15)	1,730,141	–	–	1,730,141
	13,337,841	2,363,230	6,110,865	21,811,936
Restricted cash (note 4)	3,600,385	–	–	3,600,385
Retirement entitlement obligation receivable (note 7)	1,419,400	–	–	1,419,400
Investments (schedule 2)	9,465,172	–	3,024,520	12,489,692
Capital assets (note 8)	–	68,170,620	536,978	68,707,598
	$ 27,822,798	$ 70,533,850	$ 9,672,363	$ 108,029,011
Liabilities, Deferred Contributions and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 15)	$ 9,625,384	$ –	$ 22,985	$ 9,648,369
Due to Manitoba Health (note 5)	6,883,645	–	–	6,883,645
Deferred contributions - expenses of future periods [note 9(a)]	2,686,318	–	–	2,686,318
	19,195,347	–	22,985	19,218,332
Deferred contributions - capital assets [note 9(b)]	–	70,373,401	–	70,373,401
Employee future benefits (notes 7 and 15)	6,582,200	–	–	6,582,200
	25,777,547	70,373,401	22,985	96,173,933
Fund balances:				
Invested in capital assets (note 10)	–	160,449	536,978	697,427
Externally restricted (note 11)	–	–	8,385,950	8,385,950
Internally restricted	2,020,952	–	726,450	2,747,402
Unrestricted	24,299	–	–	24,299
	2,045,251	160,449	9,649,378	11,855,078
Commitment (note 12)				
Contingencies (note 13)				
	$ 27,822,798	$ 70,533,850	$ 9,672,363	$ 108,029,011

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2013

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Revenue:				
Manitoba Health (note 14)	$ 117,310,645	$ –	$ 409,097	$ 117,719,742
Other recoveries	1,432,740	–	–	1,432,740
Grants (note 16)	–	–	13,631,785	13,631,785
Amortization of deferred contributions (note 9)	–	5,656,678	–	5,656,678
	118,743,385	5,656,678	14,040,882	138,440,945
Expenses:				
Compensation	48,943,213	–	8,417,415	57,360,628
Medical remuneration	14,738,518	–	–	14,738,518
Building occupancy	1,899,057	–	–	1,899,057
Amortization of capital assets	–	5,656,678	164,277	5,820,955
General administration	3,385,825	–	–	3,385,825
Equipment rentals and maintenance	1,335,058	–	198,672	1,533,730
Supplies and other departmental expenses	4,344,469	–	5,214,498	9,558,967
Drugs:				
Provincial oncology drug program	35,808,240	–	–	35,808,240
Neupogen	3,541,610	–	–	3,541,610
Other	1,085,378	–	–	1,085,378
Referred-out services	4,017,986	–	160,480	4,178,466
	119,099,354	5,656,678	14,155,342	138,911,374
Deficiency of revenue over expenses before the undernoted	(355,969)	–	(114,460)	(470,429)
Investment income	402,707	–	146,807	549,514
Excess of revenue over expenses	46,738	–	32,347	79,085
Fund balances, beginning of year	3,801,077	160,449	10,292,425	14,253,951
Adjustment on adoption of the financial instruments standard (note 3)	(26,308)	–	6,692	(19,616)
Fund balances, beginning of year, as restated	3,774,769	160,449	10,299,117	14,234,335
Fund balances, end of year	$ 3,821,507	$ 160,449	$ 10,331,464	$ 14,313,420

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Revenue:				
Manitoba Health (note 14)	$ 112,525,003	$ –	$ 501,062	$ 113,026,065
Other recoveries	1,773,420	–	–	1,773,420
Grants (note 16)	–	–	14,635,077	14,635,077
Amortization of deferred contributions (note 9)	–	5,883,659	–	5,883,659
	114,298,423	5,883,659	15,136,139	135,318,221
Expenses:				
Compensation	46,710,314	–	8,469,625	55,179,939
Medical remuneration	15,432,799	–	–	15,432,799
Building occupancy	1,782,767	–	–	1,782,767
Amortization of capital assets	–	5,883,659	204,135	6,087,794
General administration	3,276,697	–	–	3,276,697
Equipment rentals and maintenance	1,154,096	–	232,385	1,386,481
Supplies and other departmental expenses	5,129,566	–	5,593,071	10,722,637
Drugs:				
Provincial oncology drug program	34,666,451	–	–	34,666,451
Other	1,014,467	–	–	1,014,467
Referred-out services	3,869,681	–	155,663	4,025,344
	113,036,838	5,883,659	14,654,879	133,575,376
Excess of revenue over expenses before the undernoted	1,261,585	–	481,260	1,742,845
Investment income	494,241	–	161,787	656,028
Excess of revenue over expenses	1,755,826	–	643,047	2,398,873
Fund balances, beginning of year	2,045,251	160,449	9,649,378	11,855,078
Fund balances, end of year	$ 3,801,077	$ 160,449	$ 10,292,425	$ 14,253,951

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2013

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	$ 46,738	$ –	$ 32,347	$ 79,085
Amortization of capital assets	–	5,656,678	164,277	5,820,955
Amortization of deferred contributions related to capital assets	–	(5,656,678)	–	(5,656,678)
Unrealized loss on investments	35,841	–	33,637	69,478
Change in non-cash operating working capital (note 17)	1,697,530	(7,234)	2,408,506	4,098,802
Increase in employee future benefits	377,032	–	–	377,032
	2,157,141	(7,234)	2,638,767	4,788,674
Capital activities:				
Additions to capital assets	–	(1,388,707)	(171,898)	(1,560,605)
Deferred contributions related to capital assets	–	1,351,758	–	1,351,758
Transfer to deferred contributions related to capital assets	(208,850)	208,850	–	–
	(208,850)	171,901	(171,898)	(208,847)
Investing activities:				
Inter-fund accounts	2,569,711	(164,667)	(2,405,044)	–
Purchase of investments	(3,030,425)	–	(870,134)	(3,900,559)
Proceeds on disposal of investments	5,293,078	–	844,713	6,137,791
Change in investment classification	(3,079,263)	–	126,272	(2,952,991)
	1,753,101	(164,667)	(2,304,193)	(715,759)
Financing activities:				
Increase in restricted cash	(56,923)	–	–	(56,923)
Deferred contributions related to expenses of future periods	280,820	–	–	280,820
	223,897	–	–	223,897
Increase in cash and short-term investments	3,925,289	–	162,676	4,087,965
Cash and short-term investments, beginning of year	2,822,901	–	798,312	3,621,213
Cash and short-term investments, end of year	$ 6,748,190	$ –	$ 960,988	$ 7,709,178
Cash and short-term investments are comprised of:				
Cash	$ 5,489,405	$ –	$ 13,058	$ 5,502,463
Short-term investments	1,258,785	–	947,930	2,206,715
	$ 6,748,190	$ –	$ 960,988	$ 7,709,178

For the year ended March 31, 2013, capital assets contributed with a fair value of $1,236,644 [note 9(b)] have been excluded from capital activities.

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2012

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	$ 1,755,826	$ –	$ 643,047	$ 2,398,873
Amortization of capital assets	–	5,883,659	204,135	6,087,794
Amortization of deferred contributions related to capital assets	–	(5,883,659)	–	(5,883,659)
Unrealized loss (gain) on investments	26,308	–	(6,692)	19,616
Change in non-cash operating working capital (note 17)	(2,417,491)	7,234	(3,394,431)	(5,804,688)
Increase in employee future benefits	373,358	–	–	373,358
	(261,999)	7,234	(2,553,941)	(2,808,706)
Capital activities:				
Additions to capital assets	–	(1,232,868)	(37,427)	(1,270,295)
Deferred contributions related to capital assets	–	1,370,509	–	1,370,509
Transfer to deferred contributions related to capital assets	(420,700)	420,700	–	–
	(420,700)	558,341	(37,427)	100,214
Investing activities:				
Inter-fund accounts	(2,188,270)	(565,575)	2,753,845	–
Purchase of investments	(1,083,435)	–	(943,835)	(2,027,270)
Proceeds on disposal of investments	502,014	–	656,990	1,159,004
Change in investment classification	3,773,885	–	137,723	3,911,608
	1,004,194	(565,575)	2,604,723	3,043,342
Financing activities:				
Increase in restricted cash	(56,588)	–	–	(56,588)
Deferred contributions related to expenses of future periods	280,820	–	–	280,820
	224,232	–	–	224,232
Increase in cash and short-term investments	545,727	–	13,355	559,082
Cash and short-term investments, beginning of year	2,277,174	–	784,957	3,062,131
Cash and short-term investments, end of year	$ 2,822,901	$ –	$ 798,312	$ 3,621,213
Cash and short-term investments are comprised of:				
Cash	$ –	$ –	$ 3,599	$ 3,599
Short-term investments	4,275,899	–	794,713	5,070,612
Bank indebtedness	(1,452,998)	–	–	(1,452,998)
	$ 2,822,901	$ –	$ 798,312	$ 3,621,213

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Remeasurement Gains and Losses

Year ended March 31, 2013

Accumulated remeasurement gains (losses), beginning of the year		
Adjustment on adoption of the financial instruments standard (note 3)	$	(19,616)
Unrealized gains (losses) attributable to:		
Investments		(69,478)
Realized gains (losses), reclassified to the statement of operations:		
Investments		(19,616)
Net remeasurement losses for the year	$	(49,862)
Accumulated remeasurement gains (losses), end of the year	$	(69,478)

See accompanying notes to financial statements.

1. Purpose of the organization:

CancerCare Manitoba (the organization) is an agency established under the *CancerCare Manitoba Act*. The organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

On April 1, 2012, the organization adopted Canadian public sector accounting standards (PS). The organization has also elected to apply the PS 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to fund balances and excess of revenue over expenses is provided in note 18.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations.

(a) Fund accounting:

The organization follows the deferral method of accounting for contributions.

The General Fund accounts for the organization's revenues and expenses related to program delivery and administrative activities. The organization has internally restricted $2,061,761 for future expansion.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's building expansion, renovations and equipment acquisitions.

2. Significant accounting policies (continued):

The Clinical, Basic Research and Special Projects Fund reports grants received for specific clinical and basic research projects, as well as other revenue and expenses related thereto, undertaken by the organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the organization has designated for specific purposes based on contractual grant agreements.

(b) Revenue recognition:

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

2. Significant accounting policies (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The organization’s investments are classified as level 2. There were no transfers between level 1 and level 2 for the years ended March 31, 2013 and 2012, and there were no transfers in or out of level 3.

(d) Capital assets:

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is recorded on a straight-line basis over the assets’ estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(e) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Significant accounting policies (continued):

(f) Employee future benefits:

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

The organization provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. Significant assumptions include discount rate and salary scale. The liability associated with these benefits is calculated as the present value of expected future payments pro-rated for service as is recorded as employee future benefits in the statement of financial position.

(g) Deferred contributions:

Debt owing to the Province of Manitoba and external lenders is reflected as deferred contributions in the statement of financial position. The related revenue earned from Manitoba Health to offset the interest expense and the related interest expense are both excluded from the statement of operations and changes in fund balances.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

3. Change in accounting policy:

On April 1, 2012, the organization adopted Public Accounting Standard *PS 3450 - Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the organization's accounting policy choices (note 2(c)).

3. Change in accounting policy (continued):

In accordance with the provisions of this new standard, the organization reflected the following adjustments at April 1, 2012:

- an increase of $19,616 to fund balances and a decrease of $19,616 to accumulated remeasurement gains (losses) due to the unrealized loss on the organization's investments being reclassified to accumulated remeasurement gains (losses).

4. Restricted cash:

As at March 31, 2013, the organization has restricted cash of $2,061,761 (March 31, 2012 - $2,041,296; April 1, 2011 - $2,020,952) for future expansion and $3,673,087 (March 31, 2012 - $3,636,629; April 1, 2011 - $3,600,385) for future payment of retirement entitlement obligations.

5. Manitoba Health funding:

(a) In-globe funding:

In-globe funding is funding approved by Manitoba Health for the organization's operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding:

Out-of-globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, Provincial Oncology Drug Program approved drug costs, and capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the organization or repaid to Manitoba Health.

5. Manitoba Health funding (continued):

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the organization. Any unapproved costs not paid by Manitoba Health are absorbed by the organization.

At March 31, 2013, the organization had a balance of $2,230,728 (March 31, 2012 - $617,624; April 1, 2011 - $6,883,645) payable to Manitoba Health, representing repayment of out-of-globe medical remuneration ($2,151,327) and capital interest ($79,401) and a balance of $6,314,667 (March 31, 2012 - $4,628,756; April 1, 2011 - $6,681,205) receivable from Manitoba Health as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Provincial oncology drug program	$ 4,410,312	$ 3,268,524	$ 4,799,154
Neupogen drug program	867,982	–	–
Employee salary and benefits	352,671	837,863	450,144
Wait time funding	–	–	377,338
Colorectal screening program	–	–	343,844
Manitoba breast prostheses program	76,966	98,597	89,163
Emergency repairs	205,388	–	–
Safety and Security Projects	233,156	–	–
Other	168,192	299,653	497,443
Approved capital funding	–	124,119	124,119
	$ 6,314,667	$ 4,628,756	$ 6,681,205

6. Accounts receivable:

	General Fund	Clinical Basic Research and Special Projects Fund	March 31, 2013 Total	March 31, 2012 Total	April 1, 2011 Total
CancerCare Manitoba Foundation Inc. (note 16)	$ –	$ 5,304,638	$ 5,304,638	$ 6,843,953	$ 4,328,603
Province of Manitoba	–	2,440	2,440	300,201	–
Government of Canada	–	16,421	16,421	–	13,399
Winnipeg Regional Health Authority	–	392,973	392,973	750,142	316,122
University of Manitoba	–	95,996	95,996	222,591	20,100
University Medical Group	2,577,809	1,306	2,579,115	2,797,985	1,520,943
Other	93,308	895,095	988,403	1,072,826	1,545,651
	$ 2,671,117	$ 6,708,869	$ 9,379,986	$ 11,987,698	$ 7,744,818

7. Retirement entitlement obligation receivable:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2013, based on an actuarial estimate, the retirement entitlement obligations are estimated to be $5,941,790 (March 31, 2012 - $5,509,358; April 1, 2011 - $5,085,300) for which the organization has recorded retirement entitlement obligations on the statement of financial position (note 15).

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates $1,419,400 (March 31, 2012 - $1,419,400; April 1, 2011 - $1,419,400) and has no specific terms of repayment.

8. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Capital Fund:			
Building	$ 62,570,219	$ 18,178,798	$ 44,391,421
Equipment	46,214,654	31,354,217	14,860,437
	108,784,873	49,533,015	59,251,858
Clinical, Basic Research and Special Projects Fund:			
Equipment	3,446,310	1,831,775	1,614,535
	$ 112,231,183	$ 51,364,790	$ 60,866,393

8. Capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
Capital Fund:			
Building	$ 62,492,298	$ 16,616,311	$ 45,875,987
Equipment	45,105,416	27,461,574	17,643,842
	107,597,714	44,077,885	63,519,829
Clinical, Basic Research and Special Projects Fund:			
Equipment	2,815,956	2,445,686	370,270
	$ 110,413,670	$ 46,523,571	$ 63,890,099

April 1, 2011	Cost	Accumulated amortization	Net book value
Capital Fund:			
Building	$ 62,487,573	$ 15,053,823	$ 47,433,750
Equipment	45,840,980	25,104,110	20,736,870
	108,328,553	40,157,933	68,170,620
Clinical, Basic Research and Special Projects Fund:			
Equipment	3,085,323	2,548,345	536,978
	$ 111,413,876	$ 42,706,278	$ 68,707,598

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

	2013	2012
Balance, beginning of year	$ 2,546,438	$ 2,686,318
Add amount received related to future periods	280,820	280,820
Less amounts transferred to deferred - contributions capital assets	(208,850)	(420,700)
Balance, end of year	$ 2,618,408	$ 2,546,438

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2013	2012
Capital Fund:		
Balance, beginning of year	$ 66,280,951	$ 70,373,401
Additional contributions received	1,351,758	1,370,509
Add amounts transferred from deferred contributions - expenses of future periods	208,850	420,700
Less amounts amortized to revenue	(5,656,678)	(5,883,659)
Balance, end of year	$ 62,184,881	$ 66,280,951

	2013	2012
Clinical, Basic Research and Special Projects Fund:		
Balance, beginning of year	$ –	$ –
Additional contributions received	1,236,644	–
Less amounts amortized to revenue	–	–
Balance, end of year	$ 1,236,644	$ –

9. Deferred contributions (continued):

The balance of unamortized capital contributions related to capital assets consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized capital asset contributions used to purchase capital assets	$ 61,822,333	$ 65,069,190	$ 69,343,329
Unspent contributions	1,599,192	1,211,761	1,030,072
	$ 63,421,525	$ 66,280,951	$ 70,373,401

Unamortized capital contributions of $63,421,525 (March 31, 2012 - $66,280,951; April 1, 2011 - $70,373,401) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Bearing interest at prime:			
Less 0.50%, repayable in monthly installments of $19,955, plus interest	$ –	$ 2,322,030	$ 2,561,489
Less 0.50%, repayable in monthly installments of $29,720, plus interest	–	4,847,273	4,639,268
Less 0.50%, repayment terms to be established	920,446	424,398	74,099
	$ 920,446	$ 7,593,701	$ 7,274,856

The organization has established arrangements for a bridge facility of non-revolving demand loans to a maximum of $25,000,000 (March 31, 2012 - $25,000,000; April 1, 2011 - $25,000,000) to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at prime rate less 0.50 percent, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The organization has utilized $920,446 of this facility as of March 31, 2013 (March 31, 2012 - $7,593,701; April 1, 2011 - $7,274,856).

9. Deferred contributions (continued):

Unamortized capital contributions of $63,421,525 (March 31, 2012 - $66,280,951; April 1, 2011 - $70,373,401) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is funded by Manitoba Health. The balances of the promissory notes are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
6.25% maturing March 31, 2020, repayable in monthly installments of $76,754, plus interest	$ 6,447,368	$ 7,368,421	$ 8,289,473
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly installments of $50,439, plus interest	5,396,929	6,002,193	6,607,456
4.80% maturing November 30, 2016, repayable in monthly installments of $50,000, plus interest	2,200,000	2,800,000	3,400,000
3.95% maturing November 30, 2025, repayable in monthly installments of $77,778, plus interest	11,822,222	12,755,556	13,688,889
3.35% maturing February 28, 2028, repayable in monthly installments of $38,889, plus interest	6,961,111	–	–
	$ 32,827,630	$ 28,926,170	$ 31,985,818

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	March 31 2013	March 31, 2012	April 1, 2011
Capital assets	$ 60,866,393	$ 63,890,099	$ 68,707,598
Amounts financed by:			
Unamortized deferred contributions	(63,421,525)	(66,280,951)	(70,373,401)
Inter-fund accounts	3,093,472	2,928,805	2,363,230
Accounts payable and accrued liabilities	–	(7,234)	–
	$ 538,340	$ 530,719	$ 697,427

10. Invested in capital assets (continued):

(b) Change in invested in capital assets fund balance is calculated as follows:

	2013	2012
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	$ 5,656,678	$ 5,883,659
Amortization of capital assets	(5,820,955)	(6,087,794)
	(164,277)	(204,135)
Invested in capital assets:		
Purchase of capital assets	2,797,249	1,270,295
Amounts funded by:		
Deferred contributions	(2,588,402)	(1,370,509)
Inter-fund balances	164,667	565,575
Amount transferred from deferred contributions - expenses of future periods	(208,850)	(420,700)
Accounts payable and accrued liabilities	7,234	(7,234)
	171,898	37,427
	$ 7,621	$ (166,708)

11. Externally restricted fund balances:

The major category of externally imposed restrictions on fund balances is as follows:

	March 31 2013	March 31, 2012	April 1, 2011
Restricted for research projects, education purposes and other specific purposes	$ 9,013,173	$ 9,031,773	$ 8,385,950

12. Commitment:

The organization has a commitment for software and hardware support for purchased linear accelerators of US$1,046,588 at March 31, 2013 (March 31, 2012 - US$2,007,825; April 1, 2011 - US$2,539,948).

13. Contingencies - HIROC:

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2013, March 31, 2012 and April 1, 2011.

14. Economic dependence:

The organization received approximately 85 percent (2012 - 84 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

15. Employee future benefits:

	March 31, 2013	March 31, 2012	April 1, 2011
Retirement entitlement obligations	$ 5,941,790	$ 5,509,358	$ 5,085,300
Accumulated sick leave entitlement	1,390,800	1,446,200	1,496,900
	$ 7,332,590	$ 6,955,558	$ 6,582,200

(a) Retirement entitlement obligations:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached age 55; or

(ii) qualify for the “eighty” rule which is calculated by adding the number of years of service to the age of the employee; or

15. Employee future benefits (continued):

(iii) retire at or after age 65; or

(iv) terminate employment at any time due to permanent disability.

Information about the organization's retirement entitlement obligations is as follows:

	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	$ 5,509,358	$ 5,085,300
Current benefit cost	471,559	471,823
Interest	194,000	182,300
Benefits paid	(224,272)	(230,065)
	5,950,645	5,509,358
Amortized actuarial gain	(8,855)	–
Balance, end of year	$ 5,941,790	$ 5,509,358

The organization undertook an actuarial valuation of the retirement entitlement obligations as at March 31, 2013. The significant actuarial assumptions adopted in measuring the organization's retirement entitlement obligations include mortality, disability and withdrawal rates, a discount rate of 3.35 percent (March 31, 2012 - 3.35 percent; April 1, 2011 - 3.35 percent) and a rate of salary increase of 3.0 percent plus age-related merit/promotion scale (March 31, 2012 - rate of salary increase of 3.0 percent plus age-related merit/promotion scale; April 1, 2011 - rate of salary increase of 3.5 percent plus age related merit/promotion scale).

(b) Accumulated sick leave entitlement:

The organization undertook an actuarial valuation of the accumulated sick leave entitlement as at March 31, 2013. The significant assumptions adopted in measuring the organization's accumulated sick leave entitlement include a discount rate of 3.35 percent (March 31, 2012 - 3.35 percent; April 1, 2011 - 3.35 percent) and a rate of salary increase of 3.0 percent (March 31, 2012 - 3.0 percent; April 1, 2011 - 3.0 percent).

15. Employee future benefits (continued):

(c) Employee entitlements:

The cost of the organization's vacation, overtime and statutory holiday entitlements is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. Manitoba Health provides funding for these employee benefits payable on an annual basis and this amount is reported as vacation entitlements receivable on the statement of financial position. The amount of funding which will be provided by Manitoba Health for these employee benefits was initially determined based on the employee benefit obligations at March 31, 2004.

(d) Pension plans:

Most of the employees of the organization are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook, Public Sector Accounting Standards, Section 3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent actuarial valuation of the Plan as at December 31, 2011, reported that the Plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on the solvency exemption granted to the Plan, the Plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the Plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

15. Employee future benefits (continued):

Actual contributions to the Plan made during the year by the organization on behalf of its employees amounted to $3,611,974 (2012 - $3,439,608) and are included in the statement of operations and changes in fund balances. Employer contribution rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE. As of April 1, 2013, the organization’s contribution rates increased to 7.9 percent and 9.5 percent, respectively.

Some of the employees of the organization are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for organization employees is included in the Province of Manitoba’s liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the Civil Service Superannuation Plan by the organization and its employees. No contributions were made during 2013 or 2012 by the organization to the Civil Service Superannuation Plan on behalf of its employees.

16. CancerCare Manitoba Foundation Inc.:

The organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2013, net resources of CCMF Inc. amounted to $37,914,841 (March 31, 2012 - $34,794,185; April 1, 2011 - $34,773,227), of which $15,187,214 (March 31, 2012 - $14,745,522; April 1, 2011 - $14,080,325) are restricted contributions. CCMF Inc.’s purpose is to support the organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $5,803,817 (2012 - $4,395,203) to the organization which are recorded in grant revenue in the statement of operations and changes in fund balances. Unpaid grants from fiscal 2013 and prior years amount to $5,304,638 at March 31, 2013 (March 31, 2012 - $6,843,953; April 1, 2011 - $4,328,603).

17. Change in non-cash operating working capital:

The change in non-cash operating working capital consists of the following:

	2013	2012
General Fund		
Due from Manitoba Health	$ (1,685,911)	$ 2,052,449
Accounts receivable	258,260	(815,814)
Prepaid expenses	169,197	(175,811)
Accounts payable and accrued liabilities	1,342,880	2,787,706
Due to Manitoba Health	1,613,104	(6,266,021)
	1,697,530	(2,417,491)
Capital Fund		
Accounts payable and accrued liabilities	(7,234)	7,234
Clinical, Basic Research and Special Projects Fund		
Accounts receivable	2,349,452	(3,427,066)
Accounts payable and accrued liabilities	59,054	32,635
	2,408,506	(3,394,431)
	$ 4,098,802	$ (5,804,688)

18. Transitional adjustments:

(a) Fund balances:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the organization's fund balances as of April 1, 2011:

Fund balances:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$ 13,764,724
Adjustment to recognize change in discount rate on retirement entitlement obligations	(412,746)
Adjustment to recognize non-vested sick leave	(1,496,900)
Restated, April 1, 2011	$ 11,855,078

18. Transitional adjustments (continued):

In accordance with transitional provisions of Canadian public sector accounting standards, the organization has elected to use the exemption for employee future benefits. The organization has elected to recognize all cumulative actuarial gains and losses and past services costs in opening fund balances.

(b) Statement of operations:

As a result of the retrospective application of Canadian public sector accounting standards, the organization recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$ 2,317,685
Decrease to employee future benefit expense as a result of change to discount rate on retirement entitlement obligations	30,488
Decrease to employee future benefit expense as a result of recognizing non-vested sick leave	50,700
Restated for the year ended March 31, 2012	$ 2,398,873

19. Financial risks:

(a) Credit risk:

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

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at March 31, 2013 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2013 is $24,014 (March 31, 2012 - $24,834; April 1, 2011 - $24,834).

There have been no significant changes to the credit risk exposure from 2012.

19. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages its liquidity risk by monitoring its operating requirements. The organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the organization’s income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

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 the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest rate risk. The organization is exposed to this risk through its demand loans and one of its promissory notes.

As at March 31, 2013, had prevailing interest rates increased or decreased by 1 percent, assuming a parallel shift in the yield curve, with all other variables held constant, there would be no material impact on the market value of bonds.

The organization mitigates interest rate risk on the majority of its promissory notes through fixed rates on the promissory notes. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the majority of the promissory notes.

The organization’s investments, including bonds and deposit notes, are disclosed in schedules 1 and 2.

There has been no change to the interest rate risk exposure from 2012.

CANCERCARE MANITOBA

Short-Term Investments

March 31, 2013, March 31, 2012 and April 1, 2011

March 31, 2013

Description	Interest rate %	Maturity date MM-DD-YYYY		Net cost		Fair value
General Fund:						
Bonds:						
Corporate	2.70 to 4.00%	05-24-2013 to 12-15-2013	$	1,307,268	$	1,258,785
Total short-term investments - General Fund			$	1,307,268	$	1,258,785
Special Projects Fund:						
Bonds:						
Provincial	5.05%	12-03-2013	$	335,989	$	328,387
Municipal	3.0%	11-06-2013		214,635		211,756
Corporate	5.0 to 5.15%	06-06-2013 to 02-18-2014		264,612		254,974
				815,236		795,117
Deposit Notes:						
Corporate	4.56%	10-30-2013		159,237		152,813
Total short-term investments - Special Projects Fund			$	974,473	$	947,930

March 31, 2012

Description	Interest rate %	Maturity date MM-DD-YYYY		Net cost		Fair value
General Fund:						
Bonds:						
Provincial	4.50 to 5.25%	12-02-2012 to 12-18-2012	$	3,709,403	$	3,570,974
Corporate	4.65 to 5.50%	06-01-2012 to 06-15-2012		382,680		379,817
				4,092,083		3,950,791
Deposit Notes:						
Corporate	5.00%	09-10-2012		334,144		325,108
Total short-term investments - General Fund			$	4,426,227	$	4,275,899
Special Projects Fund:						
Bonds:						
Provincial	5.25 to 5.875%	12-03-2012 to 12-06-2012	$	404,097	$	391,316
Corporate	2.40%	02-01-2013		100,829		100,810
				504,926		492,126
Deposit Notes:						
Corporate	4.90 to 6.25%	04-12-2012 to 11-13-2012		315,597		302,587
Total short-term investments - Special Projects Fund			$	820,523	$	794,713

CANCERCARE MANITOBA

Short-Term Investments (continued)

March 31, 2013, March 31, 2012 and April 1, 2011

April 1, 2011

Description	Interest rate %	Maturity date MM-DD-YYYY		Net cost		Fair value
General Fund:						
Municipal	4.125 %	05-25-2011	$	502,750	$	502,014
Total short-term investments - General Fund			$	502,750	$	502,014
Special Projects Fund:						
Municipal	4.2%	02-16-2012	$	155,001	$	153,214
Corporate Bonds	5.75%	06-01-2011		528,534		503,776
Total short-term investments - Special Projects Fund			$	683,535	$	656,990

CANCERCARE MANITOBA

Schedule of Investments

March 31, 2013, March 31, 2012 and April 1, 2011

March 31, 2013

Par value	Description	Interest rate %	Maturity date MM-DD-YYYY	Net cost	Fair value
General Fund:					
Bonds:					
$ 3,122,000	Provincial	2.75 to 4.80%	09-08-2014 to 09-08-2015	$ 3,189,724	$ 3,245,053
774,000	Municipal	2.75 to 4.60%	06-29-2016 to 06-01-2017	828,134	829,371
990,000	Corporate	2.24 to 4.55%	06-11-2017 to 12-11-2017	1,038,942	1,038,164
4,886,000				5,056,800	5,112,588
Deposit Notes:					
1,800,000	Corporate	2.65 to 3.43%	07-16-2014 to 12-15-2016	1,836,712	1,852,432
$ 6,686,000	Total investments - General Fund			$ 6,893,512	$ 6,965,020
Special Projects Fund:					
Bonds:					
$ 700,000	Provincial	1.90 to 4.30%	12-03-2015 to 09-08-2017	$ 727,009	$ 725,463
545,000	Municipal	2.28 to 4.90%	12-02-2014 to 12-01-2016	578,188	573,198
905,000	Corporate	3.36 to 5.48%	10-03-2014 to 04-02-2020	946,301	963,387
2,150,000				2,251,498	2,262,048
Deposit Notes:					
576,000	Corporate	3.10 to 5.18%	03-02-2015 to 10-17-2016	599,183	601,110
Medium Term Notes:					
150,000	Corporate	3.97%	11-03-2014	157,295	155,743
$ 2,876,000	Total investments - Special Project Fund			$ 3,007,976	$ 3,018,901

CANCERCARE MANITOBA

Schedule of Investments (continued)

March 31, 2013, March 31, 2012 and April 1, 2011

March 31, 2012

Par value	Description	Interest rate %	Maturity date MM-DD-YYYY	Net cost	Fair value
General Fund:					
Bonds:					
$ 3,122,000	Provincial	2.75 to 4.80%	09-08-2014 to 09-08-2015	$ 3,189,724	$ 3,259,936
2,250,000	Corporate	2.70 to 5.20%	05-24-2013 to 03-11-2018	2,367,568	2,302,528
5,372,000				5,557,292	5,562,464
Deposit Notes:					
665,000	Corporate	2.65 to 3.43%	07-16-2014 to 11-08-2016	673,362	683,936
$ 6,037,000	Total investments - General Fund			$ 6,230,654	$ 6,246,400
Special Projects Fund:					
Bonds:					
$ 620,000	Provincial	4.30 to 5.05%	12-03-2013 to 12-03-2015	$ 660,422	$ 665,200
655,000	Municipal	3.00 to 4.90%	11-06-2013 to 12-01-2016	680,360	674,339
1,315,000	Corporate	3.36 to 5.48%	06-06-2013 to 04-02-2020	1,378,472	1,397,443
2,590,000				2,719,254	2,736,982
Deposit Notes:					
276,000	Corporate	2.28 to 4.56%	10-30-2013 to 03-02-2015	286,309	286,894
Medium Term Notes:					
150,000	Corporate	3.79%	11-03-2014	157,295	156,458
$ 3,016,000	Total investments - Special Project Fund			$ 3,162,858	$ 3,180,334

CANCERCARE MANITOBA

Schedule of Investments (continued)

March 31, 2013, March 31, 2012 and April 1, 2011

April 1, 2011

Par value	Description	Interest rate %	Maturity date MM-DD-YYYY	Net cost	Fair value
General Fund:					
Bonds:					
$ 5,740,000	Provincial	2.75 to 5.25%	12-02-2012 to 09-08-2015	$ 5,983,055	$ 5,912,012
2,944,000	Corporate	2.70 to 5.50%	06-10-2012 to 03-11-2018	3,084,392	3,045,377
8,684,000				9,067,447	8,957,389
Deposit Notes:					
500,000	Corporate	3.43%	07-16-2014	506,000	507,783
$ 9,184,000	Total investments - General Fund			$ 9,573,447	$ 9,465,172
Special Projects Fund:					
Bonds:					
$ 470,000	Provincial	5.05 to 5.25%	12-03-2012 to 12-03-2013	$ 495,412	$ 500,971
410,000	Municipal	3.00 to 4.90%	11-06-2013 to 12-02-2014	432,702	426,765
1,115,000	Corporate	2.40 to 6.25%	06-01-2011 to 04-02-2020	1,161,206	1,163,328
1,995,000				2,089,320	2,091,064
Deposit Notes:					
450,000	Corporate	4.03 to 5.18%	10-30-2013 to 06-10-2015	479,514	472,271
Medium Term Notes:					
450,000	Corporate	3.97 to 5.00%	11-13-2012 to 11-03-2014	470,510	461,185
$ 2,895,000	Total investments - Special Project Fund			$ 3,039,544	$ 3,024,520

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of Le Centre Culturel Franco-Manitobain

We have audited the accompanying financial statements of Le Centre Culturel Franco-Manitobain, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in fund balances, and cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Le Centre Culturel Franco-Manitobain as at March 31, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 3, 2013

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash and bank	$	**74,308**	$	33,562	$	5,669
Grants receivable		**93,127**		65,827		103,093
Accounts receivable		**81,582**		102,220		97,531
Accounts receivable						
Province of Manitoba (Note 3)		**25,891**		25,891		25,891
Inventory		**6,885**		11,665		5,664
Prepaid expenses		**24,380**		21,281		29,406
GST receivable		**8,854**		2,468		-
		315,027		262,914		267,254
Non-current Assets						
Capital assets (Note 4)		**109,139**		91,398		62,526
	$	**424,166**	$	354,312	$	329,780
Liabilities and Fund Balances						
Current Liabilities						
Bank indebtedness (Note 5)	$	**-**	$	-	$	21,476
Accounts payable and accrued liabilities		**263,948**		221,063		184,876
Deferred revenue (Note 6)		**15,235**		8,874		11,524
Rental and damage deposits		**33,405**		20,980		21,305
		312,588		250,917		239,181
Deferred contributions related to capital assets (Note 7)		**58,804**		60,147		60,135
		371,392		311,064		299,316
Commitments (Note 8)						
Fund Balances						
Unrestricted Funds						
Operations		**85,920**		145,766		175,078
Cultural programs		**(93,481)**		(143,769)		(147,005)
Invested in capital assets (Note 9)		**50,335**		31,251		2,391
Internally Restricted Fund		**10,000**		10,000		-
		52,774		43,248		30,464
	$	**424,166**	$	354,312	$	329,780

Approved on behalf of the Board of Directors:

Director

Director

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31	Operations	Cultural Programs	Invested in Capital Assets	Internally Restricted	2013 Total	2012 Total
Revenue						
Grants						
Province of Manitoba	**$ 461,700**	**$ 92,040**	**$ 30,169**	$ -	**$ 583,909**	$ 577,985
Government of Canada	**74,000**	**144,000**	**-**	-	**218,000**	223,943
Other	**-**	**30,950**	**-**	-	**30,950**	38,352
Amortization of deferred contributions	**-**	**-**	**14,916**	-	**14,916**	12,487
340 Provencher Project (Note 10)	**-**	**94,400**	-	-	**94,400**	83,600
Administration fees	**3,046**	**-**	-	-	**3,046**	5,619
Admission fees	**-**	**98,708**	-	-	**98,708**	74,804
Sponsorships and donations	**650**	**10,970**	-	-	**11,620**	9,350
Cost recoveries and other	**13,766**	**11,863**	-	-	**25,629**	49,047
Sale of office supplies	**5,793**	**-**	**-**	-	**5,793**	12,425
Interest income	**4,579**	**-**	-	-	**4,579**	2,969
Rent (Note 11)	**103,618**	-	-	-	**103,618**	101,093
Hall rental sales	**184,642**	**-**	**-**	-	**184,642**	170,413
Food and beverage sales	**34,723**	**32,043**	**-**	-	**66,766**	59,249
Technical services	**85,877**	**60**	-	-	**85,937**	76,416
	972,394	**515,034**	**45,085**	**-**	**1,532,513**	1,497,752
Expenses						
Operations and cultural programs fund expenses (Note 13)	**776,628**	**325,266**	**-**	-	**1,101,894**	1,118,284
340 Provencher Project (Note 10)	**-**	**96,270**	**-**	-	**96,270**	83,677
Hall rental	**151,790**	**-**	**-**	-	**151,790**	127,153
Food and beverage	**30,633**	**15,284**	-	-	**45,917**	32,603
Technical services	**44,070**	**27,926**	**-**	-	**71,996**	84,365
Capital fund expenses (Note 12)	**-**	**-**	**30,923**	-	**30,923**	25,385
Amortization of capital assets	**-**	**-**	**24,197**	-	**24,197**	13,501
	1,003,121	**464,746**	**55,120**	-	**1,522,987**	1,484,968
Excess (deficiency) of revenue over expenses for the year	**(30,727)**	**50,288**	**(10,035)**	**-**	**9,526**	12,784
Fund balances, beginning of year	**145,766**	**(143,769)**	**31,251**	**10,000**	**43,248**	30,464
Interfund transfer	**(29,119)**	**-**	**29,119**	**-**	**-**	-
Fund balances, end of year	**$ 85,920**	**$ (93,481)**	**$ 50,335**	**$ 10,000**	**$ 52,774**	$ 43,248

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2012

	Operations	Cultural Programs	Invested in Capital Assets	Internally Restricted	Total
Revenue					
Grants					
Province of Manitoba	$ 467,600	$ 85,000	$ 25,385	$ -	$ 577,985
Government of Canada	161,943	62,000	-	-	223,943
Other	-	38,352	-	-	38,352
Amortization of deferred contributions	-	-	12,487	-	12,487
340 Provencher Project (Note 10)	-	83,600	-	-	83,600
Administration fees	5,619	-	-	-	5,619
Admission fees	-	74,804	-	-	74,804
Sponsorships and donations	6,100	3,250	-	-	9,350
Cost recoveries and other	25,301	23,746	-	-	49,047
Sale of office supplies	12,425	-	-	-	12,425
Interest income	2,969	-	-	-	2,969
Rent (Note 11)	101,093	-	-	-	101,093
Hall rental sales	170,413	-	-	-	170,413
Food and beverage sales	43,727	15,522	-	-	59,249
Technical services	76,356	60	-	-	76,416
	1,073,546	386,334	37,872	-	1,497,752
Expenses					
Operations and cultural programs fund expenses (Note 13)	842,334	275,950	-	-	1,118,284
340 Provencher Project (Note 10)	-	83,677	-	-	83,677
Hall rental	127,153	-	-	-	127,153
Food and beverage	21,527	11,076	-	-	32,603
Technical services	71,970	12,395	-	-	84,365
Capital fund expenses (Note 12)	-	-	25,385	-	25,385
Amortization of capital assets	-	-	13,501	-	13,501
	1,062,984	383,098	38,886	-	1,484,968
Excess (deficiency) of revenue over expenses for the year	10,562	3,236	(1,014)	-	12,784
Fund balances, beginning of year	175,078	(147,005)	2,391	-	30,464
Interfund transfer	(39,874)	-	29,874	10,000	-
Fund balances, end of year	$ 145,766	$ (143,769)	$ 31,251	$ 10,000	$ 43,248

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31		2013		2012
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	**$**	**9,526**	$	12,784
Items not affecting cash				
Amortization of capital assets		**24,197**		13,501
Amortization of deferred contributions related to capital assets		**(14,916)**		(12,487)
Other		**1,073**		-
Net change in non-cash working capital items				
Grants receivable		**(27,300)**		37,266
Accounts receivable		**20,638**		(4,597)
GST receivable		**(6,386)**		(2,468)
Inventory		**4,780**		(6,001)
Prepaid expenses		**(3,099)**		8,124
Accounts payable and accrued liabilities		**42,885**		36,096
Deferred revenue		**6,361**		(2,650)
Rental and damage deposits		**12,425**		(326)
		70,184		79,242
Cash Flows from Financing and Investing Activities				
Contributions related to capital assets		**12,500**		12,500
Cash Flows from Capital Activities				
Acquisition of capital assets		**(41,938)**		(42,373)
Increase in cash and bank for the year		**40,746**		49,369
Cash and bank (bank indebtedness), beginning of year		**33,562**		(15,807)
Cash and bank, end of year	**$**	**74,308**	$	33,562
Represented by				
Cash and bank	**$**	**74,308**	$	33,562
Bank indebtedness		**-**		-
	$	**74,308**	$	33,562

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

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

Le Centre Culturel Franco-Manitobain ("the corporation") was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The corporation's objectives are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

Management's Responsibility for the Financial Statements and Basis of Accounting

The financial statements of the corporation are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Financial Statement Presentation

The corporation follows the deferral method accounting for contributions.

The financial resources of the corporation are allocated to four funds corresponding to the corporation's activities and objectives as follows:

(a) Unrestricted Funds

Operations - Includes transactions related to the maintenance of facilities and the general operations of the corporation.

Cultural Programs - Includes transactions related to the delivery of cultural programs as outlined in the objectives of the corporation.

(b) Restricted Funds

Invested in capital assets - Involves internal restrictions and is used for recording capital asset additions, major repairs related to the building's operations, amortization of deferred contributions related to capital assets and amortization of capital assets. At year end, an interfund transfer is recorded from the Operations fund to the Invested in capital assets fund representing the corporation's net investment in capital assets.

Future site development fund - This fund is an internally restricted fund established to cover costs of future development of the corporation's premises.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants received for specific projects are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred revenue in the statement of financial position.

Hall rental sales, sale of office supplies, technical services, sponsorships and donations, and cost recoveries are recognized as revenue when the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Admission fees are recognized as revenue when the event has occurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses, if applicable. All other financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and bank indebtedness.

Inventory

Inventory is valued at the lower of cost, using the first-in-first-out method, and net realizable value.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%
Telephone systems	20%
Electronic signs	20%

Use of Building

The use of the building is accounted for as described in Note 11.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

2. First-time Adoption

Effective April 1, 2012, the corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations ("PSAB for NPOs"). These are the corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

2. First-time Adoption (continued)

The corporation issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs did not result in adjustments to the previously reported assets, liabilities, fund balances, excess (deficiency) of revenue over expenses and cash flows of the corporation.

No exemptions were used at the date of transition to PSAB for NPOs.

3. Vacation Pay Receivable

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as at March 31, 1995. Subsequent to March 31, 1995, the Province of Manitoba has included in its ongoing annual funding to the corporation an amount equal to the current year's expense for vacation pay entitlements.

4. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Technical equipment	**$ 201,563**	**$ 163,233**	$ 190,335	$ 156,458
Computer equipment	**136,124**	**128,513**	131,973	125,253
Kitchen equipment	**15,541**	**13,044**	14,107	12,420
Cash registers	**8,999**	**5,878**	8,999	5,097
Furniture and fixtures	**37,200**	**18,721**	36,735	14,101
Security system	**30,420**	**25,439**	30,420	24,194
Maintenance equipment	**28,683**	**24,642**	27,484	23,632
Telephone system	**6,552**	**-**	-	-
Electric sign	**29,409**	**5,882**	12,500	-
	$ 494,491	**$ 385,352**	$ 452,553	$ 361,155
Net book value		**$ 109,139**		$ 91,398

For the year ended March 31, 2013

5. Bank Indebtedness

The corporation has a line of credit with Caisse Groupe Financier Ltée for a maximum of $100,000 bearing interest at prime (3.25% at March 31, 2013). The line of credit is secured by a general security agreement. At March 31, 2013, the line of credit has a balance of $Nil ($Nil at March 31, 2012).

6. Deferred Revenue

Deferred revenue represents unspent resources received during the year related to matching expenses of subsequent periods.

	2013	2012
Balance, beginning of year	$ 8,874	$ 11,524
Grants and other amounts received during the year		
Province of Manitoba	553,740	552,600
Province of Manitoba - Capital	42,669	37,885
Government of Canada	214,000	223,943
Other	135,711	119,302
Less amounts recognized as revenue during the year		
Cultural programs	(361,390)	(268,952)
Operations Fund	(535,700)	(629,543)
Capital Fund (Note 12)	(30,169)	(25,385)
Transfer to capital assets (Note 7)	(12,500)	(12,500)
Balance, end of year	$ 15,235	$ 8,874

7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows:

	2013	2012
Balance, beginning of year	$ 60,147	$ 60,135
Transfer from deferred revenue	12,500	12,500
Amount amortized to revenue	(14,916)	(12,488)
Other	1,073	-
Balance, end of year	$ 58,804	$ 60,147

For the year ended March 31, 2013

8. Commitments

The corporation has a joint line of credit with Le Cercle Molière with a maximum of $400,000 bearing interest at prime plus 0.5% (3.5% at March 31, 2013). The line of credit was to provide temporary financing in the preliminary stages of Le Cercle Molière's theatre construction. The theatre's construction has been completed; however, the joint line of credit remains in place. At March 31, 2013, the line of credit was unutilized.

9. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 109,139**	$ 91,398
Less deferred contributions	**(58,804)**	(60,147)
	$ 50,335	$ 31,251

10. 340 Provencher Project

The 340 Provencher Project is a joint project between the corporation, Le Cercle Molière and the Historical Society of St. Boniface (Heritage Centre). The contribution agreement is signed between Le Cercle Molière and Canadian Heritage. The corporation is identified in the contribution agreement as project manager. Since the corporation is managing the project, project-related expenses are recorded in the records of the corporation.

	2013	2012	Total
Revenue			
Canadian Heritage - Strategic Funds	**$ 94,400**	$ 80,600	$ 175,000
Le Cercle Molière	**-**	3,000	3,000
	94,400	83,600	178,000
Expenses			
Professional fees	**29,410**	33,440	62,850
Advertising and promotion	**26,442**	25,163	51,605
Technology	**14,678**	11,379	26,057
Material Resources	**-**	5,143	5,143
Administrative expenses	**19,214**	5,000	24,214
Translation	**4,926**	1,952	6,878
Salaries	**1,600**	1,600	3,200
	96,270	83,677	179,947
Deficiency of revenue over expenses	**$ (1,870)**	$ (77)	$ (1,947)

For the year ended March 31, 2013

11. Use of Building

The building used by the corporation is owned by the Province of Manitoba and is made available to the corporation rent-free. The corporation is responsible for all operating and maintenance costs including third party liability insurance.

The corporation charges rent to all tenants, groups and organizations that make use of the building. This rental revenue is retained by the corporation and recorded as revenue in the Operations fund, thereby reducing the corporation's reliance on funding from the Province.

The corporation pays utility and maintenance costs related to the Centre du Patrimoine. The corporation recovers the utility and maintenance costs from La Société historique de Saint-Boniface.

12. Capital Fund Expenses

	2013	2012
Repairs and maintenance	$ 30,923	$ 25,385

13. Operations and Cultural Programs Fund Expenses

	2013			2012
	Operations	Cultural Programs	Total	Total
Salaries and benefits	$ 404,688	$ 114,044	$ 518,732	$ 588,361
Employment and other contracts	66,839	144,915	211,754	113,831
Repairs and maintenance	124,202	9,367	133,569	116,368
Utilities	78,404	-	78,404	74,598
Meetings and travel	3,201	31,794	34,995	44,774
Insurance and permits	24,210	3,560	27,770	37,126
Telephone and office expenses	39,612	3,420	43,032	37,455
Professional and consulting fees	4,480	821	5,301	31,056
Advertising and promotion	1,248	13,195	14,443	17,395
Bad debts (recovery)	(150)	-	(150)	14,699
Supplies	1,148	2,454	3,602	29,066
Other expenses	1,969	1,696	3,665	1,615
Bank charges and interest	7,201	-	7,201	5,124
Computer and technology	19,576	-	19,576	6,816
	$ 776,628	$ 325,266	$ 1,101,894	$ 1,118,284

14. Financial Risk Management

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's Executive Director. The Board of Directors receives monthly reports from the corporation's Executive Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation is exposed to different types of risk in the normal course of its operations, including credit risk and market risk.

There have been no significant changes from the previous year in the exposure to risk or policies or procedures used to manage financial instrument risks.

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 corporation to credit risk consist principally of accounts receivable.

The corporation's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2013	2012
Grants receivable	**$ 93,127**	$ 65,827
Accounts receivable	**81,582**	102,220
Accounts receivable - Province of Manitoba	**25,891**	25,891
GST receivable	**8,854**	2,468
	$ 209,454	$ 196,406

Accounts receivable: The corporation is not exposed to significant credit risk as receivables are spread among a large client base and geographic region and payment in full is typically collected when it is due. The corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

14. Financial Risk Management (continued)

Credit Risk (continued)

Grants receivable and accounts receivable - Province of Manitoba: The corporation is not exposed to significant credit risk as these receivables are from the Provincial and Federal Government.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign exchange risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The corporation is not exposed to significant interest rate risk. Cash is held in short-term or variable rate products and bank indebtedness is also at variable rates.

The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation’s normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

15. Economic Dependence

The corporation is economically dependant on grants from the Province of Manitoba and Government of Canada.

16. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the accompanying financial statements of **COMMUNITIES ECONOMIC DEVELOPMENT FUND**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations, and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 11, 2013

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statements of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash	$ **119,212**	$ 257,865	$ 13,201
Trust deposits - Province of Manitoba	**519,746**	1,997,834	954,057
Due from the Province of Manitoba (Note 3)	**3,694,188**	3,187,151	2,641,918
Accounts receivable	**71,970**	104,851	86,219
Property held for resale	**4,425**	4,425	4,425
Prepaid expenses	**3,034**	3,404	5,804
	4,412,575	5,555,530	3,705,624
Loans receivable (Note 4)	**22,987,053**	19,967,408	20,796,710
Capital assets (Note 5)	**965,209**	985,447	1,006,357
	$ **28,364,837**	$ 26,508,385	$ 25,508,691
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ **1,454,271**	$ 1,083,853	$ 864,625
Funds held in trust	**-**	-	297,464
Deferred contributions (Note 6)	**199,672**	199,672	199,672
Interest payable to the Province of Manitoba	**296,467**	388,997	395,280
	1,950,410	1,672,522	1,757,041
Accrued pension liability (Note 7)	**2,627,636**	2,456,041	2,289,950
Advance by the Province of Manitoba (Note 8)	**23,786,791**	22,379,822	21,461,700
	28,364,837	26,508,385	25,508,691
Commitments (Note 9)			
Net Assets	**-**	-	-
	$ **28,364,837**	$ 26,508,385	$ 25,508,691

Approved on behalf of the Board of Directors:

Director

Director

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

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statements of Operations

For the year ended March 31	2013	2012
Revenue		
Loan interest		
Business program	**$ 732,324**	$ 721,599
Fisheries program	**742,093**	764,625
Investment income	**30,017**	50,030
	1,504,434	1,536,254
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	**364,743**	428,850
Fisheries program	**322,364**	384,148
Life insurance	**115,719**	105,265
Trust line of credit	**45,000**	44,301
	847,826	962,564
Gross margin	**656,608**	573,690
Operating expenditures (see schedule)	**1,757,500**	1,667,652
	(1,100,892)	(1,093,962)
Other Revenue		
Administration fees	**176,821**	158,173
Deficiency of revenue over expenditures before provision for doubtful loans	**(924,071)**	(935,789)
Provision for Doubtful Loans		
Regular operations	**545,380**	533,666
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	**(1,469,451)**	(1,469,455)
Subsidy due from the Province of Manitoba	**1,469,451**	1,469,455
Excess of revenue over expenditures for the year	**$ -**	$ -

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

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statements of Cash Flows

For the year ended March 31	2013	2012
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	**$ (1,469,451)**	$ (1,469,455)
Adjustments for non-cash items		
Amortization of capital assets	**26,888**	27,348
Provision for doubtful loans	**545,380**	533,666
	(897,183)	(908,441)
Net changes in work capital balances		
Accounts receivable	**32,881**	(18,632)
Prepaid expenses	**370**	2,400
Accounts payable and accrued liabilities	**370,418**	219,228
Funds held in trust	**-**	(297,464)
Interest payable to the Province of Manitoba	**(92,530)**	(6,283)
Accrued pension liability	**171,595**	166,091
	(414,449)	(843,101)
Cash Flows from Financing Activities		
Net increase in amounts due from the Province of Manitoba	**(507,037)**	(545,233)
Net increase in advance by the Province of Manitoba	**1,406,969**	918,122
Subsidy due from the Province of Manitoba	**1,469,451**	1,469,455
	2,369,383	1,842,344
Cash Flows from Capital Activities		
Acquisition of capital assets	**(6,650)**	(6,438)
Cash Flows from Investing Activities		
Change in loans receivable, net of repayments	**(3,565,025)**	295,636
Net (decrease) increase in cash and cash equivalents	**(1,616,741)**	1,288,441
Cash and cash equivalents, beginning of year	**2,255,699**	967,258
Cash and cash equivalents, end of year	**$ 638,958**	$ 2,255,699
Represented by		
Cash	**$ 119,212**	$ 257,865
Trust deposits - Province of Manitoba	**519,746**	1,997,834
	$ 638,958	$ 2,255,699

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

For the year ended March 31, 2013

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Communities Economic Development Fund (the "Fund") was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July 1991, the objects of the Fund are to encourage the economic development of northern Manitoba, Aboriginal people in the province outside of the City of Winnipeg, and the fishing industry in Manitoba. The Business and Fisheries Loans Programs are administered under the C.E.D.F. Act.

(b) Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

(c) Management's Responsibility for the Financial Statements

The financial statements of the Fund are the responsibility of management.

(d) Revenue Recognition

The Fund follows the deferral method of accounting for contributions. Interest on loans is recorded as revenue on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest revenue ceases when the carrying amount of the loan including accrued interest exceeds the estimated realizable amount of the underlying security.

Investment revenue is recorded on an accrual basis.

Other revenue including administration fees is recorded when the related service or activity is provided.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(e) Allowance for Doubtful Loans

Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a specific allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a non-specific allowance equal to 5% of the outstanding loan balance is recorded.

Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into revenue.

(f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(g) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Building	2%
Office furniture and equipment	10 to 30%
Parking lot	50%

1. **Nature of Organization and Summary of Significant Accounting Policies** (continued)

(h) Employment and Post-Employment Benefits

The Fund provides pension, retirement allowance and sick leave benefits to its employees.

Employees of the Fund are provided pension benefits by the Civil Service Superannuation Fund (the "CSSF"). The Fund's contribution toward the pension benefits is limited to matching the employees' contributions to the CSSF.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined using projected benefit payments and reflect management's best estimates of future payouts. Adjustments to the allowance are recognized in income immediately.

Employees of the Fund are entitled to sick pay benefits that accumulate however do not vest. The cost of the anticipated future sick pay benefits that will be required by the employee is charged to expenses as services are rendered. The cost is determined using actuarial assumptions.

(i) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian public sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Significant estimates are involved in the valuation of loans receivable. Actual results may differ from those estimates.

2. First-time Adoption

Effective April 1, 2012, the Fund adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the Fund's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Nature of the Organization and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

No optional exemptions were used at the date of transition to PSAB for NPOs.

The Fund issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the Fund.

3. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $3,694,188 ($3,187,151 in 2012) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2013	2012
Department of Aboriginal and Northern Affairs		
Subsidy, refundable	**$ (55,090)**	$ (66,249)
Order in Council pending	**1,056,240**	731,959
Pension, unfunded	**2,605,316**	2,435,729
Pension, funded	**22,322**	20,312
Severance accrual, unfunded	**65,400**	65,400
	$ 3,694,188	$ 3,187,151

4. Loans Receivable

Loans receivable by program are as follows:

	2013	2012
Business Loans Program		
Interest rates applied range from 5.25% to 9.88%		
Principal	**$ 13,316,707**	$ 10,625,433
Accrued interest	**1,213,922**	1,185,848
	14,530,629	11,811,281
Allowance for doubtful loans	**1,982,069**	2,330,888
Total Business Loans Program	**12,548,560**	9,480,393
Fisheries Loans Program		
Interest rates applied range from 4.25% to 6.25%		
Principal	**12,735,122**	12,937,798
Accrued interest	**1,225,848**	1,180,314
	13,960,970	14,118,112
Allowance for doubtful loans	**3,509,676**	3,625,182
Allowance for insurance	**12,801**	5,915
Total Fisheries Loans Program	**10,438,493**	10,487,015
Total Business and Fisheries Loans Programs	**$ 22,987,053**	$ 19,967,408

Gross amount of loans together with the allowance for doubtful loans are as follows:

	2013		2012	
	Gross Loan Balances	**Total Allowance**	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	**$ 4,731,110**	**$ 1,492,093**	$ 3,467,801	$ 1,913,714
Performing	**9,799,520**	**489,976**	8,343,480	417,174
	$ 14,530,630	**$ 1,982,069**	$ 11,811,281	$ 2,330,888
Fisheries Loans Program				
Impaired	**$ 3,509,676**	**$ 3,509,676**	$ 3,625,182	$ 3,625,182
Performing	**10,451,294**	**-**	10,492,930	-
	$ 13,960,970	**$ 3,509,676**	$ 14,118,112	$ 3,625,182

4. Loans Receivable (continued)

The change in the allowance for doubtful loans are as follows:

	2013			2012
	Specific	**Non-specific**	**Total**	Total
Business Loans Program				
Balance, beginning of year	**$ 1,913,714**	**$ 417,174**	**$ 2,330,888**	$ 2,271,285
Provision for the year	**285,078**	**72,802**	**357,880**	326,264
	2,198,792	**489,976**	**2,688,768**	2,597,549
Loans written-off	**(706,699)**	**-**	**(706,699)**	(266,661)
Balance, end of year	**$ 1,492,093**	**$ 489,976**	**$ 1,982,069**	$ 2,330,888

	2013	2012
Fisheries Loans Program		
Balance, beginning of year	**$ 3,625,182**	$ 3,417,782
Provision for the year	**187,500**	207,400
	3,812,682	3,625,182
Loans written-off	**(303,006)**	-
Balance, end of year	**$ 3,509,676**	$ 3,625,182

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2013 by $3,091 ($ Nil in 2012).

	2013	2012
Loan Loss Provision		
Per accounts	**$ 3,509,676**	$ 3,625,182
Per net present value calculation	**(3,506,585)**	(3,625,182)
	$ 3,091	$ -

5. Capital Assets

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 92,482**	**$ -**	**$ 92,482**	$ 92,482	$ -	$ 92,482
Building	**931,236**	**79,155**	**852,081**	931,236	60,530	870,706
Office furniture and equipment	**162,662**	**142,016**	**20,646**	156,012	133,753	22,259
Parking lot	**73,000**	**73,000**	**-**	73,000	73,000	-
Total	**$ 1,259,380**	**$ 294,171**	**$ 965,209**	$ 1,252,730	$ 267,283	$ 985,447

6. Deferred Contributions

The Government of Manitoba has contributed $200,000 to the Fund to cost share on an equal basis with the Fund to establish the Non-Timber Forest Products Program.

7. Employment and Post-Employment Benefits Payable

Pension Benefits

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the Fund's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2011 indicated the accrued liability is in line with the obligation forecast in the report.

The significant actuarial assumptions adopted in measuring the Fund's pension liability are as follows:

	2013	2012
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**3.75**%	3.75%

For the year ended March 31, 2013

7. Employment and Post-Employment Benefits Payable (continued)

Pension Benefits (continued)

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

Pre-Retirement Benefits

Employees may be eligible for a pre-retirement benefit. The pre-retirement liability is estimated to be $87,700 at March 31, 2013 ($87,700 in 2012) and is presented as accounts payable and accrued liabilities.

Sick Leave Benefits

Employees of the Fund are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are estimated to be a liability as at March 31, 2013 of $16,500 ($15,300 in 2012). The amount is not considered to be significant by management, and as such has not been recorded as a liability in the financial statements of the Fund.

8. Advance by the Province of Manitoba

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to The Loan Act, 2012. The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances by the Province of Manitoba by program are as follows:

	2013	2012
Business Loans Program		
Advances, beginning of year	**$ 14,691,195**	$ 13,812,216
Loan advances	**6,475,000**	3,990,000
Loan advance repayments	**(4,266,930)**	(3,111,021)
Advances, end of year	**16,899,265**	14,691,195
Unfunded allowance, beginning of year	**2,957,701**	2,674,762
Provision for doubtful loans	**357,880**	326,264
Loans written-off as approved by Order in Council	**(625,658)**	(43,325)
Unfunded allowance for doubtful loans, end of year	**2,689,923**	2,957,701
Net advances balance, end of year	**$ 14,209,342**	$ 11,733,494

8. Advance by the Province of Manitoba (continued)

	2013	2012
Fisheries Loans Program		
Advances, beginning of year	**$ 13,397,275**	$ 12,845,369
Loan advances	**2,625,000**	2,980,000
Loan repayments	**(3,499,222)**	(2,428,094)
Advances, end of year	**12,523,053**	13,397,275
Unfunded allowance for doubtful loans, beginning of year	**3,686,981**	3,479,579
Provision for doubtful loans	**187,500**	207,402
Loans written-off as approved by Order in Council	**(16,442)**	-
Unfunded allowance for doubtful loans, end of year	**3,858,039**	3,686,981
Net advances balance, end of year	**$ 8,665,014**	$ 9,710,294

Net advances due by the Province of Manitoba are as follows:

	2013	2012
Business Loans Program	**$ 14,209,342**	$ 11,733,494
Fisheries Loans Program	**8,665,014**	9,710,294
Building mortgage	**912,435**	936,034
	$ 23,786,791	$ 22,379,822

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. The Fund has an authorized line of credit of $2,000,000 from the Province of Manitoba bearing interest at 2.25% which is unutilized at year end. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 0.75%. At year end, the advances bore rates ranging from 2.00% to 5.25% with a weighted cost of capital of 2.45%.

Principal payments due in each of the next five fiscal years on advances by the Province of Manitoba that exclude unfunded allowances for doubtful loans are as follows:

2014	$ 9,217,831
2015	6,766,403
2016	5,595,460
2017	5,179,275
2018	2,801,280

9. Commitments

Total undisbursed balances of approved loans are $351,457 at March 31, 2013 ($1,319,949 at March 31, 2012).

10. Loan Act Authority

Amounts authorized for advances under The Loan Act, 2012 are as follows:

	2013
Schedule A of The Loan Act, 2012	$ 6,800,000
Schedule B of The Loan Act, 2011	10,679,900
Direct loans	17,479,900
Authority used	9,100,000
Unused Loan Act capital available	$ 8,379,900

11. Economic Dependence

The ongoing operations of the Fund depend on obtaining adequate financing and funding from the Province of Manitoba.

12. Financial Instrument Risk Management and Exposures

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and has identified significant exposure to credit risk.

Credit Risk

Credit risk is the risk of loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund has significant outstanding loans and is mainly exposed to credit risk through the credit quality of the individuals and businesses to whom the Fund has loaned funds.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's and business' ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements is $23,059,023 ($20,072,259 in 2012).

12. Financial Instrument Risk Management and Exposures (continued)

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds $23,578,769 ($22,070,093 in 2012) in interest bearing deposits and loans receivable at March 31, 2013. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis based on its weighted average cost of capital.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations as they become due, and arises from the Fund's management of working capital and collections of loans receivable. The Fund's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Schedule of Operating Expenditures

For the year ended March 31	**2013**	2012
Amortization of capital assets	**$ 26,888**	$ 27,348
Collection costs	**45,380**	45,797
Communications	**37,071**	35,415
Credit reports	**3,317**	2,234
Directors' fees and expenses	**53,512**	59,589
Government vehicles	**32,382**	27,733
Insurance	**6,689**	6,944
Legal costs	**10,326**	28,673
MAFRI	**93,007**	87,975
Mortgage interest	**48,472**	49,967
Office supplies and expenses	**40,479**	43,860
Pension	**221,698**	211,106
Professional fees	**50,838**	28,829
Rent and utilities	**29,392**	28,334
Repairs and maintenance	**13,819**	11,840
Salaries and benefits	**991,397**	922,159
Sundry	**17,837**	14,465
Travel	**34,996**	35,384
	$ 1,757,500	$ 1,667,652

Manitoba
Housing and Community Development

The Co-operative Loans and Loans
Guarantee Board
400-352 Donald Steet
Winnipeg MB R3C 0R8

August 29, 2013

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loans and Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31, 2013, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the Schedule of Loans and Loan Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Joy Cramer
Chairperson

Manitoba
spirited energy

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Co-operative Loans and Loans Guarantee Board

We have audited the accompanying schedule of loans and loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Schedule
Management is responsible for the preparation and fair presentation of this schedule in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of the schedule is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the schedule based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

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

Opinion
In our opinion, the schedule presents fairly, in all material respects, the loans and loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion we draw attention to note 2a to the schedule, which describes that the Co-operative Loans and Loans Guarantee Board adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in this schedule.

Office of the Auditor General

Office of the Auditor General
August 29, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

The Co-operative Loans and Loans Guarantee Board

Schedule of Loans and Loan Guarantee Transactions

Year ended March 31, 2013

Loans (note 4)	March 31, 2012	Additions	Repayment	March 31, 2013
Neechi Foods Co-op Ltd.	$ -	$ 640,000	$ -	$ 640,000
	$ -	$ 640,000	$ -	$ 640,000

Loan Guarantees (note 5)	March 31, 2012	Additions	Cancellations	March 31, 2013
Organic Producers Association of Manitoba Co-op Inc.	$ 51,000	$ 40,000	$ (51,000)	$ 40,000
	$ 51,000	$ 40,000	$ (51,000)	$ 40,000

On behalf of the Board:

Director

Director

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule

Year ended March 31, 2013

1. General

The Co-operative Associations Loans and Loans Guarantee Act established the Co-operative Loans and Loans Guarantee Board (CLLGB) with the primary objective of ensuring that cooperative organizations have access to basic financial services. The CLLGB is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Manitoba Housing and Community Development administer the activities of the CLLGB. The Department pays all administrative and general operating costs of the CLLGB. The CLLGB may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Significant Accounting Policies

a) Basis of presentation

On April 1, 2012, the CLLGB adopted the Canadian accounting standards for government not-for-profit organizations. This is the first financial information prepared in accordance with these standards. The Public Sector Accounting Board requires a government not-for-profit organization to comply on a consistent basis with either Public Sector Accounting Standards (PSAS) or PSAS supplemented by not-for-profit standards contained within the PS4200 series of the Public Sector Accounting Handbook (ASGNFPO). The CLLGB has chosen to comply on a consistent basis with ASGNFPO.

In accordance with the transitional provisions of ASGNFPO, the CLLGB has adopted the changes retroactively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASGNFPO.

A summary of transitional adjustments recorded to net assets and excess (deficiency) of revenue over expenses is provided in note 3.

b) Loans are stated as the total amount of principal outstanding.

c) Loan guarantees are stated at the maximum amount guaranteed.

d) In the event of a default on a loan or a loan guarantee, the Province of Manitoba is responsible for the associated costs in settling the defaulted amount(s).

3. First time adoption of Public Sector Accounting Standards

In previous fiscal years, the CLLGB's financial information were presented in accordance with Canadian generally accepted accounting principles for not-for-profit entities. The Accounting Standards Board has approved the accounting framework choices for government not-for-profit organizations. Effective, April 1, 2012 the CLLGB adopted ASGNFPO.

These new standards were required to be applied retroactively. There were no impact of these changes on prior year information.

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule

Year ended March 31, 2013

4. Loans

Neechi Foods Co-op Ltd.

On August 20, 2012, the CLLGB authorized and approved a loan up to $1,140,000 to Neechi Foods Co-op Ltd. The loan was approved by Order in Council up to $1,140,000 to the CLLGB and subsequently on November 21, 2012, the initial loan payment of $640,000 was issued. Repayment of the loan is due two years after the first advance. As of March 31, 2013, the interest accrued on the loan was $5,129. Interest is calculated at the Province of Manitoba's floating rate plus 0.50%, as of March 31, 2013, the floating rate was 2.25%.

Subsequent to March 31, 2013, there was another advance paid out to Neechi Foods Co-op Ltd in the amount of $300,000. As of May 27, 2013 the total amount of the loan disbursed was $940,000.

5. Loan guarantees

Organic Producers Association of Manitoba Co-op Inc.

On July 14, 2009, the CLLGB approved a loan guarantee not to exceed 85% of the amount outstanding on a line of credit at any time. The line of credit shall not exceed $115,000. The Sunrise Credit Union accepted the loan guarantee and signed an agreement with the Organic Producers Association of Manitoba Co-op Inc. dated December 7, 2009. The maximum amount of the line of credit shall reduce by $15,000 on April 15, 2010, and by a further $40,000 on April 15, 2011. There was no balance on the line of credit at March 31, 2012. The loan guarantee ceased April 1, 2012.

On October 31, 2012, the CLLGB approved a new eight month loan guarantee not to exceed $40,000. The Vanguard Credit Union accepted the loan guarantee and signed an agreement with the Organic Producers Association of Manitoba Co-op Inc dated November 23, 2012. The loan guarantee period is from November 1, 2012 to June 30, 2013. There was no balance on the line of credit at March 31, 2013.

6. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

	2013
The Loan Act, 2012	$ 5,000,000
Outstanding:	
Loans	(640,000)
Guarantees	(40,000)
	$ 4,320,000

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule

Year ended March 31, 2013

---

7. Compensation disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid The Co-operative Loans and Loans Guarantee Board members and of individual compensation paid to board members or staff where such compensation is $50,000 or more per year. For the period from April 1, 2012 to March 31, 2013, The Co-operative Loans and Loans Guarantee Board paid board members an aggregate of $242 (2012 - $553). This amount is included in note 8. No individuals received compensation of $50,000 or more.

8. Contributed services

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff services for 2013 is estimated at $9,864 (2012 - $11,030) with another $4,607 (2012 - $20,810) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

The Cooperative Promotion Board
400-352 Donald Street
Winnipeg MB R3B 2H8

August 23, 2013

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2013, are the responsibility of management and have been approved by the Board.

The financial statements were prepared by management in accordance with Canadian public sector accounting standards. Any financial information contained elsewhere in the Annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the financial statements of the Board in accordance with Canadian auditing standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Cindy Coker
Chairperson of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Cooperative Promotion Board

We have audited the accompanying financial statements of the Cooperative Promotion Board, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cooperative Promotion Board as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which describes that the Cooperative Promotion Board adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
August 23, 2013
Winnipeg, Manitoba

The Cooperative Promotion Board

Statement of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	General Account 2013	Commercial Fishing Account 2013	Total 2013	General Account 2012	Commercial Fishing Account 2012	Total 2012	General Account April 1, 2011	Commercial Fishing Account April 1, 2011	Total April 1, 2011
Assets									
Current assets:									
Cash (note 4)	$ 88,908	$ 33,199	$ **122,107**	$ 40,043	$ 74,158	$ **114,201**	$ 84,762	$ 73,235	$ **157,997**
Accounts receivable	1,259	199	**1,458**	2,397	-	**2,397**	2,699	-	**2,699**
Prepaid expenses	393	-	**393**	373	-	**373**	-	-	**-**
Current investments (note 5)	114,400	-	**114,400**	218,800	-	**218,800**	-	-	**-**
	204,960	33,398	**238,358**	261,613	74,158	**335,771**	87,461	73,235	**160,696**
Investments (note 5)	64,400	42,287	**106,687**	-	555	**555**	204,512	544	**205,056**
	$ 269,360	$ 75,685	$ **345,045**	$ 261,613	$ 74,713	$ **336,326**	$ 291,973	$ 73,779	$ **365,752**
Liabilities, Deferred Revenue and Fund Balances									
Current liabilities:									
Accounts payable and accrued liabilities	$ -	$ -	$ **-**	$ -	$ -	$ **-**	$ 1,000	$ -	$ **1,000**
Deferred revenue (note 6)	43,300	-	**43,300**	-	-	**-**	-	-	**-**
Fund balances:									
Contributed capital (note 9)	128,800	-	**128,800**	128,800	-	**128,800**	128,800	-	**128,800**
General account	97,260	-	**97,260**	132,813	-	**132,813**	162,173	-	**162,173**
Commercial Fishing account	-	75,685	**75,685**	-	74,713	**74,713**	-	73,779	**73,779**
	226,060	75,685	**301,745**	261,613	74,713	**336,326**	290,973	73,779	**364,752**
Commitment (note 12)									
	$ 269,360	$ 75,685	$ **345,045**	$ 261,613	$ 74,713	$ **336,326**	$ 291,973	$ 73,779	$ **365,752**

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

The Cooperative Promotion Board

Statement of Operations

Years ended March 31, 2013 and 2012

	General Account 2013	Commercial Fishing Account 2013	Total 2013	General Account 2012	Commercial Fishing Account 2012	Total 2012
Revenue:						
Interest	$ 4,427	$ 964	**$ 5,391**	$ 5,384	$ 923	**$ 6,307**
Dividend	-	8	**8**	-	11	**11**
Contributed services (note 8)	19,596	-	**19,596**	22,858	-	**22,858**
Total revenue	24,023	972	**24,995**	28,242	934	**29,176**
Expenses:						
Grants (schedule 1)	35,924	-	**35,924**	29,610	-	**29,610**
Administrative services (note 8)	13,780	-	**13,780**	16,281	-	**16,281**
Annual report	1,200	-	**1,200**	1,359	-	**1,359**
Board members' meals and travel	981	-	**981**	1,809	-	**1,809**
Board members' remuneration	1,382	-	**1,382**	2,157	-	**2,157**
Liability insurance	723	-	**723**	789	-	**789**
Membership fees	900	-	**900**	874	-	**874**
Miscellaneous	145	-	**145**	265	-	**265**
Professional services	3,710	-	**3,710**	3,410	-	**3,410**
Seminars and workshops	831	-	**831**	1,048	-	**1,048**
	59,576	-	**59,576**	57,602	-	**57,602**
Excess (deficiency) of revenue over expenses	$ (35,553)	$ 972	**$ (34,581)**	$ (29,360)	$ 934	**$ (28,426)**

See accompanying notes to financial statements

The Cooperative Promotion Board

Statement of Changes in Fund Balances

Years ended March 31, 2013 and 2012

	General Account 2013	Commercial Fishing Account 2013	Total 2013	General Account 2012	Commercial Fishing Account 2012	Total 2012
Fund balances, beginning of year						
Contributed capital	$ 128,800	$ -	**$ 128,800**	$ 128,800	$ -	**$ 128,800**
General account	132,813	-	**132,813**	162,173	-	**162,173**
Commercial Fishing account	-	74,713	**74,713**	-	73,779	**73,779**
	261,613	74,713	**336,326**	290,973	73,779	**364,752**
Excess (deficiency) of revenue over expenses	(35,553)	972	**(34,581)**	(29,360)	934	**(28,426)**
Fund balances, end of year	$ 226,060	$ 75,685	**$ 301,745**	$ 261,613	$ 74,713	**$ 336,326**

See accompanying notes to financial statements

The Cooperative Promotion Board

Statement of Cash Flows

Years ended March 31, 2013 and 2012

	General Account 2013	Commercial Fishing Account 2013	Total 2013	General Account 2012	Commercial Fishing Account 2012	Total 2012
Excess (deficiency) of revenue over expenses	$ (35,553)	$ 972	**$ (34,581)**	$ (29,360)	$ 934	**$ (28,426)**
Operating activities:						
Changes in the following:						
Accounts receivable	1,138	(199)	**939**	302	-	**302**
Prepaid expenses	(20)	-	**(20)**	(373)	-	**(373)**
Accounts payable	-	-	**-**	(1,000)	-	**(1,000)**
Net increase in deferred revenue	43,300	-	**43,300**	-	-	**-**
	8,865	773	**9,638**	(30,431)	934	**(29,497)**
Financing activities:						
Purchase of investments	(178,800)	(41,724)	**(220,524)**	(218,800)	-	**(218,800)**
Proceeds from matured investments	218,800	-	**218,800**	204,512	-	**204,512**
Dividends	-	(8)	**(8)**	-	(11)	**(11)**
	40,000	(41,732)	**(1,732)**	(14,288)	(11)	**(14,299)**
Net increase/(decrease) in cash	48,865	(40,959)	**7,906**	(44,719)	923	**(43,796)**
Cash, beginning of year	40,043	74,158	**114,201**	84,762	73,235	**157,997**
Cash, end of year	$ 88,908	$ 33,199	**$ 122,107**	$ 40,043	$ 74,158	**$ 114,201**
Supplementary cash flow information:						
Interest received	$ 4,427	$ 964	**$ 5,391**	$ 5,685	$ 923	**$ 6,608**

See accompanying notes to financial statements

1. General

The Cooperative Promotion Board (CPB) operates under the terms of The Cooperative Promotion Trust Act (The Act), which came into force on December 20, 1988. The CPB is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when The Cooperative Promotion Trust Act came into force. The Department of Housing and Community Development administers the activities of the CPB.

General Account

The General Account funds controlled by the CPB consist of surplus funds of the original Canadian Wheat Board, apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the CPB when The Cooperative Promotion Trust Act came into force, and assets acquired by the CPB.

The objectives of the CPB with regard to the General Account are to assist in the development of cooperatives organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba.

2. Significant accounting policies

a) Basis of presentation

On April 1, 2012, the CPB adopted the Canadian accounting standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these standards. The Public Sector Accounting Board requires a government not-for-profit organization to comply on a consistent basis with either Public Sector Accounting Standards (PSAS) or PSAS supplemented by not-for-profit standards contained within the PS4200 series of the Public Sector Accounting Handbook (ASGNFPO). The CPB has chosen to comply on a consistent basis with ASGNFPO.

In accordance with the transitional provisions of ASGNFPO, the CPB has adopted the changes retroactively, allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASGNFPO.

A summary of transitional adjustments recorded to net assets and excess (deficiency) of revenue over expenses is provided in note 3.

b) Fund accounting

The CPB follows the deferral method of accounting for contributions and maintains a General Account and a Commercial Fishing Account.

c) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate account in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the appropriate account when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue earned from cash balances on hand and the Guaranteed Investment Certificates (GICs) are recorded on an accrual basis.

2. Significant accounting policies continued

d) Contributed services

Housing and Community Development provides administrative services to the CPB at no cost. The value of these contributed administrative services is recorded as revenue and expenses.

e) Financial instruments

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

The CPB records its financial assets at cost, which includes cash, accounts receivable and investments. The CPB also records its financial liabilities at cost, which includes accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at fair value are recorded in the fund balances as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gains or loss occurs.

The CPB did not incur any remeasurement gains or losses during the year (2012 - $0).

f) Use of estimates

The preparation of financial statements requires management to make estimates and assumption 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 year. Actual results could differ from those estimates.

3. First time adoption of Public Sector Accounting Standards

In previous fiscal years, the CPB's financial statements were presented in accordance with Canadian generally accepted accounting principles for not-for-profit entities. The Accounting Standards Board has approved the accounting framework choices for government not-for-profit organizations. Effective, April 1, 2012 the CPB adopted ASGNFPO.

These new standards were required to be applied retroactively. There were no impact of these changes on prior year information.

4. Cash

General account

The cash balance for the General Account includes $37,550 (2012 - $38,989) held in a high yielding savings account at Assiniboine Credit Union at a fixed rate of 0.80% effective March 31, 2013. Interest is paid monthly.

Commercial Fishing account

The cash balance for the Commercial Fishing Account is held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 0.80% effective March 31, 2013. Interest is paid monthly.

5. Investments

The guaranteed investment certificates (GICs) are all held at Assiniboine Credit Union (ACU) and are compounded daily with interest paid annually.

Current investments

	2013	2012
General Account		
2.15% GIC - term November 2, 2011 to November 1, 2012	$ -	$ 128,800
2.15% GIC - term November 2, 2011 to November 1, 2012	-	90,000
1.95% GIC - term January 11, 2013 to January 10, 2014	64,400	-
1.95% GIC - term January 11, 2013 to January 10, 2014	50,000	-
	$ 114,400	$ 218,800

Long-term investments

	2013	2012
General Account		
2.15% GIC - term January 11, 2013 to January 10, 2015	$ 64,400	$ -
Commercial Fishing Account		
ACU - surplus shares	563	555
2.15% GIC - term January 11, 2013 to January 10, 2015	41,724	-
	42,287	555
	$ 106,687	$ 555

6. Deferred revenue

On March 26, 2013, the CPB received $43,300 from the Department of Housing and Community Development as grant assistance for a promotional campaign to support and enhance the profile of housing cooperatives. As of March 31, 2013, the CPB has not incurred any costs associated with this initiative, and plan on completing the campaign in 2013/14.

7. Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the CPB subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance as of March 31, 2013 was $75,685 (2012 - $74,713).

8. Contributed services

The Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff for 2013 is estimated at $13,780 (2012 - $16,281) with another $5,816 (2012 - $6,577) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

9. Contributed capital

Section 4(6) of The Act requires that the CPB maintain a minimum realizable value of $129,000 for securities held, essentially the amount of the Contributed Capital. The CPB complied with the externally restricted capital requirements during the year.

10. Compensation disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Cooperative Promotion Board members and of individual compensation paid to board members or staff where such compensation is $50,000 or more per year. For the period of April 1, 2012 to March 31, 2013, the Cooperative Promotion Board paid board members an aggregate of $1,382 and held three board meetings. No individuals received compensation of $50,000 or more.

11. Financial instruments and financial risk management

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

a) 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. The financial instruments that potentially subject the CPB to credit risk consist principally of cash, accounts receivable and investments.

The CPB's maximum possible exposure to credit is as follows:

	2013	2012
Cash (note 4)	$ 122,107	$ 114,201
Accounts receivable	1,458	2,397
Investments (note 5)	221,087	219,355
	$ 344,652	$ 335,953

As at March 31, 2013, $1,458 (2012 - $2,397) of accounts receivable were not past due or impaired.

Cash

The CPB is not exposed to significant credit risk as cash is held with a reputable financial institution.

Account receivable

The CPB is not exposed to significant credit risk as these amounts are accrued interest on the GICs held with a reputable financial institution and typically collected when due. No allowance for doubtful accounts is required.

Investments

The CPB is not exposed to significant credit risk as its investments are held by a reputable financial institution.

11. Financial instruments and financial risk management continued

b) Interest rate risk

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

Cash

The interest rate risk on cash is considered to be low due to their short-term nature.

Investments

The CPB's investments held with a reputable financial institution are normally held to maturity so changes in interest rates do not affect the value of the investments.

c) Liquidity risk

Liquidity risk relates to the CPB's ability to access sufficient funds to meet its financial commitments.

The CPB manages liquidity risk by maintaining adequate cash balances and by reviewing cash flows to ensure adequate funding will be received to meet the obligations when they become due. Accounts payable and accrued liabilities are typically paid when due.

d) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The CPB is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

12. Commitments

As of March 31, 2013, the CPB has approved grants in the amount of $9,040, for which the grant applicants had not yet met the payment conditions. If the payment conditions relating to these grants are met in the future, the commitments will be funded by the General Account.

13. Related party transactions

The CPB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies, Boards and Crown Corporations. The CPB enters into transactions with these entities in the normal course of operations and they are measured at the exchange rate amount agreed to by the related parties.

The Cooperative Promotion Board

Schedule of Grants

Years ended March 31, 2013 and 2012 **Schedule 1**

	2013	2012
General Account		
A Pyramid of Angels Health Care Worker Co-op	$ -	$ 2,925
Bed and Breakfast Marketing Co-op	-	500
Canadian CED Network	3,000	10,000
Canadian Worker Cooperative Federation	-	3,500
Centre for the Study of Cooperatives	5,000	-
Co-op Housing Development Group Inc.	2,000	-
Co-op Management Student, University of Winnipeg	1,000	-
Co-op Ventures Worker Co-op	-	700
Cooperative d'energie De Salaberry	3,000	-
Cooperative d'energie St. Claude	3,000	-
Cooperative Housing Federation of Canada	5,800	-
Manitoba Cooperative Association Inc.	1,000	1,500
Manitoba Organic Marketplace Trade Association Co-op	-	800
Organic Planet Worker Co-op	499	-
Par IT	1,920	2,600
Parkland Agricultural Resource Co-op	-	3,600
Peg City Car Co-op	3,500	-
Roseisle Community Grocery Co-op	594	-
Seniors for Seniors Co-op	2,086	-
South Osborne Community Cooperative	1,500	1,246
University of Winnipeg - Summer Institute	-	1,239
Urban Eat-in Gardeners Workers Co-op	2,025	-
Western Feed Grain Development Co-op Ltd.	-	1,000
Total of Grants	$ 35,924	$ 29,610

Management's Report

Management's Responsibility for the Council on Post-Secondary Education's Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Office of the Auditor General of Manitoba, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Council on Post-Secondary Education and meet when required.

On behalf of Council on Post-Secondary Education

Ray Karasevich Secretary	Carlos Matias, CGA Chief Financial Officer

July 12, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Council on Post-Secondary Education

We have audited the accompanying financial statements of the Council on Post-Secondary Education, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council on Post-Secondary Education as at March 31, 2013 and the results of its operations, the changes in its net financial assets, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 12, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Council on Post-Secondary Education

Statement of Financial Position
As at March 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash and cash equivalents	$ 210,721	$ 371,370
Accounts receivable, Province of Manitoba	7,659,766	3,400,583
Loan Receivable, Province of Manitoba (Note 3)	1,381,354	1,308,018
Total Financial Assets	9,251,841	5,079,971
LIABILITIES		
Accounts payable and accrued liabilities	105,032	110,935
Grants Payable	7,499,766	3,368,952
Provision for employees' severance benefits (Note 6)	131,030	119,156
Provision for employer's share of employees' pension benefits (Note 7)	1,277,213	1,203,877
Total Liabilities	9,013,041	4,802,920
NET FINANCIAL ASSETS	238,800	277,051
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 5)	37,358	41,729
Total Non-Financial Assets	37,358	41,729
ACCUMULATED SURPLUS	$ 276,158	$ 318,780

Contractual Obligations (Note 8)

Dr. Curtis Nordman, Chair

Bonnie Proven, Vice-Chair

The accompanying notes and supplementary schedule are an integral part of these financial statements

Council on Post-Secondary Education

Statement of Operations
For the year ended March 31, 2013

	Budget	2013	2012
REVENUE			
Province of Manitoba grants:			
Department of Advanced Education & Literacy	$ 630,885,000	$ 615,067,152	$ 589,424,151
Other	-	783,565	2,196,474
Interest	-	2,650	4,906
Total Revenue	630,885,000	615,853,367	591,625,531
EXPENSES			
Operating grants	555,297,000	543,009,359	516,663,373
Support programs	1,457,000	1,264,488	1,864,628
College Expansion Initiative grants	44,332,000	42,502,000	40,890,074
Post-Secondary Strategic Initiatives	500,000	100,000	538,900
Equipment and Renovations grants	6,246,000	6,246,000	6,246,000
Capital grants	5,325,000	5,322,221	8,349,324
ACCESS grants	10,276,000	10,190,728	9,840,000
Inter-Provincial Training Agreements	6,042,000	5,708,444	5,633,646
Administrative and Other, Schedule 1	1,410,000	1,552,749	1,670,349
Total Expenses	630,885,000	615,895,989	591,696,294
ANNUAL (DEFICIT)	-	(42,622)	(70,763)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	318,780	318,780	389,543
ACCUMULATED SURPLUS AT END OF YEAR	$ 318,780	$ 276,158	$ 318,780

The accompanying notes and supplementary schedule are an integral part of these financial statements

Council on Post-Secondary Education

Statement of Change in Net Financial Assets
For the year ended March 31, 2013

	Budget	2013	2012
Annual (Deficit)	$ -	$ (42,622)	$ (70,763)
Tangible Capital Assets			
Acquisition of tangible capital assets	-	(2,319)	-
Amortization of tangible capital assets	7,000	6,690	6,573
Decrease in Tangible Capital Assets	7,000	4,371	6,573
(Increase) decrease in net financial assets	7,000	(38,251)	(64,190)
Net financial assets at beginning of year	277,051	277,051	341,241
Net financial assets at end of year	$ 284,051	$ 238,800	$ 277,051

The accompanying notes and supplementary schedule are an integral part of these financial statements

Council on Post-Secondary Education

Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012
Cash provided by (used in)		
Operating Activities		
Net deficit for the year	$ (42,622)	$ (70,763)
Changes in non-cash items:		
Amortization	6,690	6,573
Accounts Receivable	(4,259,183)	(1,791,183)
Accounts Payable	(5,903)	11,801
Grants Payable	4,130,814	1,531,552
Cash (used in) operating activities	(170,204)	(312,020)
Capital Activities		
Acquisition of tangible capital assets	(2,319)	-
Cash used in capital activities	(2,319)	-
Financing Activities		
Loan Receivable - Province of Manitoba	(73,336)	(68,012)
Provision for Employees' Severance Benefits	11,874	12,551
Provision for Employer's Share of Employees' Pension Benefits	73,336	68,012
Cash provided by financing activities	11,874	12,551
(Decrease) in cash and cash equivalents	(160,649)	(299,469)
Cash and cash equivalents, beginning of year	371,370	670,839
Cash and cash equivalents, end of year	$ 210,721	$ 371,370
Supplementary cash flow information:		
Interest Received	$ 2,650	$ 4,906

The accompanying notes and supplementary schedule are an integral part of these financial statements

The Council on Post-Secondary Education

Schedule 1 - Administrative and Other Expenses
for the year ended March 31, 2013

	2013	2012
Amortization	$ 6,690	$ 6,573
Automobile and travelling	30,799	23,347
Computer operating & lease costs	60,371	60,323
Course and membership fees	12,565	8,880
Labour Market - Bridge Programs	-	158,728
Meetings - Council	1,076	3,559
Miscellaneous grants	9,702	5,427
Office rental	125,216	116,907
Postage and telephone	17,706	18,046
Printing and stationery supplies	11,492	17,349
Professional fees	30,131	39,244
Remuneration of Council members	37,975	37,643
Salaries and employee benefits	1,155,666	1,110,749
Subscriptions and books	1,591	1,375
Sundry	51,769	62,199
Total administrative and other expenses	$ 1,552,749	$ 1,670,349

Notes to Financial Statements
for the year ended March 31, 2013

1. Nature of Operations

The Council on Post-Secondary Education (COPSE) was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

On April 11, 2006, Treasury Board authorized the reorganization of the Council on Post-Secondary Education Secretariat. This included the integration of the College Expansion Initiative into the Council on Post-Secondary Education Secretariat.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

B. Financial Instruments

Financial Instruments consist of cash and cash equivalents, accounts receivable, loan receivable, accounts payable and accrued liabilities and grants payable. The loan receivable is measured at amortized cost using the effective interest rate method; all other financial assets and financial liabilities are measured at cost. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Grant Expense

Operating, support program, college expansion initiative, access, and strategic initiatives grants reflect payments/payables to Manitoba universities and community colleges for their annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

Equipment and renovation grants are provided to Manitoba universities and community colleges based on the cash flow requirements of those institutions.

E. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation is recorded based on the Council's best estimates. The liability for severance benefits is based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are amortized over the expected average remaining service life of employees (EARSL). EARSL is estimated at 15 years.

F. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are amortized over the expected average remaining service life of employees (EARSL). EARSL is estimated at 15 years.

G. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Amortization is provided on a straight-line basis over the assets' estimated useful lives, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Office Equipment	10 years
Computer Equipment	4 years
Computer Software	4 years

H. Measurement Uncertainty

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

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Loan Receivable – Province of Manitoba

The loan receivable from the Province of Manitoba represents the following recoverable amounts.

	2013	2012
Severance Pay	$ 104,141	$ 104,141
Pension	1,277,213	1,203,877
	$ 1,381,354	$ 1,308,018

The amount recorded as a receivable from the Province for funding of the severance pay liability was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance pay liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The Province has accepted responsibility for providing the funding for the Council's pension liability and related expense which includes an interest component. The Council has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability of $1,277,213 (2012 - $1,203,877) and has recorded revenue for the year ended March 31, 2013 equal to its pension expense of $132,334 (2012 - $126,809). The Province will make payments on the receivable when it is determined that the cash is required to discharge the related pension obligations.

4. Risk Management

Interest Rate and Foreign Currency Risk

The Council's exposure to interest rate risk is considered low because of the short-term nature of its cash equivalents and accounts receivable. The majority of the balance of the loan receivable is not subject to interest rate risk because it is derived from the provision for employer's share of employees' pension benefits.

The Council is not exposed to foreign currency risk as it has no foreign currency denominated financial instruments.

Credit Risk

Credit risk is the risk of potential loss to the Council if a counterparty to a financial instrument fails to discharge an obligation. The Council's credit risk is primarily attributable to its cash, cash equivalents, accounts receivable and loan receivable. The credit risk on cash and cash equivalents is considered low as the counterparty is a high credit quality institution. The credit risk on accounts receivable and the loan receivable is considered low because the counterparty is the Province of Manitoba.

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at March 31 was:

	Carrying Amount	
	2013	**2012**
Financial Assets		
Cash and cash equivalents	$210,721	$371,370
Loans and Receivables:		
Accounts Receivable	7,659,766	3,400,583
Loan Receivable – Province of Manitoba	1,381,354	1,308,018
	$9,251,841	$5,079,971

5. Tangible Capital Assets

	2013		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 64,482	$ 54,577	$ 9,905
Leasehold Improvements	33,580	11,490	22,090
Office Equipment	12,810	11,042	1,768
Computer Equipment	31,117	28,222	2,895
Computer Software	800	100	700
	$ 142,789	$ 105,431	$ 37,358

	2012		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 64,482	$ 53,037	$ 11,445
Leasehold Improvements	33,580	8,132	25,448
Office Equipment	12,810	10,737	2,073
Computer Equipment	29,598	26,835	2,763
	$ 140,470	$ 98,741	$ 41,729

6. Provision for Employees' Severance Benefits

	2013	2012
Severance Obligations, at beginning of year	$ 92,441	$ 106,605
Actuarial (gain)	-	(28,623)
Benefits accrued	7,774	7,530
Interest accrued on obligations	6,008	6,929
Severance Obligations, at end of year	$ 106,223	$ 92,441
Unamortized actuarial gains	24,807	26,715
Severance Liability	$ 131,030	$ 119,156

Severance Benefit Expense	2013	2012
Current service costs	$ 7,774	$ 7,530
Interest costs	6,008	6,929
Amortization of actuarial gains	(1,908)	(1,908)
Total	$ 11,874	$ 12,551

An actuarial valuation of the severance obligations as at March 31, 2011 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used in that valuation were a rate of return of 6.0% (2010 – 6.5%), inflation rate of 2.0% (2010 – 2.5%) and salary rate increases of 2.75% (2010 – 3.25%). The liability has been extrapolated to March 31, 2013 using a formula provided by the actuary. The next actuarial valuation will be as at March 31, 2014.

7. Provision for Employer's Share of Employees' Pension Benefits

	2013	2012
Pension Obligations, at beginning of year	$ 1,221,722	$ 1,135,865
Actuarial loss (gain)	(53,959)	19,120
Benefits accrued	58,015	49,866
Interest accrued on obligations	76,641	75,668
Benefits paid	(58,997)	(58,797)
Pension Obligations, at end of year	$ 1,243,422	$ 1,221,722
Unamortized actuarial gains (losses)	33,791	(17,845)
Pension Liability	$ 1,277,213	$ 1,203,877

Pension Benefit Expense

	2013	2012
Current service costs, net of employee contributions	$ 58,015	$ 49,866
Interest costs	76,641	75,668
Amortization of actuarial losses (gains)	(2,322)	1,275
Pension Benefit Expense	$ 132,334	$ 126,809

An actuarial valuation of the pension obligations as at December 31, 2011 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used in that valuation (and the December 31, 2010 actuarial valuation) were a discount rate of 6.0%, inflation rate of 2.0%, salary rate increases of 2.75% and post retirement indexing at 2/3 of the inflation rate. The liability has been extrapolated to March 31, 2013 using a formula provided by the actuary. The next actuarial valuation will be as at December 31, 2012.

8. Contractual Obligations

The Council on Post-Secondary Education has approved funding of $5,553,565 (2012 - $307,600) for various new programs and system restructuring which will be provided over fiscal years 2013/14 to 2016/17.

9. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary

Education enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

10. Budget Figures

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

Grant Expenses (unaudited)
For the year ended March 31, 2013

	2013	2012
Universities Grants		
1. Operating		
University of Manitoba	$ 315,872,065	$ 299,738,449
University of Winnipeg	55,669,500	53,493,500
Brandon University	34,444,911	32,720,000
University College of the North	25,460,300	24,335,300
Université de Saint-Boniface	14,084,900	12,988,000
Canadian Mennonite University	3,993,000	3,803,000
Providence University College	1,242,100	1,242,100
Booth University College	368,600	368,600
Steinbach Bible College	230,000	230,000
	451,365,376	428,918,949
First Claims		
University of Manitoba	244,650	253,224
University of Winnipeg	20,000	40,100
Brandon University	174,989	216,600
	439,639	509,924
Support Programs		
Campus Manitoba	787,000	1,321,000
Visually Impaired	357,488	423,628
Churchill Northern Studies Centre	120,000	120,000
	1,264,488	1,864,628
Total Operating Grants - Universities		
University of Manitoba	316,116,715	299,991,673
University of Winnipeg	55,689,500	53,533,600
Brandon University	34,619,900	32,936,600
University College of the North	25,460,300	24,335,300
Université de Saint-Boniface	14,084,900	12,988,000
Canadian Mennonite University	3,993,000	3,803,000
Providence University College	1,242,100	1,242,100
Booth University College	368,600	368,600
Steinbach Bible College	230,000	230,000
Support Programs	1,264,488	1,864,628
	$ 453,069,503	$ 431,293,501

Grant Expenses (unaudited)
For the year ended March 31, 2013

	2013	2012
2. Capital		
(a) Equipment & Renovations		
University of Manitoba	$ 3,020,000	$ 3,020,000
University of Winnipeg	550,000	550,000
Brandon University	330,000	330,000
University College of the North	429,000	429,000
Université de Saint-Boniface	100,000	100,000
	4,429,000	4,429,000
(b) Major Capital Projects		
University of Manitoba	4,325,000	3,797,125
University of Winnipeg	610,000	1,052,998
Brandon University	387,221	391,000
University College of the North	-	3,026,249
Canadian Mennonite University	-	81,952
Université de Saint-Boniface	-	-
	5,322,221	8,349,324
Total Capital Grants		
University of Manitoba	7,345,000	6,817,125
University of Winnipeg	1,160,000	1,602,998
Brandon University	717,221	721,000
University College of the North	429,000	3,455,249
Canadian Mennonite University	-	81,952
Université de Saint-Boniface	100,000	100,000
	9,751,221	12,778,324
3. Strategic Initiatives - Universities		
University of Manitoba	100,000	150,000
Brandon University	-	88,900
	100,000	238,900
4. ACCESS Grants		
University of Manitoba	4,375,600	4,206,700
University of Winnipeg	1,514,200	1,455,800
Brandon University	330,935	2,104,800
University College of the North	2,913,993	1,057,400
	9,134,728	8,824,700
Total Universities Grants	$ 472,055,452	$ 453,135,425

Grant Expenses (unaudited)
For the year ended March 31, 2013

	2013	2012
Colleges Grants		
1. Operating		
Assiniboine Community College	$ 19,975,400	$ 19,206,500
Red River College	68,888,944	65,778,000
École technique et professionnelle	2,340,000	2,250,000
	91,204,344	87,234,500
2. Capital		
(a) Equipment & Renovations		
Assiniboine Community College	598,000	598,000
Red River College	1,219,000	1,219,000
	1,817,000	1,817,000
Total Capital Grants		
Assiniboine Community College	598,000	598,000
Red River College	1,219,000	1,219,000
	1,817,000	1,817,000
3. College Expansion Initiative		
Assiniboine Community College	7,207,000	6,912,000
University College of the North	4,443,600	4,272,600
Red River College	29,661,700	28,370,000
École technique et professionnelle	1,179,700	1,134,700
Tech Voc Initiative	10,000	200,774
	42,502,000	40,890,074
4. Strategic Initiatives		
Red River College	-	300,000
	-	300,000
5. ACCESS Grants		
Red River College	1,056,000	1,015,300
	1,056,000	1,015,300
Total College Grants	$ 136,579,344	$ 131,256,874

Grant Expenses (unaudited)
For the year ended March 31, 2013

	2013	2012
Access Program Grants		
University of Manitoba		
University of Manitoba ACCESS Program		
- North & South	$ 347,900	$ 334,400
Special Pre-Medical Studies Program	546,400	525,300
Professional Health Program	144,800	139,300
Northern Bachelor of Social Work Program	1,048,200	1,007,800
Winnipeg Education Centre - Social Work Program	1,223,100	1,175,900
Engineering ACCESS Program	498,200	478,900
Nursing	567,000	545,100
	4,375,600	4,206,700
University of Winnipeg		
Integrated Student Support Services	217,800	209,400
Winnipeg Education Centre	719,100	691,400
Aboriginal Teacher Education program	577,300	555,000
	1,514,200	1,455,800
Brandon University		
Brandon University Northern Teacher Education Program	330,935	2,104,800
	330,935	2,104,800
University College of the North		
ACCESS Education	1,814,193	-
ACCESS The Pas	408,400	392,600
ACCESS Nursing Preparation Year	691,400	664,800
	2,913,993	1,057,400
Total Universities ACCESS Programs	9,134,728	8,824,700
Red River College		
Community College ACCESS Program		
- North & South	472,800	454,600
Southern Nursing Program	583,200	560,700
	1,056,000	1,015,300
Total ACCESS Programs	$ 10,190,728	$ 9,840,000

Inter-Provincial Training Agreements (unaudited)
For the year ended March 31, 2013

	2013	2012
University of Saskatchewan		
Veterinary Medicine	$ 5,413,500	$ 5,341,020
University of Waterloo		
Optometry	126,832	125,831
Southern Alberta Institute of Technology		
Nuclear Medicine	168,112	166,795
Total Inter-Provincial Training Agreements	$ 5,708,444	$ 5,633,646

Management's Responsibility for Financial Reporting

The accompanying financial statements and note disclosures are the responsibility of management of Crown Corporations Council and have been prepared by management in accordance with Canadian public sector accounting standards. The financial statements have been reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors on April 30, 2013.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and other data available as at the date of approval by the Board of Directors.

Management maintains internal controls to properly safeguard the assets of Crown Corporations Council and to ensure that transactions and events are accurately recorded and properly approved on a timely basis in order to provide financial information that is free from material misstatement and in accordance with the underlying legislation and regulations applicable to Crown Corporations Council.

The financial statements have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Crown Corporations Council are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the financial statements.

On behalf of Management of Crown Corporations Council

C.R. (Chuck) Sanderson
President & Chief Executive Officer

Sheilagh Antoniuk
Director of Operations &
Senior Corporate Analyst

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crown Corporations Council

Report on the Financial Statements

We have audited the accompanying financial statements of Crown Corporations Council, which comprise the statements of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011 and the statements of operations, change in net financial assets and cash flow for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Crown Corporations Council as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards.

Magnus

April 30, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

430 Five Donald Street • Winnipeg, Canada • R3L 2T4 • Phone (204) 942-4441 • Facsimile (204) 944-0400

Statement of Financial Position

(in thousands)

December 31, 2012, December 31, 2011, and January 1, 2011

	December 31, 2012 Actual	December 31, 2011 Actual	January 1, 2011 Actual (Note 4)
Financial assets			
Cash and cash equivalents	$ 642	$ 689	$ 578
Accounts receivable (Note 5)	215	86	9
	857	775	587
Liabilities			
Accounts payable and accrued liabilities	123	145	115
Levies received in advance	151	177	76
Due to Crown corporations (Note 6)	350	232	217
Employee future benefits (Note 7)	155	148	179
	779	702	587
Net financial assets	78	73	-
Non-financial assets			
Tangible capital assets (Note 8)	18	26	32
Accumulated surplus (Note 9)	$ 96	$ 99	$ 32

Designated assets (Note 10)

Commitments (Note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Council Chair

Council Member

Statement of Operations

(in thousands)
Years ended December 31, 2012 and December 31, 2011

	2012 Budget	2012 Actual	2011 Actual
Revenue			
Recoveries from Crown corporations through levies (Note 12)	$ 987	$ 1,075	$ 797
Director Training Program:			
Government funding – Province of Manitoba	83	80	80
Recoveries from participants	30	8	9
Interest income	4	4	3
	1,104	1,167	889
Expenses			
Amortization of tangible capital assets	13	13	13
Board remuneration and expenses	84	84	82
Director Training Program expenses	113	84	16
Equipment, computer and maintenance	2	3	3
Industry conferences	10	1	2
Insurance and miscellaneous	7	2	2
Loss on disposal of tangible capital assets	-	1	-
Office supplies and printing	12	10	9
Professional development	8	5	4
Professional fees	170	292	93
Rent	97	91	84
Salaries and benefits	575	575	505
Telephone, internet and communications	9	8	7
Travel and automobile	12	1	2
	1,112	1,170	822
Operating (deficit) surplus for the year	(8)	(3)	67
Accumulated surplus, beginning of year	-	99	32
Accumulated surplus, end of year	$ (8)	$ 96	$ 99

See accompanying notes to financial statements.

Statement of Change in Net Financial Assets

(in thousands)

Years ended December 31, 2012 and December 31, 2011

	2012 Budget	2012 Actual	2011 Actual
Operating (deficit) surplus for the year	$ (8)	$ (3)	$ 67
Tangible capital assets:			
Acquisition of tangible capital assets	(5)	(5)	(7)
Amortization of tangible capital assets	13	13	13
Net acquisition of tangible capital assets	8	8	6
Increase in net financial assets	-	5	73
Net financial assets, beginning of year	-	73	-
Net financial assets, end of year	$ -	$ 78	$ 73

See accompanying notes to financial statements.

Statement of Cash Flow

(in thousands)

Years ended December 31, 2012 and December 31, 2011

	2012 Actual	2011 Actual
Cash provided by (applied to):		
Operating activities:		
Operating (deficit) surplus for the year	$ (3)	$ 67
Adjustment for:		
Amortization of tangible capital assets	13	13
Loss on disposal of tangible capital assets	1	-
	11	80
Changes in the following:		
Accounts receivable	(130)	(77)
Accounts payable and accrued liabilities	(22)	30
Levies received in advance	(26)	101
Due to Crown corporations	118	15
Employee future benefits	7	(31)
Cash (applied to) provided by operating activities	(42)	118
Capital activities:		
Acquisition of tangible capital assets	(5)	(7)
Cash (applied to) capital activities	(5)	(7)
Change in cash and cash equivalents	(47)	111
Cash and cash equivalents, beginning of year	689	578
Cash and cash equivalents, end of year	$ 642	$ 689

See accompanying notes to financial statements.

Notes to Financial Statements

For the Year Ended December 31, 2012

1. Nature of organization

Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 pursuant to *The Crown Corporations Public Review and Accountability Act.* The role of the Council is to facilitate the development of clear mandates, effective performance measures and consistent practices where appropriate for the Crown corporations under its purview in accordance with the underlying legislation.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards using the significant accounting policies described in Note 3 below. Additional disclosures relating to the transition to PSA standards are provided in Note 4 to these financial statements.

The adoption of PSA standards includes the early adoption of PS 1201 *Financial Statement Presentation,* PS 3450 *Financial Instruments,* and PS 3410 *Government Transfers.*

3. Significant accounting policies

a. Revenue

Recoveries from Crown corporations through levies

In accordance with Regulation 84/90 "Levies on Corporations Regulation" pursuant to *The Crown Corporations Public Review and Accountability Act,* the Council's general operating expenses are recovered from the Crown corporations under its purview through the assessment of levies and direct costs incurred on behalf of particular Crown corporations are recovered directly from the respective Crown corporations. These amounts are recognized at the time the general operating expenses and direct costs are incurred.

Director Training Program

The Director Training Program for Manitoba Agencies, Boards, and Commissions is funded through government transfers and program related recoveries. The Council receives government transfers without eligibility criteria or stipulations that are recognized on an accrual basis when the transfer is authorized. Recoveries from participants are recognized when the related services are provided.

Interest income

Interest income is recognized on the accrual basis.

b. Expenses

All expenses incurred are recognized on the accrual basis.

c. Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

3. Significant accounting policies (continued)

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

e. Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Council. These assets are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price and other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Office furniture and equipment	5 years straight line
Computer equipment	3 years straight line

f. Financial instruments – measurement

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

The Council records its financial assets at cost, which include cash and cash equivalents and accounts receivable. The Council also records its financial liabilities at cost, which include accounts payable and accrued liabilities, levies received in advance, and amounts due to Crown corporations.

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

g. 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, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Adoption of Canadian public sector accounting standards

In previous fiscal years, the Council was classified as a not-for-profit organization and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook – Part V. Given the recent restructuring of the CICA Accounting handbook, all public sector entities are now directed to the Public Sector Accounting (PSA) Handbook. In accordance with the recommendations of the PSA Handbook, the Council has determined that it is an “Other Government Organization” and has determined that PSA standards are the most appropriate framework for financial reporting purposes.

The Council adopted PSA standards on January 1, 2012 with a transition date of January 1, 2011. These are the Council's first financial statements prepared in accordance with PSA standards and PS 2125, *First Time Adoption*, has been applied. The Council did not use any elective exemptions available on first time adoption.

There were no adjustments to the previously reported assets, liabilities, net assets, results of operations or cash flows of the Council as a result of adopting PSA standards.

5. Accounts receivable

	2012	2011
Trade accounts receivable	$ 214	$ 82
Other receivables	1	4
	$ 215	$ 86

Included in trade accounts receivable at year end is $128 (2011 - $nil) relating to the recovery of direct costs incurred on behalf of particular Crown corporations during the year (see Note12 to these financial statements for additional details).

6. Due to Crown corporations

Amounts due to the Crown corporations under its purview are non-interest bearing with no specific repayment terms and represent a retroactive adjustment to levies based on the Council's actual expenses.

7. Employee future benefits

	2012	2011
Enhanced pension benefits	$ 93	$ 89
Severance benefits	$ 62	$ 59
	$ 155	$ 148

Certain qualifying employees of the Council are eligible for pension benefits and severance benefits in accordance with the provisions of *The Civil Service Superannuation Act ("CSSA")* administered by the Civil Service Superannuation Board through the Civil Service Superannuation Fund (the "Fund").

7. Employee future benefits (continued)

Pension benefits

Employees of the Council are provided regular pension benefits as a result of the participation of its eligible employees in the *CSSA*. Under paragraph 6 of the *CSSA*, the Council is described as a matching employer for regular pension benefits and therefore the Council's contributions towards regular pension benefits is limited to matching the employees' contributions. The amount paid for regular pension benefits for 2012 was $20 (2011 - $20). Under the *CSSA*, the Council has no further liability for regular pension benefits.

In addition to regular pension benefits, a former employee is entitled to enhanced pension benefits in excess of the maximum amount provided by the *CSSA*. The enhanced pension benefits are provided under a final pay plan which is indexed. The amount of the enhanced pension benefit obligation is based on actuarial calculations using the accrued benefit method. The periodic actuarial valuation of this obligation may determine that adjustments are needed to the accrued obligation when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are recognized in income immediately as there is no remaining service life of the employee.

The most recent actuarial valuation for the enhanced pension obligation was completed as at December 31, 2011. The actuarial report provides a formula to update the obligation on an annual basis. In accordance with the formula, the Council's actuarially determined obligation for accounting purposes as at March 31, 2012 is $94 (2011 - $89).

Enhanced Pension Benefits

	2012	2011
Enhanced pension obligation, beginning of year	$ 89	$ 94
Actuarial gains/losses	4	(4)
Current service cost	-	-
Interest cost	6	5
Benefits paid	(6)	(6)
Enhanced pension obligation, end of year	$ 93	$ 89

Significant long-term actuarial assumptions used in the December 31, 2011 valuation, and in the determination of the December 31, 2012 enhanced pension benefit obligation are as follows:

Discount rate	6.00%	(2011 - 6.00%)
Rate of compensation increase	3.75%	(2011 - 4.00%)
Indexing	1.33%	(2011 - 1.33%)
Annual employee contributions interest credit	4.00%	(2011 - 4.00%)
Annual rate of increase in CPP earnings maximum	2.75%	(2011 - 2.75%)
Rate of CRA maximum pension increase	$2,647	(2011 - $2,552)

7. Employee future benefits (continued)

Severance benefits

Employees of the Council are also provided severance benefits as a result of the participation of its eligible employees in the *CSSA*. Severance benefits include benefits payable to eligible employees resulting from retirement, death or other termination in accordance with the *CSSA*. Severance benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the accrued benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees are expected to retire.

The amount of severance benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these obligations may determine that adjustments are needed to the accrued obligation when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the 10 year expected average remaining service life of the related employee group if material.

The most recent actuarial valuation for the severance benefit obligation was completed as at December 31, 2012. Based on the actuarial report, the Council's actuarially determined severance obligation for accounting purposes as at March 31, 2012 is $62 (2011 - $59).

Severance Benefits

	2012	2011
Severance benefit obligation, beginning of year	$ 59	$ 86
Actuarial gains/losses	6	-
Current service cost	5	4
Interest cost	4	6
Benefits paid	(12)	(37)
Severance benefit obligation, end of year	$ 62	$ 59
Unamortized actuarial gains/losses	-	-
Severance benefit obligation, end of year	$ 62	$ 59

Significant long-term actuarial assumptions used in the December 31, 2012 valuation are as follows:

Discount rate	6.00%	(2011 - 6.50%)
Rate of compensation increase	2.75%	(2011 - 4.00%)

Sick pay benefits

The Council provides sick leave benefits for employees that accumulate but do not vest. No amounts for sick pay benefits are included in these financial statements as the amounts are not significant to warrant an accrual in the financial statements.

8. Tangible capital assets

	2012				2011
	Opening Balance	Additions	Disposals	Closing Balance	Total
Cost					
Office furniture and equipment	$ 62	$ 5	$ -	$ 67	$ 62
Computer equipment	39	-	(2)	37	39
Total cost	$ 101	$ 5	$ (2)	$ 104	$ 101
Accumulated amortization					
Office furniture and equipment	$ (52)	$ (3)	$ -	$ (55)	$ (52)
Computer equipment	(23)	(10)	2	(31)	(23)
Total accumulated amortization	$ (75)	$ (13)	$ 2	$ (86)	$ (75)
Net book value	$ 26	$ (8)	$ -	$ 18	$ 26

9. Accumulated surplus

The Council has allocated a portion of its accumulated surplus for amounts internally restricted for administering the Director Training Program. As at year end, the total accumulated surplus from revenues and expenses directly relating to the Director Training Program is $78 (2011 - $73).

10. Designated assets

The Council has allocated $145 (2011 - $144) of its cash and cash equivalents as designated assets for employee future benefit obligations. This amount is held in a short term interest bearing trust account with the Province of Manitoba to ensure adequate cash is maintained to discharge employee benefit obligations as they arise. Any unused amounts are re-invested at each maturity date.

11. Commitments

The Council is committed under a premises lease expiring on April 30, 2016 to annual basic rental payments of approximately $47 and annual common area and operating costs of approximately $38 for a total annual commitment of approximately $85.

12. Recoveries from Crown corporations through levies

During the year, the Council incurred $256 (2011 - $nil) of direct costs recovered directly from Crown corporations. Specifically, direct costs were incurred during the year relating to the merger of Manitoba Lotteries Corporation and the Manitoba Liquor Control Commission which were recovered directly from these Crown corporations in addition to the recovery of general operating expenses.

13. Financial risk management – overview

The Council does not have any financial instruments measured at fair value therefore did not incur any remeasurement gains and losses during the year (2011 - $nil).

13. Financial risk management - overview (continued)

Credit risk

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

The maximum exposure of the Council to credit risk at December 31 is:

	2012	2011
Cash and cash equivalents	$ 642	$ 689
Accounts receivable	215	86
	$ 857	$ 775

Cash and cash equivalents - the Council is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and the Minister of Finance.

Accounts receivable - the Council is not exposed to significant credit risk as any balances are due from the Crown corporations under its purview, the Province of Manitoba and other Provincial Agencies, Boards and Commissions. The Council manages this credit risk through close monitoring of any overdue amounts.

When necessary, the Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The balance in the allowance for doubtful accounts as at December 31, 2012 was $nil (2011 - $nil).

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due. The Council manages liquidity risk by maintaining adequate cash balances to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's results of operations or the fair values of its financial instruments.

Interest rate risk

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

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

INDEPENDENT AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the accompanying financial statements of **Diagnostic Services of Manitoba Inc.,** which comprise the statements of financial position as at March 31, 2013 and 2012, and April 1, 2011 and the statements of operations, net assets and cash flows for the years end March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2013 and 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Winnipeg Canada,
June 13, 2013.

Chartered Accountants

Diagnostic Services of Manitoba Inc.
Incorporated under the laws of Manitoba

STATEMENTS OF FINANCIAL POSITION

[Expressed in thousands of dollars]

	As at March 31, 2013 $	As at March 31, 2012 $ *[restated - note 2[b]]*	As at April 1, 2011 $ *[restated - note 2[b]]*
ASSETS			
Current			
Cash and cash equivalents	**6,512**	4,109	1,028
Accounts receivable *[note 4]*	**15,077**	15,195	17,419
Prepaid expenses	**944**	533	1,157
Vacation pay recoverable from			
Manitoba Health	**619**	619	619
Regional Health Authorities of Manitoba	**903**	903	637
Total current assets	**24,055**	21,359	20,860
Capital assets, net *[note 5]*	**55,605**	49,149	79,241
Pre-retirement benefits recoverable *[note 6]*	**13,348**	13,230	13,064
Future sick leave benefits recoverable	**2,187**	1,931	1,875
	95,195	85,669	115,040
LIABILITIES AND NET ASSETS			
Current			
Bank indebtedness *[note 7]*	**2,070**	—	2,905
Accounts payable and accrued liabilities *[note 8]*	**11,989**	10,429	8,548
Current portion of obligations under capital lease *[note 9]*	**509**	405	451
Accrued vacation pay	**8,416**	7,935	7,324
Total current liabilities	**22,984**	18,769	19,228
Accrued pre-retirement benefits *[note 13[b]]*	**13,804**	13,943	13,826
Future sick benefits payable	**2,436**	2,159	2,087
Obligations under capital lease *[note 9]*	**545**	647	961
Deferred contributions *[note 10]*	**55,397**	50,103	78,847
Total liabilities	**95,166**	85,621	114,949
Commitments *[note 11]*			
Net assets	**29**	48	91
	95,195	85,669	115,040

See accompanying notes

On behalf of the Board:

Marie Perchotte, Board Chair   Glenn McLennan, Treasurer

Diagnostic Services of Manitoba Inc.

STATEMENTS OF OPERATIONS

[Expressed in thousands of dollars]

Years ended March 31

	2013 $	2012 $ *[restated - note 2[b]]*
REVENUE		
Manitoba Health operating income	**26,833**	24,969
Recoveries from Regional Health Authorities	**111,682**	110,783
Revenue from non-resident out-patient services	**131**	142
Interest income	**17**	—
Other recoveries	**26**	122
Recognition of deferred contributions *[note 10]*		
Capital - amortization	**7,962**	8,073
Expenses	**282**	217
Westman Lab deficit recoverable from Manitoba Health *[note 4]*	**493**	622
	147,426	144,928
EXPENSES		
Direct operating *[note 12]*	**139,389**	136,831
Amortization of capital assets	**8,056**	8,140
	147,445	144,971
Excess of expenses over revenue for the year	**(19)**	(43)

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENTS OF NET ASSETS

[Expressed in thousands of dollars]

Years ended March 31

	2013			
	Internally restricted for capital assets $ *[note 14]*	Unrestricted $	Total $	2012 Total $ *[restated - note 2[b]]*
Net assets, beginning of year	120	(72)	48	91
Excess of revenue over expenses (expenses over revenue) for the year	(82)	63	(19)	(43)
Net assets, end of year	38	(9)	29	48

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENTS OF CASH FLOWS

[Expressed in thousands of dollars]

Years ended March 31

	2013 $	2012 $ *[restated - note 2[b]]*
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	**(19)**	(43)
Add (deduct) items not involving cash		
Amortization of capital assets	**8,056**	8,140
Amortization of deferred contributions related to capital assets	**(7,974)**	(8,073)
Recognition of deferred contributions related to expenses	**(281)**	(217)
	(218)	(193)
Net change in non-cash working capital balances related to operations	**(2,333)**	5,776
Deferred contributions received - future expenses	**1,613**	264
Cash provided by (used in) operating activities	**(938)**	5,847
CAPITAL ACTIVITIES		
Increase (decrease) in accounts payable related to capital assets	**3,808**	(735)
Acquisition of capital assets	**(14,475)**	(14,970)
Reallocation of capital asset costs *[note 5]*	**—**	36,922
Cash provided by (used in) capital activities	**(10,667)**	21,217
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**11,936**	16,204
Deferred contribution reallocated *[note 5]*	**—**	(36,922)
Increase (decrease) in bank indebtedness	**2,070**	(2,905)
Increase (decrease) in obligations under capital lease, net of repayments	**2**	(360)
Cash provided by (used in) financing activities	**14,008**	(23,983)
Net increase in cash and cash equivalents during the year	**2,403**	3,081
Cash and cash equivalents, beginning of year	**4,109**	1,028
Cash and cash equivalents, end of year	**6,512**	4,109

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on December 20, 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing lab services throughout the Province of Manitoba, and imaging services within the rural environment.

Effective April 1, 2005, agreements were signed with 11 regional health authorities of Manitoba ["RHAs"] and seven non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and seven non-devolved facilities to commence the transition of all unionized staff, existing lab assets and contracts of the facilities to DSM. The agreement also outlined the services to be provided by DSM and that related costs are to be recovered from the RHAs and the Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 RHAs to transfer all unionized staff, existing assets and contracts of the lab facilities in the rural regions. Similar to the Winnipeg transition agreements, the services to be provided by DSM will be recovered from the RHAs. The staff transfers from Assiniboine and Churchill in April 2009 completed Stage IV transition.

Effective April 1, 2009, DSM entered into an agreement with Westman Regional Laboratory Services Inc. ["WRL"] and Brandon Regional Health Authority to assign the responsibilities to DSM with respect to the management and operation of laboratory services for the City of Brandon. As part of this transaction, DSM assumed net assets of $(7) from WRL's operations. Capital assets with a net book value of $484 and other net assets of $1,275 were acquired, as well as bank indebtedness of $1,766 assumed. Specialized equipment funding for WRL new capital purchases was provided directly to DSM starting in 2008 by way of approved loan facilities through Manitoba Health.

In November 2009, the dissolution of the WRL board was executed followed by a formal dissolution of the WRL entity. It now operates under the name of Westman Lab as a division of DSM. The ongoing redevelopment of Westman Lab is expected to meet the growing demand for testing outside of Winnipeg using modern facilities and methodologies.

DSM is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES AND FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

A. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with the Public Sector Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada ["GAAP"]. DSM has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are described hereafter.

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Certain expenses related to diagnostic operations are incurred and paid directly by the RHAs. Since the legal obligation for these expenses lies with the RHAs, the expenses are not reflected in the financial statements for DSM.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

[d] Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/intangibles	20%
Furniture and equipment	10%
Equipment under capital lease	10% - 20%

System software-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate category of capital asset. No amortization is taken on system software-in-progress.

[e] Sick leave benefits

The cost of non-vesting sick leave benefits are determined by management by using their best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

[f] Pre-retirement benefits

The costs of pre-retirement benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases, and ages at which employees will retire.

[g] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates. The amounts estimated include amortization of capital assets, employee future benefits payable and sick leave benefits.

[h] Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value [ii] cost or amortized cost. DSM determines the classification of its financial interest at initial recognition.

Financial instruments including accounts receivable, vacation pay receivable from Manitoba Health and Regional Health Authorities of Manitoba, pre-retirement benefits recoverable, accounts payable and accrued liabilities, and accrued vacation pay, are initially recorded at their fair value and are subsequently measured at amortized cost, net any provisions for impairment.

B. FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

These financial statements are the first financial statements which DSM has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. DSM has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. In preparing its opening statement of financial position as at April 1, 2011 [the "Transition Date"], DSM has applied PS 2125, *First-time Adoption by Government Organizations*.

The accounting policies that DSM has used in the preparation of its opening statement of financial position have resulted in certain adjustments to balances which were previously presented in the statement of financial position prepared in accordance with Part V of the Canadian Institute of Chartered Accountants ["CICA"] Handbook - *Accounting* ["Previous GAAP"]. These adjustments were recorded directly to DSM's net assets at the Transition Date using the transitional provisions set out in PS 2125 and are described below.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

Reconciliations

The following table provides a reconciliation of net assets as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012 as presented under Previous GAAP with those computed under GAAP:

	Excess of revenue over expenses for the year ended March 31, 2012 $	Net assets as at April 1, 2011 $
Excess of revenues over expenses and net assets - previous GAAP	**35**	205
Adjustments:		
Recognition of sick leave obligation *[i]*	**(71)**	(2,087)
Recovery of sick leave obligation with respect to transferred employees *[i]*	**55**	1,875
Recovery of additional deficit in Westman Labs from Manitoba Health	—	139
Recovery of changes of employer future benefits payable due to change in discount rates *[ii]*	**(62)**	(41)
Excess of revenue over expenses (expenses over revenue) and net assets - GAAP	**(43)**	91

Explanations for adjustments

[i] Accumulating and non-vesting sick leave

Under previous GAAP, non-vesting sick leave benefits were not recognized in the financial statements. PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* requires the recording of a liability for sick leave benefits that accumulate but do not vest. As a result, DSM has recognized a liability, corresponding recoverable for certain amounts and a charge to net assets as at Transition Date and an adjustment to net surplus for the year ended March 31, 2012. See note 13[c] for details of the calculated balances and the impact at the respective dates. No amounts for these values were previously recorded in the financial statements.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

[ii] Discount rate for valuing employee future benefits obligation

Under previous GAAP, not-for-profit organizations ["NPOs"] used a discount rate based on corporate bond interest rates to value the pre-retirement obligation. PS 3250 requires that the discount rate used to value the pre-retirement obligation be either the cost of borrowing or the expected return on plan assets. The cost of borrowing is used to value the accrued employee future benefits obligation for pre-retirement leave benefits. The change in the discount rate resulted in an adjustment to the liability and corresponding recoverable for certain amounts, opening net assets as at the Transition Date and an adjustment to net surplus for the year ended March 31, 2012. See note13[b] for details of the calculated balances at the respective dates.

3. ADOPTION OF ACCOUNTING STANDARDS RELATED TO FINANCIAL INSTRUMENTS

The Public Sector Accounting Board ["PSAB"] approved the following new public sector accounting standards

PS 1201 - *Financial statement presentation* [replacing PS 1200, *Financial statement presentation*]

PS 3450 - *Financial instruments*

Adoption of all of these standards must take place in the same fiscal period. In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. The adoption of these standards had no impact on DSM's financial statements.

4. ACCOUNTS RECEIVABLE

	2013 $	2012 $	As at April 1, 2011 $
Due from Manitoba Health	**1,305**	1,194	5,332
Due from RHAs	**13,064**	10,206	9,355
Other	**708**	3,795	2,732
	15,077	15,195	17,419

[Expressed in thousands of dollars]

The amount due from Manitoba Health includes the current year deficit of $493 [2012 - $622] related to Westman Lab's operations and is expected to be recovered at a future date. The amounts recoverable from Manitoba Health are subject to review by Manitoba Health prior to settlement. It is management's position that these amounts will be recovered.

There are no significant amounts that are past due or impaired.

5. CAPITAL ASSETS

	2013		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware/intangibles	**5,821**	**4,233**	**1,588**
Furniture and equipment	**74,609**	**29,850**	**44,759**
System software-in-progress	**7,751**	**—**	**7,751**
Equipment under capital lease	**2,896**	**1,389**	**1,507**
	91,077	**35,472**	**55,605**

	2012		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware/software	5,851	3,994	1,857
Furniture and equipment	63,889	22,443	41,446
System software-in-progress	4,413	—	4,413
Equipment under capital lease	2,449	1,016	1,433
	76,602	27,453	49,149

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

	As at April 1, 2011		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware/software	5,780	2,899	2,881
Furniture and equipment	48,233	15,779	32,454
System software-in-progress	42,229	—	42,229
Equipment under capital lease	2,347	670	1,677
	98,589	19,348	79,241

Phase 2 of the RISPACS project was completed in 2012. With the completion of the project, the costs and associated funding were allocated to the organization where the assets were deployed. The project memorandum of understanding, signed on November 23, 2009, outlines the basis of ownership of the assets of the participating organizations. The total costs and associated funding involved was $40,988, of which DSM distributed $36,922 to the participating organizations and retained $4,066. Accordingly, DSM reduced capital asset costs and deferred contributions by $36,922.

System software-in-progress is not amortized until such time as it becomes available for use.

6. PRE-RETIREMENT BENEFITS RECOVERABLE

	2013 $	2012 $	As at April 1, 2011 $
Pre-retirement benefits recoverable from			
Manitoba Health	**735**	735	735
RHAs	**12,613**	12,495	12,329
	13,348	13,230	13,064

Pre-retirement benefits recoverable from Manitoba Health represent the amount guaranteed by the Province of Manitoba.

The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through Manitoba Health] has included in its ongoing annual funding to DSM an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement liabilities.

[Expressed in thousands of dollars]

Pre-retirement benefits recoverable from the RHAs will be repaid as benefits are provided and represent their proportionate share of the actuarial determined liabilities *[note 13[b]]*.

The pre-retirement benefits recoverable represent a financial instrument and have been classified as loans and receivables, and are valued at amortized cost using the effective interest rate method. The carrying value of the pre-retirement benefits recoverable approximates their fair value, because the annual interest accretion is funded.

The impact of adopting GAAP during the year as outlined in note 2[b] is as follows:

	$
Previous GAAP, April 1, 2011	11,953
Increase in recoverable amounts based on change in discount rate	1,111
Adjusted balance, April 1, 2011	13,064
Net change for the year ended March 31, 2012	166
Adjusted balance, March 31, 2012	13,230

7. CREDIT FACILITY

DSM has a $7,000 credit facility which was not utilized at year-end [2012 - $6,500; April 1, 2011 - $2,905]. Interest is payable at bank prime.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2013	**2012**	**As at April 1, 2011**
	$	$	$
Trade accounts payable	**5,111**	8,552	8,119
Due to Manitoba Health	**—**	1,300	—
Due to RHAs	**6,878**	577	429
	11,989	10,429	8,548

Amounts recorded in Due to Manitoba Health are advances provided to DSM. Manitoba Health can demand full repayment of the advances at any time. Accordingly, the advance is recorded as a current liability.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

9. OBLIGATIONS UNDER CAPITAL LEASE

The acquisition of electron microscopes were financed through a lease agreement. The lease has an implicit rate of interest of 6.23% and a lease repayable in fixed blended monthly amounts of approximately $12. The obligations will be fully paid in May 2014.

In December 2008, DSM entered into another lease contract for the acquisition and installation of a toxicology screening system at the Health Sciences Centre. The lease has an implicit rate of interest of 7.9% and is repayable in fixed blended monthly payments of $8. The contract lease expires February 28, 2014.

On January 2011, DSM entered into an agreement with Thermo Fisher Scientific to lease a mass spectrometer valued at $150. The lease has an implicit rate of 7.977% and is repayable in fixed blended monthly payments of $5. The lease expires January 2014.

Two other leases were entered into with NexCap Finance Corporation for the acquisition of a mass spectrometer and office furniture. These leases have an implicit rate of 4.525% repayable in fixed blended monthly payments of $9. The lease expires January 2016.

In August 2011, DSM entered into an agreement with NexCap for the lease of chemistry analyzer equipment with a value of $86. The lease has an implicit rate of 3.9% repayable in fixed blended monthly payments of $2. The lease expires in July 2016.

In May 2012, DSM entered into two new leases for solvent recyclers with a value of $67. These leases have an implicit rate in the range of 7.044% - 7.086% repayable in fixed blended monthly payments of $1.5. The leases expire in May 2016.

In December 2012, DSM entered into a lease for a liquid cromatograph tandem mass spectrometer with a value of $347. The lease has an implicit rate of 4.652% repayable in fixed monthly payments of $12. The lease expires in January 2016.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

The following is a schedule of future minimum lease payments under capital lease, together with the balance of the obligations:

	$
2014	549
2015	317
2016	245
2017	8
	1,119
Less interest	(65)
	1,054
Less current portion	(509)
	545

10. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2013 $	2012 $	As at April 1, 2011 $
Deferred contributions			
Expenses	**2,259**	927	880
Capital	**53,138**	49,176	77,967
	55,397	50,103	78,847

[a] Deferred contributions, expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's externally restricted operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

[Expressed in thousands of dollars]

Deferred contributions, future expenses consist of the following:

	2013 $	2012 $	As at April 1, 2011 $
Balance, beginning of year	**927**	880	749
Deferred contributions received	**1,613**	264	392
Amounts amortized to revenue	**(281)**	(217)	(261)
Balance, end of year	**2,259**	927	880

[b] Deferred contributions, capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2013 $	2012 $	As at April 1, 2011 $
Balance, beginning of year	**49,176**	77,967	69,445
Deferred contributions received	**11,936**	16,204	15,402
Deferred contributions allocated *[note 5]*	—	(36,922)	—
Amounts amortized to revenue	**(7,974)**	(8,073)	(6,880)
Balance, end of year	**53,138**	49,176	77,967

NOTES TO FINANCIAL STATEMENTS
[Expressed in thousands of dollars]

March 31, 2013 and 2012

11. COMMITMENTS

[a] Lease payments

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2014	345
2015	173
	518

The lease with the landlord was amended to include additional space acquired by DSM in April 2013, increasing the annual lease payment by $51. The lease expires September 2014.

In addition, pursuant to the agreements dated April 1, 2006 and November 1, 2007, DSM entered into leases with the RHAs for premises totalling $4,296 per year.

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

In the prior fiscal year, Manitoba Health approved an additional $8,700 to continue with the next phase of the project implementation. As at March 31, 2013, $5,230 of the amount has been incurred. DSM will continue its role as funds custodian for the project.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

12. DIRECT OPERATING EXPENSES

Direct operating expenses consist of the following:

	2013 $	2012 $ *[restated - note 2[b]]*
Salaries and benefits	**122,643**	120,029
Communications	**6**	7
Equipment	**5,246**	5,289
External consulting	**220**	172
Grants	**20**	47
Insurance	**145**	138
Interest	**74**	159
Lab and diagnostic supplies	**3,896**	4,060
Legal and audit	**78**	181
Meetings	**34**	28
Miscellaneous	**133**	58
Printer, paper and office supplies	**787**	779
Recruitment	**171**	247
Rent and utilities	**4,882**	4,776
Staff training and development	**460**	246
Telephone	**114**	124
Travel	**480**	491
	139,389	136,831

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

13. EMPLOYEE FUTURE BENEFITS

[a] Multi-employer pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"]. DSM's liability is limited to the contributions required during the year under the respective agreements.

HEPP is a multi-employer, defined benefit pension plan. HEPP is accounted for as a defined contribution plan since DSM has insufficient information to apply defined benefit plan accounting. Employer contributions made to the plan during the year by DSM and expensed amounted to $5,615 [2012 - $5,584; April 1, 2011 - $4,808]. The most recent actuarial valuation of the Plan was as of December 31, 2011 which disclosed net assets available for benefits of $4,046,228 with pension obligations of $4,593,597, resulting in a deficit of $547,369.

DSM is considered a "non-matching employer" in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement leave benefits

DSM has a commitment to provide pre-retirement leave benefits for employees who meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to their retirement date.

DSM measures its accrued obligation for the pre-retirement benefits as at March 31 of each year. The most recent actuarial valuation report was at December 31, 2012 projected to March 31, 2013.

During the current year, the pre-retirement obligation incurred amounted to $1,398 [2012 - $1,276] and has been recorded as an expense of the period. An offsetting recovery of $1,275 [2012 - $1,067] with respect to transferred employees has also been recorded.

[Expressed in thousands of dollars]

Information about DSM's pre-retirement leave benefits is as follows:

	2013 $	2012 $	April 1, 2011 $
Accrued benefit obligation	**14,884**	14,844	13,826
Unamortized net actuarial loss	**(1,080)**	(901)	—
Accrued benefit liability	**13,804**	13,943	13,826

Change in benefit obligation is as follows:

	2013 $	2012 $
Accrued benefit liability, beginning of year	**13,943**	13,826
Current expense	**1,398**	1,276
Benefit payments	**(1,537)**	(1,159)
Accrued benefit liability, end of year	**13,804**	13,943

The impact of adopting GAAP during the year as outlined in note 2[b] is as follows:

	$
Previous GAAP, April 1, 2011	12,674
Increase to obligation based on change in discount rate	1,152
Adjusted balance, April 1, 2011	13,826
Net impact of actuarial changes for the year ended March 31, 2012	117
Adjusted balance, March 31, 2012	13,943

The breakdown of the expense related to DSM's pre-retirement leave benefits is as follows:

	2013 $	2012 $
Current period service cost	**1,174**	870
Interest cost	**115**	406
Amortization of actuarial loss	**109**	—
Total expense	**1,398**	1,276

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

	2013 $	2012 $
Recovery of pre-retirement leave with respect to transferred employees	**1,275**	1,067

The significant actuarial assumptions adopted in measuring DSM's pre-retirement benefit obligation are as follows:

	2013 %	2012 %	As at April 1, 2011 %
Discount rate	**2.1**	2.4	2.9
Rate of base compensation increase	**3.5**	3.50	3.50
Expected average remaining service life for amortization of actuarial gains/losses	**8.50**	8.30	8.30

[c] Non-vested sick-leave payouts

DSM does not provide sick-leave payouts on retirement. There were no cash payments made to employees in the current period upon retirement [2012 - nil; April 1, 2011 - nil]. The benefit costs and liabilities related to this plan are included in the financial statements. An offsetting recovery of $2,187 [2012 - $1,931; April 1, 2011 - $1,875] with respect to transferred employees has also been recorded.

All employees are credited 1.3 days per month for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

DSM measures its accrued benefit obligation for accounting purposes as at March 31, of each year.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

Information about DSM's non-vesting sick leave benefits to current employees as at March 31 is as follows:

	2013 $	2012 $	As at April 1, 2011 $
Accrued benefit obligation	**2,436**	2,159	2,087
Accrued offsetting recovery	**2,187**	1,931	1,875

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are DSM's best estimates of expected rates of:

	2013	2012	As at April 1, 2011
Wages and salary escalation	**3.5%**	3.5%	3.5%
Interest [discount rate on accrued benefit obligations]	**2.1%**	2.4%	2.9%

The breakdown of the expense related to DSM's non-vested sick leave is as follows:

	2013 $	2012 $
Current period benefit cost	**278**	71
Recovery of current period expense	**257**	55

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

14. INTERNALLY RESTRICTED FOR CAPITAL ASSETS

Change in net assets internally restricted for capital assets is calculated as follows:

	2013 $	2012 $
[a] Deficit		
Amortization of capital assets	**(8,056)**	(8,140)
Amounts funded by deferred capital contributions, amortized to revenue	**7,974**	8,073
	(82)	(67)
[b] Purchase of capital assets		
Acquisitions	**14,475**	14,970
Amounts funded by		
Accounts payable	**(4,543)**	(735)
Deferred contributions	**(9,930)**	(13,875)
Capital lease obligations	**(2)**	(360)
	—	—
Change in net assets	**(82)**	(67)

15. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

Entity	Relationship
Manitoba Health	Controlling entity
RHAs	Entities under common control

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with the RHAs:

	2013 $	2012 $
Salaries and benefits	**101,714**	99,893
Equipment	**4,334**	4,386
External consulting	**3**	7
Insurance	**111**	119
Lab and diagnostic supplies	**(5)**	24
Legal and audit	**8**	71
Meetings	**28**	18
Printer, paper and office supplies	**59**	90
Purchased services	**117**	122
Rent	**4,305**	4,452
Staff training and development	**337**	135
Telephone	**1**	3
Travel	**157**	258
	111,169	109,578

16. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependent on Manitoba Health for continued operations.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2013 and 2012

17. FINANCIAL INSTRUMENTS - RISKS AND UNCERTAINTIES

Financial risks

The Company is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of DSM's exposure to these risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. DSM's main credit risk relates to its trade accounts receivable. DSM manages and controls this risk by only dealing with recognized, credit worthy third parties.

Interest rate risk

DSM is subject to interest rate risk with respect to its operating line of credit since the interest rate fluctuates with charges in the prime rate.

Liquidity risk

Liquidity risk is the risk that DSM will encounter difficulty in meeting obligations associated with financial liabilities. DSM is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligations under capital lease, contributions to the pension plan and operating lease commitments. To manage liquidity risk, DSM keeps sufficient resources readily available to meet its obligations.

18. COMPARATIVE INFORMATION

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Management Report

The accompanying financial statements are the responsibility of the management of the Economic Innovation and Technology Council and have been prepared in accordance with Canadian public sector accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to August 13, 2013.

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

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Council are fairly presented in accordance with Canadian public sector accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

David Olafson
Controller

Winnipeg, Manitoba
August 13, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the accompanying financial statements of the Economic Innovation and Technology Council, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, change in net financial assets and cash flows and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Economic Innovation and Technology Council as at March 31, 2013, and the results of its operations, changes in net financial assets and its cash flows in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
August 13, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Economic Innovation and Technology Council
Statement of Financial Position

March 31	2013	2012
Financial assets		
Cash and cash equivalents	**$ 884,936**	$ 1,026,356
Accounts receivable	**-**	2,493
	884,936	1,028,849
Liabilities		
Accounts payable and accruals	**33,972**	31,407
Unearned revenue (Note 4)	**832,097**	982,035
	866,069	1,013,442
Net financial assets	**18,867**	15,407
Non-financial assets		
Prepaid expenses	**-**	1,069
	-	1,069
Accumulated surplus	**$ 18,867**	$ 16,476

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Operations and Accumulated Surplus

Year Ended March 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Funding	$ 779,800	$ 375,675	$ 454,779
Interest and other	-	8,199	8,602
	779,800	383,874	463,381
Expenses			
Audit and legal	6,000	5,808	7,902
Project costs	779,800	375,675	454,779
Other	-	-	531
	785,800	381,483	463,212
Annual (deficit) surplus	(6,000)	2,391	169
Accumulated surplus, beginning of year	16,476	16,476	16,307
Accumulated surplus, end of year	$ 10,476	$ 18,867	$ 16,476

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Change in Net Financial Assets

Year Ended March 31	2013 Budget	2013 Actual	2012 Actual
Annual (deficit) surplus	$ (6,000)	$ 2,391	$ 169
Other non-financial assets			
Decrease in prepaid expense	-	1,069	-
Net acquisition of other non-financial assets	-	1,069	-
Increase in net financial assets	(6,000)	3,460	169
Net financial assets, beginning of year	15,407	15,407	15,238
Net financial assets, end of year	$ 9,407	$ 18,867	$ 15,407

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Cash Flows

Year Ended March 31	2013	2012
Increase (decrease) in cash and cash equivalents		
Operating		
Annual surplus	**$ 2,391**	$ 169
Change in		
Accounts receivable	**2,493**	1,567
Accounts payable and accruals	**2,565**	(924)
Unearned revenue	**(149,938)**	(58,621)
Prepaid expenses	**1,069**	-
Cash used by operating activities	**(141,420)**	(57,809)
Decrease in cash	**(141,420)**	(57,809)
Cash and cash equivalents, beginning of year	**1,026,356**	1,084,165
Cash and cash equivalents, end of year	**$ 884,936**	$ 1,026,356

Supplementary cash flow information:

	2013	2012
Interest received	**$ 8,199**	$ 8,441

See accompanying notes to the financial statements.

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Revenue

Revenue is recognized as program expenditures are incurred. Funds received for projects where program expenditures will be incurred in future periods are deferred. Interest revenue is recognized when earned.

Expenses

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

Financial assets

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

2. Significant accounting policies (continued)

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the Council. These assets are normally employed to provide future services.

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

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Financial instruments and financial risk management

Measurement

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

The Council records its financial assets at cost, which include cash and cash equivalents. The Council also records its financial liabilities at cost, which include accounts payable and accruals and unearned revenue.

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 statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. The Council did not incur any re-measurement gains and losses during the year ended March 31, 2013 (2012 - $nil).

Financial risk management – overview

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

Credit risk

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

3. Financial instruments and financial risk management (continued)

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

	2013	2012
Cash and cash equivalents	$ 884,936	$ 1,026,356
Accounts receivable	-	2,493
	$ 884,936	$ 1,028,849

Cash and cash equivalents: The Council is not exposed to significant credit risk as the cash and cash equivalents are primarily held by the Minister of Finance.

Receivable from the Province of Manitoba: The Council is not exposed to significant credit risk. Of the overall receivable balance, $nil (2012: $1,425) is due from the Province of Manitoba.

Accounts receivable: The Council is not exposed to significant credit risk. Of the overall receivable balance $nil (2012: $1,068) is due from individuals for parking recovery and payment in full is typically collected when it is due. The Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. Consistent with the previous year, there is no allowance for doubtful accounts as all receivables are expected to be collected.

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

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

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

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

3. Financial instruments and financial risk management (continued)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Unearned revenue

	2013	2012 (Note 6)
BFO funding (geothermal program)	**$ 291,200**	$ 401,983
BFO funding (lower income residential efficiency program)	**107,201**	107,201
Balance of Green Manitoba Efficiency Fund (GMEF)	**388,344**	388,344
Manitoba Hydro funding (shallow unconventional shale gas project)	**35,647**	74,813
	822,392	972,341
Other unearned project receipts	**9,705**	9,694
Unearned project receipts	**$ 832,097**	$ 982,035

5. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business and the transactions are measured at the exchange amount.

6. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

7. Subsequent events

The Manitoba Development Corporation Act, as part of the Province of Manitoba Bill 39 - The Government Efficiency Act, will amalgamate Economic Innovation and Technology Council with the Manitoba Development Corporation and the Manitoba Trade and Investment Corporation. The amalgamated entity will continue operations as the Manitoba Development Corporation. The amalgamation is expected to occur during fiscal 2014 pending proclamation of the Act.

Independent Auditors' Report

To the Directors of First Nations of Northern Manitoba Child and Family Services Authority:

We have audited the accompanying financial statements of First Nations of Northern Manitoba Child and Family Services Authority which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

September 20, 2013

MNP LLP
Chartered Accountants

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Financial Position
As at March 31, 2013

	2013	*2012*	*April 1 2011*
Assets			
Current			
Cash	**2,283,420**	279,295	630,327
Marketable securities *(Note 5)*	**689,886**	789,886	784,686
Accounts receivable *(Note 6)*	**902,355**	7,828,399	1,025,196
Prepaid expenses and deposits	**23,963**	7,424	12,696
	3,899,624	8,905,004	2,452,905
Capital assets *(Note 7)*	**86,182**	138,141	92,565
Working capital receivable from agencies	**2,897,724**	2,448,124	2,009,696
	6,883,530	11,491,269	4,555,166
Liabilities			
Current			
Accounts payable and accruals *(Note 8)*	**3,209,222**	8,035,890	1,162,601
Working capital payable to Province of Manitoba	**2,897,724**	2,448,124	2,009,696
	6,106,946	10,484,014	3,172,297
Net Assets			
Unrestricted	**187,242**	114,525	164,035
Internally restricted *(Note 9)*	**366,680**	532,524	775,945
Externally restricted *(Note 10)*	**136,480**	222,065	350,435
Invested in capital assets	**86,182**	138,141	92,454
	776,584	1,007,255	1,382,869
	6,883,530	11,491,269	4,555,166

Approved on behalf of the Board

Director

Director

Director

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Operations
For the year ended March 31, 2013

	2013	2012
Revenue		
Province of Manitoba	24,121,285	21,829,610
Aboriginal Affairs and Northern Development Canada (AANDC)	1,000,000	-
Interest	7,137	5,402
Other	974	592
	25,129,396	21,835,604
Expenses		
Amortization	77,112	91,715
Annual general meeting	16,458	13,400
Audit	16,590	12,146
Bad debts	138,780	180,031
Bank and service fees	2,591	2,118
Board Honorarium	38,352	54,743
Board and committee meetings	33,764	5,595
Donations	15,036	8,659
IT Support	40,642	42,976
Insurance	23,378	20,350
Janitorial	9,103	9,812
Meetings and conferences	97,223	8,126
Membership fees	2,960	7,858
Miscellaneous	4,195	28,926
Office supplies	54,546	34,200
Payments to agencies	21,087,846	19,084,206
Payroll processing	9,587	5,249
Postage	3,673	2,399
Printing and stationary	6,075	5,036
Professional development	12,186	3,862
Professional fees	223,974	387,373
Recruitment costs	4,746	26,334
Rent	164,995	121,458
Repairs and maintenance	1,194	306
Salaries and benefits	2,046,457	1,719,845
Special projects	912,021	10,990
Telephone	37,731	35,757
Training and education	47,166	45,143
Travel	226,186	242,605
Web-site development	5,500	-
	25,360,067	22,211,218
Deficiency of revenue over expenses	(230,671)	(375,614)

The accompanying notes are an integral part of these financial statements

	Unrestricted	*Internally restricted*	*Externally restricted*	*Invested in capital assets*	***2013***	*2012*
Net assets, beginning of year	114,525	532,524	222,065	138,141	**1,007,255**	1,382,869
Deficiency of revenue over expenses	(230,671)	-	-	-	**(230,671)**	(375,614)
Amortization of capital assets	77,112	-	-	(77,112)	**-**	-
Purchases of capital assets	(25,153)	-	-	25,153	**-**	-
Interfund transfers	251,429	(165,844)	(85,585)	-	**-**	-
Net assets, end of year	**187,242**	**366,680**	**136,480**	**86,182**	**776,584**	1,007,255

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(230,671)	(375,614)
Amortization	77,112	91,715
	(153,559)	(283,899)
Changes in working capital accounts		
Accounts receivable	6,926,044	(6,803,203)
Prepaid expenses and deposits	(16,539)	5,272
Accounts payable and accruals	(4,826,668)	6,873,289
	1,929,278	(208,541)
Financing		
Working capital receivable from agencies	(449,600)	(438,428)
Working capital payable to Province of Manitoba	449,600	438,428
	-	-
Investing		
Purchase of capital assets	(25,153)	(137,291)
Increase (decrease) in cash resources	1,904,125	(345,832)
Cash resources, beginning of year	1,069,181	1,415,013
Cash resources, end of year	2,973,306	1,069,181
Cash resources are composed of:		
Cash	2,283,420	279,295
Marketable securities	689,886	789,886
	2,973,306	1,069,181
Supplementary cash flow information		
Interest received	7,137	5,402

The accompanying notes are an integral part of these financial statements

1. **Incorporation and nature of the organization**

The First Nations of Northern Manitoba Child and Family Services Authority ("the Northern Authority") has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Northern Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nations, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Northern Authority is exempt from income taxes under Section 149(1)(1) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Act came into force upon proclamation. Proclamation occurred on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. **Impact of adopting accounting standards for not-for-profit organizations**

These are the Northern Authority's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012, and the opening ASNPO statement of financial position as at April 1, 2011 (the Northern Authority's date of transition to ASNPO).

In preparing these financial statements, the Northern Authority has elected to apply no transitional provisions permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statement of financial position, statement of operations, statement of changes in net assets or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Financial instruments

The Northern Authority recognizes its financial instruments when the Northern Authority becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The Northern Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Revenue recognition

The Northern Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Northern Authority funding from the Province of Manitoba is recognized when earned.

Other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	3 years
Computer software	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	5 years

In the year of acquisition, amortization is taken at one half of the above rates.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Northern Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

4. Financial instruments

The Northern Authority, as part of its operations, carries a number of financial instruments. It is management's opinion that the Northern Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

5. Marketable securities

	2013	*2012*
Royal Bank of Canada Money Market Fund	**689,886**	789,886

6. Accounts receivable

	2013	2012
GST Receivable	65,010	57,001
Province of Manitoba	884,262	7,568,313
Other	231,894	383,116
	1,181,166	8,008,430
Allowance for doubtful accounts	(278,811)	(180,031)
	902,355	7,828,399

The allowance for doubtful accounts relates to two items:

1. The Province of Manitoba unilateral claw back of $180,031 on June 21, 2012. The Northern Authority is disputing this decision notwithstanding its sole dependence on the Province of Manitoba for revenue to fund its operations.

2. An amount of $98,780 from the Province of Manitoba for which collectability is not reasonably assured.

7. Capital assets

	Cost	Accumulated amortization	2013 Net book value
Computer equipment	276,939	211,999	64,940
Computer software	28,412	28,342	70
Furniture and fixtures	61,043	61,043	-
Office equipment	157,365	141,053	16,312
Leasehold improvements	9,720	4,860	4,860
	533,479	447,297	86,182

	Cost	Accumulated amortization	2012 Net book value
Computer equipment	267,568	172,408	95,160
Computer software	25,651	22,936	2,715
Furniture and fixtures	61,043	61,043	-
Office equipment	144,344	110,882	33,462
Leasehold improvements	9,720	2,916	6,804
	508,326	370,185	138,141

8. Accounts payable and accruals

	2013	2012
Accounts payable	64,750	109,720
Accruals	181,081	98,306
Accounts payable to agencies	2,963,391	7,827,864
	3,209,222	8,035,890

9. **Internally restricted net assets**

	2013	*2012*
Capital assets	**50,000**	61,506
Unfunded positions	**100,000**	100,000
Repatriation	**20,000**	21,113
Education and training	**-**	79,905
Authority and agency development	**-**	270,000
Information technology	**196,680**	-
	366,680	532,524

10. **Externally restricted net assets**

Externally restricted net assets represents the unspent portion of Transition Grant Funding received from the Province of Manitoba. The grant is to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Northern Authority and to assist Family Service Agencies in extending their operations.

	2013	*2012*
Authority development	**136,480**	136,480
The Pas Northern office	**-**	8,020
Thompson Northern office	**-**	77,565
	136,480	222,065

11. **Economic dependence**

First Nations of Northern Manitoba Child and Family Services Authority is solely dependent on the Province of Manitoba for revenue to fund its operations.

12. **Commitments**

The Northern Authority entered into a five year lease for office space that expires April 30, 2015. Under the lease, the Northern Authority is required to pay a base annual rent of $62,400.

During the year the Northern Authority entered into a five year lease for additional office space that expires January 31, 2015. Under the lease, the Northern Authority is required to pay a base annual rent of $45,780.

Total commitments over the next three years are as follows:

2014	108,180
2015	100,550
2016	5,200
	213,930

13. **Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Administrator
FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

We have audited the accompanying financial statements of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in net assets and the statement of cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** as at March 31, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
October 10, 2013

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash and cash equivalents	**$**	**3,059,716**	$	438,940	$	300,780
Accounts receivable (Note 3)		**3,172,984**		17,780,307		10,543,285
Prepaid expenses and deposits		**57,814**		75,424		122,364
		6,290,514		18,294,671		10,966,429
Capital assets (Note 4)		**2,973,444**		2,272,912		1,845,670
Due from agencies (Note 5)		**5,537,990**		5,537,990		5,537,990
	$	**14,801,948**	$	26,105,573	$	18,350,089
Liabilities and Fund Balances						
Current Liabilities						
Accounts payable and accrued liabilities (Note 6)	**$**	**5,831,678**	$	15,474,086	$	6,319,931
Deferred revenue (Note 7)		**1,867,320**		2,646,783		4,419,608
		7,698,998		18,120,869		10,739,539
Deferred revenue (Note 7)		**-**		-		30,852
Due to Province of Manitoba (Note 5)		**5,537,990**		5,537,990		5,537,990
		13,236,988		23,658,859		16,308,381
Commitments (Note 9)						
Net Assets						
Operating Fund		**(1,522,079)**		(17,062)		373
Capital Fund		**2,973,444**		2,272,912		1,845,670
Repatriation Fund		**113,595**		190,864		195,665
		1,564,960		2,446,714		2,041,708
	$	**14,801,948**	$	26,105,573	$	18,350,089

Approved on behalf of the Administrator:

Administrator

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets - Operating Fund

For the years ended March 31	2013 Budget (Unaudited)	2013 Actual	2012 Actual
Revenue			
Province of Manitoba			
Department of Family Services & Labour (Note 8)	$ 48,797,418	$ 53,496,831	$ 51,294,581
Canadian Heritage	-	-	76,188
Aboriginal Affairs and Northern Development Canada (AANDC)			
Regional Advisory Committee Meetings (Schedule 2)	30,000	30,000	27,930
Urban Aboriginal Strategy (Schedule 3)	100,000	100,000	-
Other	47,000	51,070	434
Interest	-	-	86
Goods and Services Tax	-	-	(29,754)
	48,974,418	53,677,901	51,369,465
Expenses			
Personnel			
Recruitment	-	18,026	-
Salaries and benefits	2,585,543	2,413,295	2,161,987
Training and education	62,500	21,550	22,406
Travel	50,000	37,814	38,662
	2,698,043	2,490,685	2,223,055
Office Operations			
Interest and bank charges	-	6,040	2,841
Supplies	36,000	47,925	77,569
Telephone	24,000	25,657	24,481
	60,000	79,622	104,891
Office and Building			
Insurance	25,000	33,003	32,376
Rent	214,000	256,428	235,710
Repairs & maintenance	-	16,867	-
	239,000	306,298	268,086
Other Authority			
Agency governance support	48,000	32,580	48,528
Agency reviews	-	-	34,299
Agency strategy and communication meetings	30,000	24,290	30,009
Annual meeting	7,500	13,458	6,801
Board meeting and training expense	25,000	32,482	5,133
Community relations	4,000	6,801	12,488
Differential response initiatives	-	60,966	346,535
Information technology support	377,435	785,353	521,478
Joint training team	363,342	606,017	832,939
Office of the standing committee	212,395	192,656	277,520
Professional fees	25,000	133,681	91,644
AANDC - Regional meeting	30,000	30,000	27,930
AANDC - Eyes for Me	100,000	101,932	76,188
Non-recoverable expenses	-	744,804	-
Emergency foster home standby fees	-	22,660	-
	1,222,672	2,787,680	2,311,492
Agency Support			
Agency central support	10,407,458	11,608,445	10,132,700
Agency differential response initiatives	530,000	530,000	978,750
Agency family support innovations fund	-	-	39,600
Agency family care	267,449	238,950	541,200
Agency core	6,272,840	6,468,522	6,285,463
Agency protection	21,688,223	23,180,199	21,731,867
Agency prevention	3,245,658	3,342,003	3,252,179
Agency designated intake	44,910	74,499	67,500
	42,456,538	45,442,618	43,029,259
Other Program Support			
Golden Eagle program support	1,000,000	1,065,329	1,007,864
Ji-zhaabwiing program support	1,450,000	1,244,987	1,517,923
800 Adele - building and operations	-	473,601	-
	2,450,000	2,783,917	2,525,787
Total expenses	49,126,253	53,890,820	50,462,570
Excess (deficiency) of revenue over expenses for the year	$ (151,835)	(212,919)	906,895
Fund balance, beginning of year		(17,062)	373
Interfund Transfers			
Transfer to Repatriation Fund		-	(35,000)
Transfer to Capital Fund for asset additions		(1,292,098)	(889,330)
Fund balance, end of year		$ (1,522,079)	$ (17,062)

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

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets - Capital Fund

For the years ended March 31	2013 Budget (Unaudited)	2013 Actual	2012 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada (AANDC) (Schedule 1)	$ -	$ 250,000	$ 250,000
Expenses			
Amortization	-	841,566	712,088
Excess (deficiency) of revenue over expenses for the year	$ -	(591,566)	(462,088)
Fund balance, beginning of year		2,272,912	1,845,670
Interfund transfers		1,292,098	889,330
Fund balance, end of year		$ 2,973,444	$ 2,272,912

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

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets - Repatriation Fund

For the years ended March 31	2013	2013	2012
	Budget (Unaudited)	**Actual**	Actual
Revenue	$ -	$ -	$ -
Expenses			
Salaries and benefits	-	77,189	39,160
Travel	-	80	641
	-	77,269	39,801
Deficiency of revenue over expenses for the year	$ -	(77,269)	(39,801)
Fund balance, beginning of year		190,864	195,665
Interfund transfers		-	35,000
Fund balance, end of year		$ 113,595	$ 190,864

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

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	**$ (881,754)**	$ 405,006
Adjustments for Items not involving cash		
Amortization of capital assets	**841,566**	712,088
	(40,188)	1,117,094
Changes in non-cash working capital balances		
Accounts receivable	**14,607,323**	(7,237,022)
Prepaid expenses and deposits	**17,610**	46,940
Accounts payable and accrued liabilities	**(9,642,408)**	9,154,155
Deferred revenue	**(779,463)**	(1,803,677)
	4,203,062	160,396
	4,162,874	1,277,490
Cash Flows from Capital Activities		
Purchase of capital assets	**(1,542,098)**	(1,139,330)
Net increase in cash during the year	**2,620,776**	138,160
Cash and cash equivalents, beginning of year	**438,940**	300,780
Cash and cash equivalents, end of year	**$ 3,059,716**	$ 438,940

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

For the year ended March 31, 2013

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The First Nations of Southern Manitoba Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(b) Management's Responsibility for the Financial Statements

The financial statements of the Authority are the responsibility of management.

(c) Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(d) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

The Operating Fund is used to account for all revenue and expenditures related to general and ancillary operations of the Authority.

The Capital Fund is used to account for all capital assets of the Authority and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

The Repatriation Fund is an internally restricted fund used to account for monies for specific purposes.

Interfund balances are non-interest bearing, and have no terms of repayment or security.

(e) Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(g) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance and straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	30% declining balance basis
Furniture and fixtures	20% declining balance basis

Leasehold improvements are amortized over the term of the lease.

(h) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian public sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period.

Certain accounts receivable amounts contain measurement uncertainty as they relate to funding based upon the latest communication with the Province of Manitoba and management’s intentions on finalizing the funding framework.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(i) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. First-time Adoption

Effective April 1, 2012, the Authority adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the Authority's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Nature of the Organization and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

No optional exemptions were used at the date of transition to PSAB for NPOs.

The Authority issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Authority.

For the year ended March 31, 2013

3. Accounts Receivable

	2013	2012
AANDC	**$ 10,000**	$ 27,930
Due from agencies	**592,914**	1,098,521
Due from Province of Manitoba		
Ji-zhaabwiing - office start-up and operating cost recoveries	**1,295,820**	935,496
Golden Eagle funding	**134,091**	414,894
IT support cost recoveries	**376,786**	500,972
Ji-zhaabwiing funding	**265,105**	406,418
New funding model adjustment	**-**	11,193,240
Other from government	**554,929**	893,419
Canadian Heritage	**-**	76,188
GST receivable	**253,338**	194,404
Other	**9,099**	16,422
800 Adele - renovation cost reimbursements	**1,166,044**	2,022,403
	4,658,126	17,780,307
Allowance for doubtful accounts	**(1,485,142)**	-
	$ 3,172,984	$ 17,780,307

4. Capital Assets

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 3,903,562**	**$ 2,114,962**	**$ 1,788,600**	$ 3,227,398	$ 1,493,312	$ 1,734,086
Furniture and fixtures	**406,603**	**210,200**	**196,403**	397,027	162,296	234,731
Leasehold improvements	**1,221,272**	**232,831**	**988,441**	364,914	60,819	304,095
	$ 5,531,437	**$ 2,557,993**	**$ 2,973,444**	$ 3,989,339	$ 1,716,427	$ 2,272,912

5. Due from Agencies and Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $5,537,990 ($5,537,990 in 2012), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2013	2012
Animikii-Ozoson Child and Family Services	**$ 1,204,000**	$ 1,204,000
Child and Family All Nations Coordinated Response Network	**538,400**	538,400
Dakota Ojibway Child and Family Services	**689,610**	689,610
Intertribal Child and Family Services	**121,030**	121,030
Peguis Child and Family Services	**221,820**	221,820
Sandy Bay Child and Family Services	**158,700**	158,700
Southeast Child and Family Services	**1,368,830**	1,368,830
West Region Child and Family Services	**1,235,600**	1,235,600
	$ 5,537,990	$ 5,537,990

6. Accounts Payable and Accrued Liabilities

	2013	2012
Due to agencies	**$ 4,245,152**	$ 14,533,675
Trade payables	**1,361,798**	550,263
Accrued expenses	**221,797**	387,912
Social fund	**2,931**	2,236
	$ 5,831,678	$ 15,474,086

7. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

	2013	2012
Balance, beginning of year	**$ 2,646,783**	$ 4,450,460
Funds Received		
Province of Manitoba	**385,138**	6,526,850
Other	**17,778**	5,595
Less amounts recognized as revenue in the year	**(1,182,379)**	(8,336,122)
Balance, end of year	**1,867,320**	2,646,783
Less: Current portion	**1,867,320**	2,646,783
Deferred revenue relating to future years	**$ -**	$ -

8. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	**$ 62,066,862**
Add	
Deferred revenue amounts recognized as revenue in the year	**1,182,379**
Funding claims subsequent to confirmation	**504,176**
CSA withheld from operating grants	**1,375,440**
	65,128,857
Deduct	
Funding of prior year accounts receivable	**11,236,611**
Revenue deferred during the year	**385,138**
Other	**10,277**
	11,632,026
Revenue from Province of Manitoba	**$ 53,496,831**

9. Commitments

The Authority has entered into various lease agreements for premises for its operations and to support other agencies and programs expiring between January 2014 and January 2029.

The minimum annual lease payments for the next five years are as follows:

2014	$ 1,354,154
2015	1,155,120
2016	903,173
2017	576,958
2018	512,320

10. Employment Benefits

Pension Benefits

The Authority has a defined contribution pension plan for its employees. Employees contribute at least 4% of their salaries and the Authority contributes 5%. The Authority's total pension contribution for 2013 was $192,200 (2012 - $196,184).

Sick Leave Benefits

Employees of the Authority are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are not considered to be significant by management. As such, management has not recorded a liability for these benefits in the financial statements of the Authority.

11. Capital Management

The Authority's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue with improvement of the financial situation of families through the provision of services and information on a range of financial issues.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Authority monitors capital quarterly through the Board of Directors meeting. During the year, the Authority's strategy was to protect its capital through managing revenues and expenses as well as through maintaining a balanced investment portfolio. The strategy remained unchanged from the previous year.

12. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

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 Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $3,172,984 ($17,780,307 at March 31, 2012).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting financial obligations as they become due, and arises from the Authority's management of working capital. The Authority's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

13. Economic Dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Labour. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Auditor's Comments on Supplementary Financial Information

To the Administrator
FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

We have audited the financial statements of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and the statements of cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated October 10, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedules 1 to 5 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information for Schedule 1 through Schedule 3 is prepared to assist the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** to meet the requirements of the Minister of Aboriginal Affairs and Northern Development (the "Minister"). As a result, the supplementary information is not presented in accordance with Canadian generally accepted accounting principles and may not be suitable for another purpose. Our report is intended solely for the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** and the Minister and should not be distributed to or used by parties other than the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** or the Minister.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
October 10, 2013

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Schedule 1 - Statement of AANDC Funding and Expenditures - Capacity Development

For the years ended March 31	2013	2013	2012
	Budget (Unaudited)	Actual	Actual
Revenue			
AANDC - capacity development	$ 250,000	$ 250,000	$ 250,000
Expenses Included in Capital Assets			
Virtualization project	250,000	477,872	-
Records management	-	148,769	-
Voice over Internet protocol	-	-	450,240
	250,000	626,641	450,240
Excess (deficiency) of revenues over expenses	$ -	$ (376,641)	$ (200,240)

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Schedule 2 - Statement of AANDC Funding and Expenditures - Regional Advisory Committee Meetings

For the years ended March 31	2013	2013	2012
	Budget (Unaudited)	**Actual**	Actual
Revenue			
AANDC - Regional Advisory Committee Meetings	**$ 30,000**	**$ 30,000**	$ 27,930
Expenses			
Agency travel, accommodations, & meals	**22,000**	**20,542**	15,346
Facility	**5,000**	**5,458**	9,015
Coordination and administration fee	**3,000**	**4,000**	3,569
	30,000	**30,000**	27,930
Excess of revenue over expenses	**$ -**	**$ -**	$ -

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Schedule 3 - Statement of AANDC Funding and Expenditures - Urban Aboriginal Strategy

For the years ended March 31		2013		2013
		Budget (Unaudited)		Actual
Revenue				
AANDC - Urban Aboriginal Strategy	$	100,000	$	100,000
Expenses				
Salaries and benefits		54,050		55,603
Program costs		17,250		17,627
Administration allocation		12,150		12,150
Cultural Room rent allocation		-		7,200
Honourariums		4,000		4,050
Program supplies		12,550		3,341
Recruitment		-		1,453
Travel		-		508
		100,000		101,932
Excess (deficiency) of revenues over expenses	$	-	$	(1,932)

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Schedule 4 - Statement of Canadian Heritage Funding and Expenditures

For the years ended March 31	2013 Budget (Unaudited)	2013 Actual	2012 Actual
Revenue			
Canadian Heritage	$ -	$ -	$ 76,188
Expenses			
Salaries and benefits	-	-	37,128
Program supplies	-	-	13,959
Administration allocation	-	-	10,750
Honourariums	-	-	10,150
Recruitment	-	-	5,029
Program foods	-	-	4,500
Cultural Room rent allocation	-	-	4,200
Program costs	-	-	2,079
Travel	-	-	582
	-	-	88,377
Excess (deficiency) of revenues over expenses	$ -	$ -	$ (12,189)

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Schedule 5 - Statement of Revenues and Expenditures - Ji-zhaabwiing

For the years ended March 31	2013 Budget (Unaudited)	2013 Actual
Revenue		
Province of Manitoba	$ -	$ 1,722,130
Expenses		
Agency grants	-	1,244,987
Office rent and parking	-	419,656
Salaries and benefits	-	116,966
Building maintenance	-	27,210
Utilities	-	24,503
Telephone and fax	-	7,087
Office supplies	-	6,915
Travel	-	322
Other	-	119
	-	1,847,765
Excess (deficiency) of revenues over expenses	$ -	$ (125,635)

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of the Funeral Board of Manitoba

We have audited the accompanying financial statements of the Funeral Board of Manitoba (Board), which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated (deficit) and net (debt) and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Going Concern
Without qualifying our opinion, we draw attention to note 9 in the financial statements which indicates the Funeral Board of Manitoba has incurred annual losses in the last several years and has an accumulated deficit. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

Office of the Auditor General.

Office of the Auditor General
May 24, 2013
Winnipeg, Manitoba

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash	$ 65,844	$ 67,583
Temporary investments (note 3)		15,450
Accrued interest receivable		45
	65,844	83,078
LIABILITIES		
Accounts payable and accrued liabilites (note 7)	37,562	17,883
Deferred revenue	84,950	87,800
	122,512	105,683
ACCUMULATED (DEFICIT) AND NET (DEBT)	$ (56,668)	$ (22,605)

The accompanying notes are an integral part of these financial statements

Approved on behalf of The Funeral Board of Manitoba

Susan Boulter
Chairperson

Board Member

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF OPERATIONS AND ACCUMULATED (DEFICIT) AND NET (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Budget	2012 Actual	2011 Actual
REVENUE			
Funeral home licences	$ 43,000	$ 45,250	$ 46,500
Embalmer and funeral director licences	54,500	53,150	54,000
Interest and miscellaneous income	100	1,824	412
Total Revenue	97,600	100,224	100,912
EXPENSE			
Administration charges (note 6)	24,000	24,000	24,000
Audit	3,200	3,400	3,400
Board meetings	4,510	3,642	4,004
Communications	2,600	17,976	17,780
Conferences	7,300	3,312	4,701
Education	1,000	-	-
Honararia - board members	5,450	5,014	4,691
Honararia - registrar	-	-	5,000
Legal fees	5,000	9,697	7,849
Miscellaneous	3,000	2,166	3,686
Office supplies , printing and postage	2,500	1,207	5,035
Salaries and benefits	64,000	60,294	62,134
Travel	-	3,579	1,449
Total Expense	122,560	134,287	143,729
Annual (deficit)	(24,960)	(34,063)	(42,817)
Accumulated surplus (deficit) and net (debt), beginning of year	(22,605)	(22,605)	20,212
Accumulated (deficit) and net (debt), end of year	$ (47,565)	$(56,668)	$ (22,605)

The accompanying notes are an integral part of these financial statements

THE FUNERAL BOARD OF MANITOBA
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flow provided by (applied to) :	**2012**	**2011**
Operating		
Annual (deficit)	$ (34,063)	$ (42,817)
Change in :		
Accrued interest receivable	45	367
Accounts payable and accrued liabilities	19,679	(8,061)
Deferred revenues	(2,850)	1,550
	(17,189)	(48,961)
Investing		
Purchases of guaranteed investment certificates	(45,617)	(95,717)
Maturities of guaranteed investment certificates	61,067	135,487
	15,450	39,770
Net (Decrease) in Cash	(1,739)	(9,191)
Cash, beginning of year	67,583	76,774
Cash, end of year	$ 65,844	$ 67,583
Supplementary Information :		
Interest received, cash basis	$ 378	$ 779

The accompanying notes are an integral part of these financial statements

THE FUNERAL BOARD OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1.) **Nature of Operations**

The Funeral Directors and Embalmers Act established The Funeral Board of Manitoba (the Board) to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articling students.

2.) **Significant Accounting Policies:**

a. **Basis of accounting**

These financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

b. **Cash**

Cash includes cash on hand and bank balances.

c. **Temporary investments**

Temporary investments include short - term investments which are recorded at the lower of cost or market value.

d. **Revenues**

The Board recognizes revenue for Funeral Home Licences and Funeral Director and Embalmers Licenses on an accrual basis. Any license fees which are received prior to December 31 and are applicable to the subsequent fiscal year are recorded as deferred revenue.

Investment income is recognized in the year it is received or receivable.

e. **Expenses**

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

f. **Measurement uncertainty**

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

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

g. **Net Debt**

Net Debt is the equivalent to accumulated deficit as there are no non-financial assets.

3.) **Temporary investments**
Investments are invested in Guaranteed Investment Certificates (GICs) with various maturities and interest rates as follows:

		2012		2011
i.) CIBC Flexible GIC Maturity Dates: January 11, 2012 Interest Rate .75%	$	-	$	5,450
ii.) CIBC Flexible GIC Maturity Date: February 25, 2012 Interest Rate 1.25%		-		10,000
	$	-	$	15,450

4.) **The Public Sector Compensation Disclosure Act**
In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid during the year ended December 31, 2012:

		2012		2011
Employee paid $ 50,000 or more				
J. Delaney - Investigator	$	56,550	$	58,128
The aggregate amount paid to Board members was:				
(a) Honoraria, Board Members	$	4,469	$	4,691
(b) Honoraria, Registrar	$	-	$	7,500

5.) **Related Party Transactions**
The Board is related in terms of common control to all Province of Manitoba created Departments, Agencies, Boards and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange rate amount agreed to by the related parties.

6.) **Administrative Charges - Vital Statistics Agency**
Effective January 1,2010 administrative charges are paid to Vital Statistics Agency to recover a portion of its payroll costs used on the Funeral Board of Manitoba's operations. In prior years these charges were not paid to Vital Statistics Agency.

7.) **Accounts Payable and Accrued Liabilities**
Accounts Payable and accrued liabilities consist of the following :

		2012		2011
General	$	8,523	$	7,494
Administrative Charges		24,000		6,000
Salaries and Benefits		4,094		2,953
CRA Deductions Payable		945		1,436
	$	37,562	$	17,883

8.) **Going Concern**
The accompanying financial statements have been prepared on the going concern assumption that the Board will be able to realize its assets and discharge its liabilities in the normal course of business. The Board has incurred annual losses in the last several years and as of December 31, 2012 has an accumulated deficit. The Board continues to review their financial position and the long term viability of the Board and are reviewing all options. There are sufficient funds available to continue operations for the near term.

The General Child
and Family Services
Authority

Doreen Draffin
Board Chair

Jay Rodgers
Chief Executive Officer

Email:
Jay.rodgers@gov.mb.ca

301-180 King Street
Winnipeg, Manitoba
Canada
R3B 3G8

Phone: (204) 984-9360
Toll Free: 1-866-803-2814
Fax: (204) 984-9366

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of the General Child and Family Services Authority and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 26, 2013.

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

The financial statements of the General Child and Family Services Authority have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of the General Child and Family Services Authority are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of the
General Child and Family Services Authority

Jay Rodgers
Chief Executive Officer

Janice Rees
Chief Financial Officer

HEALTHY, SAFE CHILDREN
RESPONSIBLE, NURTURING FAMILIES
CARING COMMUNITIES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
General Child and Family Services Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the General Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, the statements of operations, changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards for government not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 4 to these financial statements which describes that the General Child and Family Services Authority adopted Canadian public sector accounting standards for government not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These new standards were applied retroactively by management to the comparative information included in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances and cash flow for the year ended March 31, 2012 and related disclosures. This restated comparative information is unaudited.

June 26, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2013

	Operating Fund	Agency Fund	Total March 31 2013	Total March 31 2012 (Note 4)	Total April 1 2011 (Note 4)
Assets					
Current assets:					
Cash and cash equivalents	$ 112,148	$ -	$ 112,148	$ -	$ 449,027
Accounts receivable (Note 5)	92,232	-	92,232	78,772	1,791,872
Advances receivable (Note 6)	-	116,600	116,600	116,600	116,600
Portfolio investments	1,936,255	-	1,936,255	2,243,302	1,626,422
Prepaid expenses	25,876	-	25,876	5,156	4,080
Interfund balances	(455,740)	455,740	-	-	-
	1,710,771	572,340	2,283,111	2,443,830	3,988,001
Capital assets (Note 7)	39,053	-	39,053	59,615	75,460
	$ 1,749,824	$ 572,340	$ 2,322,164	$ 2,503,445	$ 4,063,461
Liabilities and Fund Balances					
Current liabilities:					
Cheques issued in excess of cash on hand	$ -	$ -	$ -	$ 18,129	$ -
Accounts payable and accrued liabilities	411,192	-	411,192	186,321	1,703,268
Working capital advances (Note 6)	-	116,600	116,600	116,600	116,600
Deferred contributions (Note 8)	452,221	455,740	907,961	1,291,948	1,408,722
	863,413	572,340	1,435,753	1,612,998	3,228,590
Deferred contributions relating to capital assets (Note 8)	-	-	-	4,036	12,770
Fund balances:					
Internally restricted (Note 10)	822,535	-	822,535	575,289	658,684
Unrestricted	63,876	-	63,876	311,122	163,417
	886,411	-	886,411	886,411	822,101
Commitments (Note 11)					
	$ 1,749,824	$ 572,340	$ 2,322,164	$ 2,503,445	$ 4,063,461

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Director

Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations

Year ended March 31, 2013

	Operating Fund	Transition Fund	Agency Fund	Total 2013	Total 2012
Revenue:					
Province of Manitoba:					
Operating grant	$ 2,806,804	$ -	$ -	$ 2,806,804	$ 2,327,544
Grant relating to capital assets (Note 8(ii))	-	4,036	-	4,036	8,734
Agency grants (Note 9)	-	-	11,693,227	11,693,227	11,199,315
Miscellaneous grants	137,025	-	-	137,025	145,284
Interest and other	90,119	-	-	90,119	232,815
	3,033,948	4,036	11,693,227	14,731,211	13,913,692
Expenses:					
Agency allocations (Note 9)	-	-	11,693,227	11,693,227	11,199,315
Amortization	29,569	4,036	-	33,605	31,280
Board expenses and meetings	19,769	-	-	19,769	17,746
Differential Response (Schedule)	85,759	-		85,759	75,224
Insurance	6,484	-	-	6,484	6,829
Interest and bank charges	665	-	-	665	844
Miscellaneous grant expenses	298,550	-	-	298,550	269,256
Office and miscellaneous	158,239	-	-	158,239	101,030
Professional services	88,043	-	-	88,043	113,230
Rent	104,971	-	-	104,971	89,428
Telephone	23,861	-	-	23,861	22,658
Training and development	206,484	-	-	206,484	201,497
Travel	21,587	-	-	21,587	15,258
Utilities	1,066	-	-	1,066	977
Wages and benefits	1,988,901	-	-	1,988,901	1,704,810
	3,033,948	4,036	11,693,227	14,731,211	13,849,382
Excess of revenue over expenses	$ -	$ -	$ -	$ -	$ 64,310

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Changes in Fund Balances

Year ended March 31, 2013

	Operating Fund	Transition Fund	Agency Fund	Total 2013	Total 2012
Balance, beginning of year	$ 886,411	$ -	$ -	$ 886,411	$ 822,101
Excess of revenue over expenses	-	-	-	-	64,310
Balance, end of year	$ 886,411	$ -	$ -	$ 886,411	$ 886,411

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flow

Year ended March 31, 2013

	2013	2012
Cash provided by (applied to):		
Operating activities:		
Excess of revenue over expenses	$ -	$ 64,310
Adjustments for:		
Amortization	33,605	31,280
Recognition of deferred contributions	(490,187)	(848,140)
Amortization of deferred contributions relating to capital assets	(4,036)	(8,734)
	(460,618)	(761,284)
Changes in the following:		
Accounts receivable	(13,460)	1,713,100
Prepaid expenses	(20,720)	(1,076)
Accounts payable and accrued liabilities	224,871	(1,516,946)
Cash applied to operating activities	(269,927)	(566,206)
Investing activities:		
Net changes in portfolio investments	307,047	(616,880)
Cash provided by (applied to) investing activities	307,047	(616,880)
Financing activities:		
Deferred contributions received	106,200	731,365
Cash provided by financing activities	106,200	731,365
Capital activities:		
Purchases of capital assets	(13,043)	(15,435)
Cash applied to capital activities	(13,043)	(15,435)
Change in cash and cash equivalents	130,277	(467,156)
Cash and cash equivalents, beginning of year	(18,129)	449,027
Cash and cash equivalents, end of year	$ 112,148	$ (18,129)

See accompanying notes to financial statements.

1. Nature of organization

The General Child and Family Services Authority (the "Authority") was established on November 24, 2003 pursuant to *The Child and Family Services Authorities Act*. The Authority is a Government not-for-profit organization responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Service, and Winnipeg Rural and Northern Child and Family Services (Winnipeg Regional Office and Interlake, Eastman, Parkland and Northern Regions).

The Authority is a not-for-profit organization and is exempt from income taxes under the *Income Tax Act* (Canada).

2. Basis of accounting

These financial statements have been prepared in accordance with the Canadian public sector (PSA) standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. Additional disclosures relating to the transition to PSA standards are included in Note 4 to these financial statements.

3. Significant accounting policies

(a) Fund accounting

The Authority records its activities in the following funds:

(i) Operating fund

The operating fund accounts for the activities relating to the principal activity of the Authority as described in Note 1 to these financial statements.

(ii) Transition fund

The Province of Manitoba has provided one-time transition funding in support of the restructuring of the child and family services system, as initiated under the Aboriginal Justice Inquiry - Child Welfare Initiative. Funding is to be used to support the resource transfer process and the development of the corporate infrastructure of the Authority and mandated child and family services agencies under the jurisdiction of the Authority. The resource transfer process involves the transfer of cases from agencies under the jurisdiction of the Authority to the Metis Child and Family Services Authority, Northern First Nations Child and Family Services Authority, and First Nations of Southern Manitoba Child and Family Services Authority. All contributions to this fund are externally restricted for this purpose.

(iii) Agency fund

The Province of Manitoba provides the Authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of The Child and Family Services Authorities Act, the Authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the Authority (excluding child maintenance), while government offices receive funding directly from the government based on the approval of allocations by the Authority. All contributions to this fund are externally restricted for this purpose.

3. Significant accounting policies (continued)

(b) Revenue recognition

The Authority follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable.

Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(c) Expenses

All expenses incurred are recognized on the accrual basis.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

(e) Portfolio investments

Portfolio investments include term deposits with original maturities greater than three months. These investments are recorded at cost.

(f) Capital assets

Capital assets are recorded at cost. Cost includes the purchase price and other acquisition costs. The costs of capital assets, less any residual value, are amortized over their estimated useful lives as follows:

	Rate	Method
Computer software	3 years	Straight line
Furniture and fixtures	5 years	Straight line
Leasehold improvements	5 years	Straight line

(g) Financial instruments - measurement

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

The Authority records its financial assets at cost, which include cash and cash equivalents, accounts receivable, portfolio investments and advances receivable. The Authority also records its financial liabilities at cost, which include accounts payable and accrued liabilities and working capital advances.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on any financial instruments measured at fair value are recorded in accumulated surplus as remeasurment gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates.

4. Adoption of Canadian public sector accounting standards for government not-for-profit organizations

In previous fiscal years, the Authority was classified as a not-for-profit organization and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. Given the recent restructuring of the CICA Handbook, all public sector entities are now directed to the Public Sector Accounting (PSA) Handbook. In accordance with the recommendations of the PSA Handbook, the Authority has determined that it is a "Government Not-for-Profit Organization" and has determined that PSA standards including the standards for government not-for-profit organizations (PS 4200 - PS 4270) are the most appropriate framework for financial reporting purposes.

The Authority adopted Canadian PSA standards for government not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These are the Authority's first financial statements prepared in accordance with PSA standards and PS 2125, *First Time Adoption*, has been applied. The Authority did not use any elective exemptions available on first time adoption.

These new standards were required to be applied retroactively. Adjustments to the previously reported assets, liabilities and funds balances as a result of adopting these new standards are as follows:

	March 31, 2012	April 1, 2011
Cash and cash equivalents		
Cash and short term deposits as per previous financial statements	$ 2,225,173	$ 2,075,449
Less: amounts reclassified to portfolio investments per PSA standards	(2,243,302)	(1,626,422)
Cash and cash equivalents as per PSA standards	$ (18,129)	$ 449,027
Portfolio investments		
Portfolio investments as per previous financial statements	$ -	$ -
Plus: amounts reclassified to portfolio investments per PSA standards	2,243,302	1,626,422
Portfolio investments as per PSA standards	$ 2,243,302	$ 1,626,422

There were no adjustments to the previously reported fund balances, results of operations or cash flows of the Authority as a result of adopting Canadian PSA standards for government not-for-profit organizations.

5. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2013	2012
Accounts receivable	$ 66,883	$ 46,570
Interest receivable	25,349	32,202
	$ 92,232	$ 78,772

6. Working capital advances and advances receivable

Working capital advances are provided to the Authority's agencies through the Province of Manitoba. The Province has approved the advances based on two twelfths of the annual expenditures an agency invoices Family Services and Housing for child maintenance. The advances are non-interest bearing and are repayable at the time the agency is no longer providing services on behalf of the department.

7. Capital assets

	Cost	Accumulated amortization	Net book value 2013	Net book value 2012
Computer software	$ 40,378	$ 31,102	$ 9,276	$ 8,277
Furniture and fixtures	72,265	56,787	15,478	21,515
Leasehold improvements	131,167	116,868	14,299	29,823
	$ 243,810	$ 204,757	$ 39,053	$ 59,615

8. Deferred contributions

Deferred contributions in the operating fund relate to various grants from the Province of Manitoba and the Children's Aid Foundation. The change in deferred contributions are as follows:

(i) Deferred contributions - Operating Fund

	2013	2012
Province of Manitoba - Operating:		
Balance, beginning of year	$ 601,325	$ 684,217
Add: contributions received	57,600	402,700
Less: amounts recognized as revenue	321,120	485,592
Balance, end of year	337,805	601,325
Province of Manitoba - Differential Response:		
Balance, beginning of year	203,569	328,603
Add: contributions received	23,600	92,900
Less: amounts recognized as revenue	169,067	217,934
Balance, end of year	58,102	203,569
Office of the Standing Committee:		
Balance, beginning of year	31,314	175,927
Add: contributions received	25,000	-
Less: amounts recognized as revenue	-	144,613
Balance, end of year	56,314	31,314
Total Operating Fund	$ 452,221	$ 836,208

(ii) Deferred contributions relating to capital assets

	2013	2012
Balance, beginning of year	$ 4,036	$ 12,770
Add: contributions received	-	-
Less: amounts recognized as revenue	4,036	8,734
Balance, end of year	$ -	$ 4,036

8. Deferred contributions (continued)

(iii) Deferred contributions - Agency Fund

	2013	2012
Balance, beginning of year	$ 455,740	$ 219,975
Add contributions:		
Province of Manitoba	-	235,765
Less: amounts recognized as revenue	-	-
Balance, end of year	$ 455,740	$ 455,740

9. Agency grants

The Authority received funding from the Province of Manitoba in the amount of $11,693,227 (2012 - $11,199,315) to be allocated to the agencies under its jurisdiction. The Agency grants were allocated as follows:

	Child and Family Services Division			
Agency	Child Protection Branch	Differential Response	Total 2013	Total 2012
Child and Family Services of Central Manitoba	$ 3,854,165	$ 360,000	$ 4,214,165	$ 3,995,533
Child and Family Services of Western Manitoba	7,025,217	-	7,025,217	6,767,940
Jewish Child and Family Service	441,400	-	441,400	410,657
Churchill Regional Health Authority	12,445	-	12,445	25,185
Total	$11,333,227	$ 360,000	$11,693,227	$11,199,315

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the Authority.

10. Internally restricted fund balances

Internally restricted amounts are not available for unrestricted purposes without the approval of the Board of Directors. Changes in the internally restricted fund balance are as follows:

	2013	2012
Balance, beginning of year	$ 575,289	$ 658,684
Program development	663,829	204,165
Utilized during the year	(416,583)	(287,560)
Balance, end of year	$ 822,535	$ 575,289

10. Internally restricted fund balances (continued)

The amount restricted at March 31, 2013 is intended to support the following initiatives:

- Time limited staffing positions to support training, mentoring and quality assurance within the General Authority agencies;
- Pilot project to provide support for youth transitioning from care including the Building Futures Initiative and post secondary education support fund; and
- Funds to support staff and youth engagement activities within the General Authority agencies as well as support for the ongoing implementation of Critical Incident Stress Management Teams with Agencies and support for the implementation of the French Languages Service Plan.

11. Lease commitments

The Authority has entered into a lease agreement to lease space on the third and sixth floors at 180 King Street. The agreement pertaining to the space on the third floor is for a ten year term expiring on November 30, 2022. The agreement pertaining to the space on the sixth floor is for a five year term expiring on November 30, 2017 with a five year renewal option. Occupancy charges for the year ending March 31, 2014 are estimated to be $113,130 (2013 actual - $94,213).

12. Financial instruments and financial risk management

The Authority does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore did not incur any remeasurement gains or losses during the year (2012 - $nil).

Financial risk management - overview

The Authority has exposure to the following risks resulting from its financial instruments: credit risk, liquidity risk, market risk, interest rate risk; and foreign currency risk.

Credit risk

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

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

	2013	2012
Cash and cash equivalents	$ 112,148	$ -
Accounts receivable	92,232	78,772
Portfolio investments	1,936,255	2,243,302
Advances receivable	116,600	116,600
	$ 2,257,235	$ 2,438,674

Cash and cash equivalents and portfolio investments: The Authority is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are held by a reputable financial institution.

12. Financial instruments and financial risk management (continued)

Accounts receivable and advances receivable: The Authority is not exposed to significant credit risk as the nature of the accounts receivable and advances receivable are primarily with the Province of Manitoba resulting in minimal credit exposure. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current economic conditions and historical funding and payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2013 is $nil (2012 - $nil).

Liquidity risk

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

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

Market risk

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

Interest rate risk

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

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered to be low because the original deposits and investments are reinvested at similar rates with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Schedule of Differential Response Revenues and Expenses — Schedule

Year ended March 31, 2013

	2013	2012
Revenues:		
Operating grant	$ 149,067	$ 196,256
Interest and other	28,050	21,678
Agency grants	360,000	340,340
	537,117	558,274
Expenses:		
Agency allocations (Note 9)	360,000	340,340
DR evaluation project	-	21,678
DR project development	85,759	53,546
Miscellaneous grant expenses	91,358	56,097
Office and miscellaneous	-	7,340
Wages and benefits	-	79,273
	537,117	558,274
	$ -	$ -

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Board of Trustees of the Helen Betty Osborne Memorial Foundation

We have audited the accompanying financial statements of The Helen Betty Osborne Memorial Foundation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in net assets and cash flow for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion
In common with many charitable organizations, the Foundation derives funds from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations was limited to the amounts recorded in the records of the Foundation and we are not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets at the end of the year.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flow for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes that the Foundation adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
October 1, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total March 31, 2013
ASSETS				
CURRENT ASSETS				
Cash and bank	$ 16,683	5,610	17,985	40,278
Accounts receivable	15,037	36,666	-	51,703
Inventory (Note 2(c))	179	-	-	179
Interfund loans (Note 5)	-	-	24,613	-
	$ 31,899	42,276	42,598	116,773
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 19,281	-	-	19,281
Deferred contributions (Note 3)	-	17,645	-	17,645
Interfund loans (Note 5)	-	24,613	-	-
	19,281	42,258	-	36,926
NET ASSETS				
Restricted	-	18	-	18
Endowment	-	-	42,598	42,598
Unrestricted	12,618	-	-	12,618
	12,618	18	42,598	55,234
	$ 31,899	42,276	42,598	116,773

APPROVED BY THE BOARD:

__________________________ **Director**

__________________________ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total March 31, 2012
ASSETS				
CURRENT ASSETS				
Cash and bank	$ 35,488	7,663	42,598	85,749
Accounts receivable	43,327	-	-	43,327
Inventory (Note 2(c))	695	-	-	695
	$ 79,510	7,663	42,598	129,771
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 170	-	-	170
Deferred contributions (Note 3)	-	7,645	-	7,645
	170	7,645	-	7,815
NET ASSETS				
Restricted	-	18	-	18
Endowment	-	-	42,598	42,598
Unrestricted	79,340	-	-	79,340
	79,340	18	42,598	121,956
	$ 79,510	7,663	42,598	129,771

APPROVED BY THE BOARD:

__________________________ **Director**

__________________________ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
APRIL 1, 2011

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total April 1, 2011
ASSETS				
CURRENT ASSETS				
Cash and bank	$ 137,790	493	42,598	180,881
Investments (Note 4)	-	-	214,902	214,902
Accrued interest receivable	-	320	-	320
Accounts receivable	24,598	-	-	24,598
Inventory (Note 2(c))	1,227	-	-	1,227
	$ 163,615	813	257,500	421,928
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 355	-	-	355
Deferred contributions (Note 3)	-	2,000	-	2,000
	355	2,000	-	2,355
NET ASSETS				
Restricted	-	(1,187)	-	(1,187)
Endowment	-	-	257,500	257,500
Unrestricted	163,260	-	-	163,260
	163,260	(1,187)	257,500	419,573
	$ 163,615	813	257,500	421,928

APPROVED BY THE BOARD:

__________________________ **Director**

__________________________ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2013

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2013
REVENUE				
Book sales	$ 8,472	-	-	8,472
Donations and fundraising	43,202	-	-	43,202
Restricted contributions (Note 3)				
Bursaries and scholarships	-	161,500	-	161,500
	51,674	161,500	-	213,174
EXPENSES				
Bursaries and scholarships	-	161,500	-	161,500
Cost of book sales	515	-	-	515
Fundraising	117,881	-	-	117,881
	118,396	161,500	-	279,896
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(66,722)	-	-	(66,722)
NET ASSETS, BEGINNING OF YEAR	79,340	18	42,598	121,956
NET ASSETS, END OF YEAR	$ 12,618	18	42,598	55,234

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2012
REVENUE				
Book sales	$ 6,285	-	-	6,285
Donations and fundraising	6,366	-	-	6,366
Investment income (Note 3)	-	635	-	635
Restricted contributions (Note 3)				
Bursaries and scholarships	-	101,000	-	101,000
Project	-	2,000	-	2,000
	12,651	103,635	-	116,286
EXPENSES				
Bursaries and scholarships	-	101,000	-	101,000
Cost of book sales	531	-	-	531
Fundraising	96,040	-	-	96,040
Project	-	1,430	-	1,430
Transfer - Winnipeg Foundation (Note 4)	-	-	214,902	214,902
	96,571	102,430	214,902	413,903
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(83,920)	1,205	(214,902)	(297,617)
NET ASSETS, BEGINNING OF YEAR	163,260	(1,187)	257,500	419,573
NET ASSETS, END OF YEAR	$ 79,340	18	42,598	121,956

6.

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2013

		2013	2012
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Deficiency of revenue over expenses	$	(66,722)	(297,617)
Change in non-cash working capital:			
Accrued interest receivable		-	320
Accounts receivable		(8,376)	(18,729)
Inventory		516	532
Accounts payable		19,111	(185)
Deferred contributions		10,000	5,645
		(45,471)	(310,034)
INVESTING ACTIVITIES			
Investments		-	214,902
DECREASE IN CASH		(45,471)	(95,132)
CASH, BEGINNING OF YEAR		85,749	180,881
CASH, END OF YEAR	$	40,278	85,749

1. ACCOUNTING ENTITY

The Helen Betty Osborne Memorial Foundation (the "Foundation" or "HBOMF") is incorporated under The Helen Betty Osborne Memorial Foundation Act, which received royal assent on December 15, 2000. The Foundation is a registered charitable organization exempt from income taxes under the provisions of the Income Tax Act of Canada.

The legislated purpose of the Foundation is to receive donations of real and personal property, including cash; to provide financial assistance to aboriginal persons residing in Manitoba who are enrolled in post secondary studies in Manitoba; and to promote the memory of Helen Betty Osborne.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the following significant accounting policies:

(a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. These are the Foundation's first financial statements prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations and PS Handbook Section 2125 First Time Adoption by government organizations has been applied. An explanation of how the transition to Canadian public sector accounting standards for government not-for-profit organizations has affected the financial statements is provided in Note 10.

An underlying assumption of the preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations is that the Foundation will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

(b) Revenue Recognition

The Foundation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Investment income earned is restricted for bursary or scholarship purposes and is recognized on a time proportionate basis.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fund Accounting

The Regulation of the Foundation directs that scholarships, bursaries and grants may be paid from the fund as long as the fund will contain at least $57,500 after the capital in question has been withdrawn from the fund. If the fund contains less than $57,500, the Foundation may only provide scholarships, bursaries and grants using income earned from the fund. The Foundation maintains the following funds:

- The Unrestricted Fund, which reports the general activities of the Foundation, including administration.
- The Restricted Fund, which reports the revenues and expenses related to bursaries and scholarships and other special projects.
- The Endowment Fund, which reports the investments and grants received is subject to externally imposed restrictions stipulating that the resources be maintained permanently.

In addition to the above funds, on July 23, 2011 an amount of $214,902 previously invested with the Province of Manitoba was transferred to the Winnipeg Foundation to be held in perpetuity as an endowed fund known as The Helen Betty Osborne Memorial Scholarship Fund. See Note 4 Investments for further information.

(e) Financial Instruments

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

The Foundation records its financial assets at cost which includes cash and bank, accrued interest receivable, accounts receivable and investments. The Foundation also records its financial liabilities at cost which includes accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in the fund balances as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gains or loss occurs.

The Foundation did not incur any remeasurement gains or losses during the year (2012 - $nil)

(f) Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Contributed Services

The Foundation is economically dependent on the Province of Manitoba. No amount has been reflected in the financial statements for the Foundation's audit fees, certain expenses of trustees and other administrative services provided by the Province of Manitoba.

(h) Donations in Kind

Various individuals or organizations donate items that are used in the fundraising activities of the Helen Betty Osborne Memorial Foundation. These donations in kind have been included in the revenues and expenses where the fair value can be reasonably estimated in the amount of $2,335 for March 31, 2013 (2012 - $nil).

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for scholarship or bursary purposes or other externally funded projects. Changes in the deferred contributions balance are as follows:

	2013	2012
Balance, beginning of year	$ 7,645	2,000
Add: Investment revenue restricted for scholarship purposes	-	635
Restricted contributions		
Bursaries and scholarships	161,500	108,645
Project	10,000	-
Subtotal	179,145	111,280
Deduct current year:		
Amounts recognized as restricted contributions		
Bursaries and scholarships	161,500	101,000
Project	-	2,000
Amounts recognized as investment income	-	635
Balance, end of year	$ 17,645	7,645

4. INVESTMENTS

On July 23, 2011, the Board of Trustees approved the transfer of $214,902 previously invested with the Province of Manitoba to the Winnipeg Foundation to be held in perpetuity as an endowed fund known as The Helen Betty Osborne Memorial Scholarship Fund. The transfer of funds occurred on September 26, 2011 and all investments are now controlled by the Winnipeg Foundation. These investments are not reported on the financial statements of the HBOMF.

At March 31, 2013, the value of all the funds held in endowment and other flow through funds with the Winnipeg Foundation total $260,325 (2012 - $239,138).

	Endowment Fund	Flow Through Fund	Flow Through Admin Fund	Total 2013	Total 2012
Opening balance	$ 235,118	250	300	235,668	-
Transfer from HBOMF	-	-	-	-	214,902
Donations received	500	9,000	-	9,500	5,450
Scholarships paid	-	(7,500)	-	(7,500)	(4,500)
Investment income	24,645	-	-	24,645	21,252
Administration fees	(1,988)	-	-	(1,988)	(1,436)
Ending balance	$ 258,275	1,750	300	260,325	235,668

The scholarships paid through the Winnipeg Foundation are in addition to the bursaries and scholarships paid directly by the HBOMF.

The Endowment Fund is to be held to perpetuity by the Winnipeg Foundation. The Endowment Fund receives donations and any income attributed to it by the Winnipeg Foundation. The Endowment Fund pays an administrative fee to the Winnipeg Foundation as well as scholarships to selected students. The original gift is protected by the Winnipeg Foundation on an inflation adjusted basis by calculating annually a maximum amount that is available to be withdrawn for the purpose of scholarships.

The Flow Through Fund is for contributions made directly to the Winnipeg Foundation for scholarships with the intent the funds will flow in and out within a short period of time. The specific student recipient is determined by HBOMF based on established criteria but the actual payment is made by the Winnipeg Foundation. There were $7,500 of scholarships paid out from the Flow Through Fund for March 31, 2013.

The Flow Through Administrative Fund is used to accumulate amounts received from donors over and above the amount received for scholarships. The additional amount is to be used for administrative purposes of HBOMF. A request is required by the Winnipeg Foundation before it will be paid directly to HBOMF.

5. INTERFUND LOANS

During the year, funds were transferred between the restricted and endowment funds. There are no conditions or set repayment terms on the loans.

6. CONTRACTUAL COMMITMENTS

During the fiscal year-ended March 31, 2013, the Foundation has entered into a contractual arrangement with Anishinabek Consultants to provide analyze data, administer survey, conduct interviews and present overview of findings to sub-committee in the form of a report with respect to the scholarship award recipients from 2001 to 2012. A commitment of $8,500 exists under this arrangement for the 2013/14 fiscal year.

During the fiscal year-ended March 31, 2010, the Foundation had entered into a contractual arrangement with Portage & Main Press to provide distribution services for the sale of The Life of Helen Betty Osborne Graphic Novel. 55% of net sales are kept by the distributor on all book sales until June 24, 2012. There was no signed extension on this original contractual agreement, however, the same terms have continued to be used to distribute profits during the year.

7. FUNDING COMMITMENT RESTRICTED TO SPECIFIC BURSARIES

During the fiscal year ended March 31, 2013, Manitoba Hydro provided the fifth year of a seven year commitment of $3,000 per year. $3,000 is to be received in each of the next two fiscal years.

During the fiscal year ended March 31, 2013, Indian and Northern Affairs Canada provided a funding commitment of $100,000, which is to be used for bursaries and scholarships. An amount of $73,334 was received during the March 31, 2013 fiscal year, with a hold back amount of $26,666 to be received in the next fiscal year upon the completion of final reports.

During the fiscal year ended March 31, 2013, United Way provided a funding commitment of $10,000 which is to be used to support a project to analyze data, administer a survey, conduct interviews and present an overview of findings to a sub-committee in the form of a report - Champions of Tomorrow - A look at the recipients from 2001-2013 . An amount of $5,000 was received in April 2013 and a hold back amount of $5,000 will be received in the next fiscal year upon the completion of final reports.

8. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

The Public Sector Compensation Disclosure Act requires an annual public disclosure be made of compensation paid,

a) to the chairperson, if any, if the chairperson's compensation is $50,000 or more;
b) in the aggregate to its board members, if any;
c) individually to each of its officers or employees whose compensation is $50,000 or more

The Foundation has no staff of their own and Trustees of the Foundation including the Chairperson do not get paid. Seconded staff are considered to be employees of the organization who employed them originally and are reported by that organization.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Foundation has exposure to the following risks from its use of financial instruments.

(a) Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they come due. Financial liabilities consists of accounts payable. Accounts payable are paid in the normal course of business and except under certain exceptions, no later than one month.

The Foundation's approach to managing liquidity risk is to manage its cash flow to ensure it will always have sufficient liquidity to meet liabilities when due. At March 31, 2013, the Foundation has an unrestricted fund cash balance of $16,683 and a receivable balance of $51,703 which exceeds total unrestricted and restricted fund current liabilities of $19,281. Hence, it is management's opinion that the Foundation is not exposed to any liquidity risk of any significance.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable.

The Foundation's maximum possible exposure to credit is as follows:

	2013	2012
Accounts receivable	$ 51,703	43,327

At March 31, 2013, $51,703 (2012 - $43,327) of accounts receivable were not past due or impaired.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; foreign currency risk, interest rate risk and other price risk.

The Foundation is not exposed to any market risk of any significance.

10. TRANSITION TO CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS FOR GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS

The accounting policies in Note 2(a) have been applied in preparing the financial statements for the year ended March 31, 2013 the comparative information presented in the financial statements for the year ended March 31, 2012 and in the preparation of an opening Canadian public sector accounting standards for government not-for-profit organizations statement of financial position at the Foundation's date of transition, April 1, 2011.

There is no impact on the previously reported financial statements for the year ended March 31, 2012, or any impact on net assets at date of transition, April 1, 2011. The Foundation did not use any elective exemptions available on first time adoption.

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of the **INSURANCE COUNCIL OF MANITOBA**

We have audited the accompanying financial statements of the **INSURANCE COUNCIL OF MANITOBA**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in net assets, remeasurement gains and losses and cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **INSURANCE COUNCIL OF MANITOBA** as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 6, 2013

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash and bank	$ **71,494**	$ 58,003	$ 76,794
Short-term investments (Note 4)	**38,000**	334,034	229,845
Accounts receivable	-	-	278
Interest receivable	**20,645**	21,742	19,187
Prepaid expenses	**9,065**	8,742	9,209
	139,204	422,521	335,313
Long-term investments (Note 5)	**975,926**	943,240	898,924
Capital assets (Note 6)	**615,953**	338,872	388,515
	$ **1,731,083**	$ 1,704,633	1,622,752
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	$ **25,477**	$ 37,011	$ 21,030
Deferred revenue (Note 7)	**167,140**	148,561	158,254
	192,617	185,572	179,284
Commitments (Note 8)			
Net Assets			
Information Technology Reserve	**200,000**	200,000	200,000
Unrestricted net assets	**1,292,271**	1,319,061	1,243,468
	1,492,271	1,519,061	1,443,468
Accumulated remeasurement gains	**46,195**	-	-
	1,538,466	1,519,061	1,443,468
	$ **1,731,083**	$ 1,704,633	1,622,752

Approved on behalf of the Council:

Member

Member

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

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Changes in Net Assets

For the years ended March 31	2013	2012
Revenue		
Examinations	$ 57,130	$ 50,799
Interest income	36,217	32,865
Licences (Note 9)	924,440	899,769
Other	49,682	58,716
	1,067,469	1,042,149
Expenses		
Advertising, dues and subscriptions	33,374	7,144
Amortization	91,036	91,130
Bank charges and interest	1,101	713
Computer consulting fees	57,307	106,289
Conferences	8,411	14,599
Council	34,025	36,950
Equipment leases	4,760	4,363
Insurance	3,633	4,067
Meetings and travel	37,638	26,158
Office and equipment rental	24,503	23,118
Postage and courier	15,808	13,608
Professional fees	59,333	36,830
Recruiting and human resource	577	1,101
Rent	86,936	85,373
Salaries and benefits	578,743	520,431
Telephone and Internet	9,100	10,326
Training	1,119	2,549
	1,047,404	984,749
Excess of revenue over expenses for the year	20,065	57,400
Net assets, beginning of year	1,319,061	1,243,468
Adoption of Section 3450 - Financial Instruments (Note 2)	(46,855)	-
Unrealized gains on fair valuing of investments	-	18,193
Net assets, end of year	$ 1,292,271	$ 1,319,061

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

INSURANCE COUNCIL OF MANITOBA
Statement of Remeasurement Gains and Losses

For the years ended March 31	2013	2012
Accumulated remeasurement gains, beginning of year	$ -	$ -
Adoption of Section 3450 - Financial Instruments (Note 2)	46,855	-
Unrealized gains (losses) attributable to long-term investments	(660)	-
Net remeasurement gains during the year	46,195	-
Accumulated remeasurement gains, end of year	$ 46,195	$ -

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

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the years ended March 31		2013		2012
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	$	20,065	$	57,400
Adjustments for				
Amortization		91,036		91,130
Changes in non-cash working capital balances				
Accounts receivable		-		278
Interest receivable		1,097		(2,555)
Prepaid expenses		(323)		467
Accounts payable and accrued liabilities		(11,534)		15,981
Deferred revenue		18,579		(9,693)
		118,920		153,008
Cash Flows from Investing Activities				
Purchase of capital assets		(368,117)		(41,487)
Proceeds on sale of investments		168,729		216,364
Purchase of investments		(202,075)		(242,487)
		(401,463)		(67,610)
Increase (decrease) in cash and cash equivalents for the year		(282,543)		85,398
Cash and cash equivalents, beginning of year		392,037		306,639
Cash and cash equivalents, end of year	$	109,494	$	392,037
Represented by				
Cash and bank	$	71,494	$	58,003
Short-term investments		38,000		334,034
	$	109,494	$	392,037

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

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

For the years ended March 31, 2013 and 2012

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents and adjusters in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

Management's Responsibility for the Financial Statements

The financial statements of the Council are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for non-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

Computer hardware	30% diminishing balance basis
Computer software	30% diminishing balance basis
Furniture and fixtures	20% diminishing balance basis
Leasehold improvements	5 year straight-line basis
Licence database	5 year straight-line basis
Website	30% diminishing balance basis

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

For the years ended March 31, 2013 and 2012

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Revenue Recognition

Licence fees are recognized as income over the term of the licence period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. First-time Adoption

Effective April 1, 2012, the Council adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the Council's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1, have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

No exemptions were used at the date of transition to PSAB for NPOs.

The Council issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Council.

2. First-time Adoption (continued)

Financial Instruments

On January 1, 2011, the Council early adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after January 1, 2012, however, early adoption is permitted. This accounting change resulted in the reclassification of unrealized gains on long-term investments of $46,855 from unrestricted net assets (in net assets) to accumulated remeasurement gains (in net assets). These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding its adoption of PSAB for NPOs.

3. Employee Benefits

The Council contributes 5.1% of employee salaries to a self administered RRSP on behalf of the employees up to the first $35,400 of earnings. The Council matches employee contributions to a maximum of 7% on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSPs for the year ended March 31, 2013 were $26,392 ($23,944 in 2012).

4. Short-term Investments

	2013	2012
Bank of Montreal Money Market Fund	$ **38,000**	$ 334,034

The fair value of the short-term investment approximates the carrying value.

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

For the years ended March 31, 2013 and 2012

5. Long-term Investments

	Cost	2013 Fair Value	2012 Fair Value
Province of Manitoba Portfolio Allocation Notes, Series 1	$ 35,000	$ 34,958	$ 34,136
NTL BK of CDA GIC, 4.83%, due June 24, 2013	75,000	91,135	86,805
Advisor's Advantage Trust GIC, 4.8%, due June 24, 2013	20,038	24,319	23,171
Home Trust GIC, 3.00%, due July 2, 2013	22,183	23,566	22,865
Canadian Western GIC, 2.95%, due July 2, 2013	41,062	43,571	42,296
Montreal Tr Co of CDA GIC, 1.20%, due November 21, 2013	40,671	40,671	-
TD Mortgage Corp GIC, 3.65%, due March 18, 2014	41,436	46,320	44,634
Equitable Trust GIC, 3.41%, due August 7, 2014	73,692	81,653	78,904
Home Trust GIC, 3.35%, due October 22, 2014	77,818	86,011	83,182
Manulife Bank of CDA GIC, 3.65%, due June 22, 2015	69,943	69,943	69,943
HSBC Bank of CDA GIC, 3.70%, due June 22, 2015	100,000	100,000	100,000
Mont Trust GIC, 2.95%, due June 23, 2016	100,000	100,000	100,000
Maple Trust GIC, 2.95%, due June 23, 2016	38,916	38,916	38,916
Royal Bank of Canada GIC, 2.450%, due November 17, 2016	33,272	34,092	33,268
AGF Trust Company GIC, 2.52%, due June 26, 2017	36,649	36,720	-
Advisor's Advantage Trust GIC, 2.4%, due July 10, 2017	34,051	34,051	-
Manulife Bank of CDA GIC, 2.60%, due July 10, 2017	30,000	30,000	-
Royal Bank of CDA GIC, 2.40%, due July 10, 2017	60,000	60,000	-
TD Mortgage Corp GIC, 1.26%, matured June 21, 2012	-	-	30,000
Maple Trust GIC, 4.65%, matured June 25, 2012	-	-	57,560
TD Mortgage Corp GIC, 4.65%, matured June 25, 2012	-	-	57,560
Canadian Western GIC, 1.65%, matured November 19, 2012	-	-	40,000
	$ 929,731	$ 975,926	$ 943,240

The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

For the years ended March 31, 2013 and 2012

6. Capital Assets

	2013			2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 173,816	$ 143,466	$ 30,350	$ 167,004	$ 132,337	$ 34,667
Computer software	111,787	103,077	8,710	110,540	99,602	10,938
Furniture and fixtures	124,867	78,256	46,611	124,867	66,604	58,263
Leaseholds improvements	25,000	15,000	10,000	25,000	10,000	15,000
Licence database	249,700	124,850	124,850	249,700	74,910	174,790
Website	27,353	21,770	5,583	27,353	19,378	7,975
Licence database #2	37,239	7,448	29,791	37,239	-	37,239
Construction in process						
- Online renewal system	290,225	-	290,225	-	-	-
- Online renewal system: CE enhancements	69,833	-	69,833	-	-	-
	$ 1,109,820	$ 493,867	$ 615,953	$ 741,703	$ 402,831	$ 338,872

7. Deferred Revenue

Deferred revenue represents payments received for licenses and fees that cover more than the current fiscal year. The deferred portion will be recognized as revenue in the year to which it pertains to.

Licenses are recognized as revenue on a straight-line basis over the term of the license. Examination fees are recognized at the time the related exam is held.

8. Commitments

The Council leases equipment and office premises under the provisions of operating leases. These commitments are as follows:

2014	$ 92,710
2015	34,237
2016	3,763
2017	2,526
2018	210

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

For the years ended March 31, 2013 and 2012

9. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 44% of licence and other fees and 15% of examination fees to the OSIM. These amounts are not included in the financial statements. In 2013, this amount is $780,848 ($745,889 in 2012).

10. Financial Risk Management

The Council is exposed to different types of risk in the normal course of operations, including credit risk, market risk, interest rate risk and liquidity risk. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities. The Council limits its exposure to credit risk and market risk by maintaining a diversified portfolio and by investing in high quality investments.

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. The Council is exposed to credit risk from its interest receivable from various investments they hold. The risk is mitigated by investing in safe and secure investments, such as Guaranteed Investment Certificates and Provincial bonds.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Council limits its exposure to market risk by placing its cash and bank and investments in low risk investment vehicles. Risk and volatility of investment returns are mitigated through the diversification of investment vehicles.

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 Council is exposed to interest rate risk through its investments. The Council limits its exposure to interest rate risk by investing in only fixed rate guaranteed investment certificates and bonds.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council has a planning and budgeting process in place to help determine the funds required to support the Council's normal operating requirements on an ongoing basis. The Council ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

LEAF RAPIDS TOWN PROPERTIES LTD. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV

Responsibility for Financial Reporting

The accompanying financial statements of Legal Aid Manitoba are the responsibility of management and have been prepared in accordance with the accounting policies stated in Note 2 to the financial statements for the year ended March 31, 2013.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Auditor General is to express an independent professional opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Gil Clifford
Executive Director
Legal Aid Manitoba

August 27, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the accompanying financial statements of Legal Aid Manitoba, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ending March 31, 2013, Legal Aid Manitoba adopted Canadian public sector accounting standards for government not for profit organizations. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
August 27, 2013
Winnipeg, Manitoba

LEGAL AID MANITOBA
Statement of Financial Position

	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
Current Assets			
Cash	$ 1,589,910	$ 1,617,688	$ 895,144
Client accounts receivable (Note 3)	168,586	196,059	246,344
Receivable from the Province of Manitoba	5,341,692	4,956,000	4,635,000
Receivable from the Government of Canada	167,450	171,896	124,541
Other receivables (Note 4)	472,454	323,444	188,308
Prepaid expenses	227,859	298,668	301,215
	7,967,951	7,563,755	6,390,552
Capital Assets (Note 5)	441,882	414,286	203,657
Long-term receivable - charges on land (Note 6)	782,837	764,672	768,803
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	20,587,677	19,370,088	18,185,771
	$ 30,496,513	$ 28,828,967	$ 26,264,949
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	$ 5,412,708	$ 4,424,250	$ 4,377,871
Accrued vacation pay	1,290,514	1,192,740	1,078,918
Deferred revenue from clients	454,540	395,875	376,607
Deferred contribution from Province of Manitoba	-	-	30,000
	7,157,762	6,012,865	5,863,396
Severance liability (Note 8)	2,174,427	2,019,032	1,883,129
Provision for employee pension benefits (Note 14)	20,587,677	19,370,088	18,185,771
	22,762,104	21,389,120	20,068,900
Net Assets			
Invested in Capital Assets	441,882	414,286	203,657
Restricted Net Assets (Note 15)	78,559	78,559	78,559
Unrestricted Net Assets	56,206	934,137	50,437
	576,647	1,426,982	332,653
	$ 30,496,513	$ 28,828,967	$ 26,264,949

Approved by Council

Chairperson

Council Member

LEGAL AID MANITOBA
Statement of Operations
for the year ended March 31

		2013		2012
Revenue				
Province of Manitoba (Note 9)	$	29,914,138	$	28,239,981
Manitoba Law Foundation (Note 10)		1,194,398		885,954
Contributions from clients		890,943		867,109
Recoveries from third parties		527,652		879,307
Government of Canada		(3,228)		160,052
Judgment costs and settlements		158,893		100,461
Interest income		197		1,852
Other		39,747		41,147
		32,722,740		31,175,863
Expense				
Private bar fees and disbursements (Note 13)				
Legal Aid Certificates		12,263,131		9,362,723
Duty Counsel services		603,458		623,859
Transcripts		53,823		56,542
		12,920,412		10,043,124
Community Law Centres, Schedule 1		12,675,640		12,599,295
Public Interest Law Centre, Schedule 1		1,289,510		1,202,723
University Law Centre, Schedule 1		124,330		119,371
General and Administrative, Schedule 1		6,563,183		6,117,021
		33,573,075		30,081,534
Excess (deficiency) of revenue over expense	$	(850,335)	$	1,094,329

LEGAL AID MANITOBA

Statement of Changes in Net Assets

for the year ended March 31

	2013			
	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total
Balance, Beginning of Year	$ 414,286	$ 78,559	$ 934,137	$ 1,426,982
Excess (deficiency) of revenue over expense	(99,633)	-	(750,702)	(850,335)
Capital Asset Additions	127,229	-	(127,229)	-
BALANCE, END OF YEAR	$ 441,882	$ 78,559	$ 56,206	$ 576,647

	2012			
	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total
Balance, Beginning of Year	$ 203,657	$ 78,559	$ 50,437	$ 332,653
Excess (deficiency) of revenue over expense	(92,081)	-	1,186,410	1,094,329
Capital Asset Additions	302,710	-	(302,710)	-
BALANCE, END OF YEAR	$ 414,286	$ 78,559	$ 934,137	$ 1,426,982

LEGAL AID MANITOBA
Statement of Cash Flow
for the year ended March 31

		2013		2012
Cash Flow Provided by (Used In) Operating Activities:				
Excess (deficiency) of revenue over expense	$	(850,335)	$	1,094,329
Add items not affecting cash				
Amortization		99,633		92,081
Changes in working capital:				
Client accounts receivable		27,473		50,285
Province of Manitoba receivable		(385,692)		(321,000)
Government of Canada receivable		4,446		(47,355)
Other receivables		(149,010)		(135,137)
Prepaid expenses		70,809		2,547
Accounts payable and accrued vacation pay		1,086,232		160,202
Deferred revenue		58,665		19,268
Deferred contribution from Province of Manitoba		-		(30,000)
Charges on land		(18,165)		4,130
Long-term funding commitments - pension		(1,217,589)		(1,184,317)
Severance liability		155,395		135,903
Provision for employee pension benefits		1,217,589		1,184,317
		99,451		1,025,253
Cash Flow Provided by (Used In) Capital Activities:				
Purchase of capital assets		(127,229)		(302,709)
		(127,229)		(302,709)
Net Increase (Decrease) in Cash for the Year		(27,778)		722,544
Cash - Beginning of Year		1,617,688		895,144
Cash - End of Year	$	1,589,910	$	1,617,688

Supplemental Cash Flow Information		2013		2012
Interest Received	$	197	$	1,852

LEGAL AID MANITOBA
Schedule of Expenses
for the year ended March 31

SCHEDULE 1

	Community Law Centres		Public Interest Law Centre		University Law Centre		General and Administrative		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,911	$ 25,726	$ 23,911	$ 25,726
Amortization	48,440	44,168	2,299	2,368	1,886	1,886	47,008	43,659	99,633	92,081
Bad debts	-	-	-	-	-	-	248,660	192,762	248,660	192,762
Bank charges	-	-	-	-	-	-	2,146	2,180	2,146	2,180
Collection costs	-	-	-	-	-	-	13,142	6,502	13,142	6,502
Computer costs	12,514	79,007	137	2,153	34	-	44,610	19,260	57,295	100,421
Council expenses	-	-	-	-	-	-	208,029	168,516	208,029	168,516
Duty counsel	202,914	240,335	4,032	2,055	-	-	1,841	1,524	208,787	243,913
Equipment maintenance	96,151	107,174	9,366	8,407	2,738	789	57,615	44,331	165,870	160,700
File disbursements	310,647	352,572	270,930	340,233	2,221	1,916	33,292	35,780	617,090	730,500
Library	62,066	72,946	9,007	6,896	158	197	2,284	1,581	73,515	81,621
Meetings	6,815	5,686	2,472	1,143	1,628	1,324	14,669	12,721	25,584	20,874
Office expenses	221,845	197,929	11,898	17,959	6,834	6,354	138,731	127,951	379,308	350,193
Office relocation	31,597	80,784	525	7,997	-	-	2,497	42,457	34,619	131,237
Pension costs (Note 14)	-	-	-	-	-	-	2,054,004	1,919,585	2,054,004	1,919,585
Premise costs	1,020,956	770,402	58,904	30,085	134	93	305,294	204,894	1,385,288	1,005,474
Professional fees	195,622	174,637	17,967	10,865	747	650	135,079	129,319	349,415	315,471
Salaries, benefits and levy	10,133,949	10,153,791	867,977	739,783	92,091	94,963	2,890,940	2,793,625	13,984,957	13,782,162
Severance benefits	-	-	-	-	-	-	235,958	230,614	235,958	230,614
Staff development	44,397	62,585	10,140	11,852	-	22	7,988	1,808	62,525	76,268
Staff recruitment	8,839	15,367	96	193	99	65	2,627	2,845	11,661	18,469
Telephone	108,871	112,268	8,294	10,216	2,723	2,508	70,283	88,753	190,171	213,745
Transcripts	22,153	27,096	-	-	1,442	282	-	-	23,595	27,378
Travel	147,864	102,549	15,466	10,521	11,595	8,322	22,575	20,628	197,500	142,020
TOTAL	$ 12,675,640	$ 12,599,295	$ 1,289,510	$ 1,202,723	$ 124,330	$ 119,371	$ 6,563,183	$ 6,117,021	$ 20,652,663	$ 20,038,410

Notes to Financial Statements
for the year ended March 31, 2013

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

a) Providing quality legal advice and representation to eligible low-income individuals;
b) Administering the delivery of legal aid in a cost-effective and efficient manner; and
c) Providing advice to the Minister on legal aid generally and on the specific legal needs of low-income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Basis of Presentation and Transition to GNFPO

Effective April 1, 2011, the Corporation elected to adopt Canadian standards for government not-for-profit organizations ("GNFPO") including Public Sector Accounting Handbook 4200 series as issued by the Canadian Public Sector Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retroactively as if these policies had always been in effect. The following adjustments and elections were made by the Corporation on transition to GNFPO:

Reconciliation of net assets		
Net assets as at March 31, 2011, as previously reported	$	332,653
Impact of transitional exemptions		-
Opening net assets as at April 1, 2011 under GNFPO	$	332,653

Reconciliation of surplus (deficit)		
Surplus (deficit) for the year ended March 31, 2012 as previously reported	$	1,515,108
Adjustment to recoverable from Province of Manitoba		(272,867)
Employee pension obligation adjustment		272,867
Severance liability adjustment		(88,126)
Surplus (deficit) for the year ended March 31, 2012 under GNFPO	$	1,426,982

Under GNFPO, actuarial gains and losses are amortized to the liability or asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. Previously, the Corporation had been recognizing the actuarial gain or loss in the year it occurred. The Corporation has elected to adopt PS2125.10 and recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus. As a result, there were no changes to opening net assets.

As a result of the adjustment to the employee pension obligation, the recoverable from the Province of Manitoba was increased by the same amount.

b) Financial Instruments

Financial assets and liabilities are initially recorded at fair value and subsequently recorded at cost or amortized cost.

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at cost or amortized cost are recognized in the statement of revenue and expense in the period the gain or loss occurs.

Notes to Financial Statements
for the year ended March 31, 2013

c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

d) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

e) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Corporation based on the clients' ability to pay.

i) Agreements to Pay – Partial

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the Legal Aid Certificate. The revenue and receivable are recognized when the service is provided.

ii) Agreements to Pay – Full

Under terms of Agreements to Pay – Full, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case. The maximum administration fee is $250. The revenue and receivable are recognized based on the date of the lawyer's billing which coincide with when the service is provided.

iii) Charges on Land

Charges on land are registered under section 17 of the *Corporations Act* in a land titles office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing which coincide with when the service is provided. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

f) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

g) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment – 10 years
- Computer hardware & software – 4 years
- Leasehold improvements – over the term of the lease

Work in progress assets are not amortized until the asset is available to be put into service.

Notes to Financial Statements
for the year ended March 31, 2013

h) **Pension Plan**

Employees of the Corporation are pensionable under the *Civil Service Superannuation Act*. The Civil Service Superannuation Plan is a defined benefit pension plan. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment is amortized over the expected remaining service life of the employee group (EARSL) which is currently 15 years. Amortization commences the year following the year when the actuarial gain or loss arises.

3. **Client Accounts Receivable**

	2013	2012
Agreements to Pay – Partial	$ 66,240	$ 58,859
Agreements to Pay – Full	464,805	496,022
	531,045	554,881
Less: Allowance for Doubtful Accounts	362,459	358,822
Client accounts receivable	$ 168,586	$ 196,059

4. **Other Receivables**

	2013	2012
Court costs	$ 287,616	$ 193,210
Child and Family Services agencies	44,487	33,559
Employment and Income Assistance	181,803	150,236
Employee advances, GST recoverable, and miscellaneous	239,012	134,918
	752,918	511,923
Less: Allowance for Doubtful Accounts	280,464	188,479
Other receivables	$ 472,454	$ 323,444

5. **Capital Assets**

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 308,836	$ 191,031	$ 297,794	$ 164,520
Computer hardware & software	300,352	214,510	278,035	163,661
Leasehold improvements	267,680	29,445	173,810	7,172
	$ 876,868	$ 434,986	$ 749,639	$ 335,353
Net book value		$ 441,882		$ 414,286

6. **Charges on Land**

	2013	2012
Charges on land	$ 1,539,085	$ 1,507,663
Less: Allowance for Doubtful Accounts	756,248	742,991
Charges on land	$ 782,837	$ 764,672

Notes to Financial Statements
for the year ended March 31, 2013

7. Long-term Receivable – Severance Benefits

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

8. Severance Liability

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee group. Amortization commences the year following the year when the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2013 by Ellement & Ellement Consulting Actuaries. The Corporation's actuarially determined net liability for accounting purposes as at March 31, 2013 was $2,174,427 (2012 – $2,019,032). The report provides a formula to update liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of 9 years of service and that the employee is retiring from the Corporation.

	2013	2012
Balance at beginning of year	$ 1,930,906	$ 1,883,129
Benefits accrued	116,753	105,763
Interest accrued on benefits	128,018	124,851
Benefits paid	(80,563)	(94,711)
Actuarial (gain) loss	163,723	(88,126)
Balance at end of year	2,258,837	1,930,906
Unamortized actuarial gains (losses)	(84,410)	88,126
	$ 2,174,427	$ 2,019,032

The Corporation’s severance costs consist of the following:

	2013	2012
Benefits accrued	$ 116,753	$ 105,763
Interest accrued on benefits	128,018	124,851
Amortization of actuarial gains	(8,813)	-
	$ 235,958	$ 230,614

Notes to Financial Statements
for the year ended March 31, 2013

Significant long-term actuarial assumptions used in the March 31, 2013 valuation, and in the determination of the March 31, 2013 present value of the accrued severance benefit obligation were:

	2013	2012
Annual rate of return		
Inflation component	2.00%	2.00%
Real rate of return	4.00%	4.00%
	6.00%	6.00%
Assumed salary increase rates		
Annual productivity increase	0.75%	0.75%
Annual general salary increase	2.00%	2.00%
Service, merit, & promotion (SMP) – average	1.00%	nil
	3.75%	2.75%

9. Revenue from the Province of Manitoba

	2013	2012
Grant	$ 15,410,589	$ 14,453,556
Salaries and other payments	12,353,802	11,792,320
Health and post secondary education tax levy	262,958	250,281
Employer portion of employee benefits	1,774,289	1,601,324
Other government agencies	112,500	142,500
	$ 29,914,138	$ 28,239,981

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from the Manitoba Law Foundation

	2013	2012
Statutory grant	$ 928,398	$ 619,954
Public Interest Law Centre	180,000	180,000
University Law Centre	86,000	86,000
	$ 1,194,398	$ 885,954

A statutory grant, pursuant to subsection 90(1) of the *Legal Profession Act*, is received annually from the Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to the Corporation, the Act provides for pro-rata sharing of the net interest. Therefore, in the current year $928,398 was received because earnings were below the statutory minimum.

Other grants from the Manitoba Law Foundation are received pursuant to subsection 90(4) of the *Legal Profession Act*. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2013, all funds received through these grants have been spent in the current year.

Notes to Financial Statements
for the year ended March 31, 2013

11. **Commitments**

a) **Lease**

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2014	$	989,619
2015		878,446
2016		1,110,408
2017		1,053,292
2018		1,061,202
Thereafter		7,467,763
	$	12,560,730

b) **Private Bar**

Estimated total commitments for future billings on outstanding Legal Aid Certificates amount to $1,866,000 as at March 31, 2013 (2012 – $1,708,000).

12. **Related Parties Transactions**

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

13. **Private Bar Fees and Disbursements**

		2013				
		Fees		Disbursements		Total
Legal Aid Certificates	$	11,608,602	$	654,529	$	12,263,131
Duty counsel services		603,458		0		603,458
Transcripts		0		53,823		53,823
	$	12,212,060	$	708,352	$	12,920,412

		2012				
		Fees		Disbursements		Total
Legal Aid Certificates	$	8,814,574	$	548,149	$	9,362,723
Duty counsel services		623,859		0		623,859
Transcripts		0		56,542		56,542
	$	9,438,433	$	604,691	$	10,043,124

14. **Provision for Employee Pension Benefits**

Pension costs consist of benefits accrued, interest accrued on benefits and experience (gain) loss. This liability is determined by an actuarial valuation annually with the balances for the intervening periods being determined by a formula provided by the actuary. The most recent valuation was completed as at December 31, 2012 by Ellement & Ellement Consulting Actuaries. The actuary has projected the pension obligation to March 31, 2013.

Notes to Financial Statements
for the year ended March 31, 2013

		2013		2012
Balance at beginning of year	$	19,097,212	$	18,185,771
Benefits accrued		831,051		737,439
Interest accrued on benefits		1,241,145		1,182,146
Benefits paid		(836,414)		(735,268)
Actuarial (gain) loss		1,684,192		(272,876)
Balance at end of year		22,017,185		19,097,212
Unamortized actuarial gains (losses)		(1,429,508)		272,876
	$	20,587,677	$	19,370,088

The Corporation's pension costs consist of the following:

		2013		2012
Benefits accrued	$	831,051	$	737,439
Interest accrued on benefits		1,241,145		1,182,146
Amortization of actuarial gains		(18,192)		-
	$	2,054,004	$	1,919,585

The key actuarial assumptions were a rate of return of 6.00% (2012 – 6.00%), 2.00% inflation (2012 – 2.00%), salary rate increases of 3.75% (2012 – 3.75%) and post retirement indexing 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2013 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for funding of the Corporation's pension liability and related expense which includes an interest component. The Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability $20,587,677 (2012 – $19,370,088), and has recorded revenue for 2012/13 equal to its increase in the unfunded pension liability during the year of $1,217,580 (2012 – $1,184,317). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

15. Restricted Net Assets – Wrongful Conviction Cases

During the fiscal year ended March 31, 2006 the Province of Manitoba approved a reallocation of $130,000 from the Corporation's unrestricted net assets. This funding was provided for section 696 applications under the Criminal Code for wrongful conviction appeals. In the current fiscal year, the Corporation did not incur any expenses (2012 – nil) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is $78,559.

16. Public Sector Compensation Disclosure

For the purposes of the *Public Sector Compensation Disclosure Act*, all compensation for employees, Management Council members, and the private bar fees and disbursements from the Corporation is disclosed in a separate statement.

17. Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Corporation would receive or pay to settle a financial asset or financial liability as at the reporting date.

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The fair values of the client accounts receivable, receivable from the Province of Manitoba, receivable from the Government of Canada, other receivables and accounts payable approximates their carrying values due to their short-term maturity.

Notes to Financial Statements
for the year ended March 31, 2013

The fair value of the long-term receivable – Charges on land approximates the carrying value because it is estimated from an analysis of expected recoveries based on recent experience and discounted to reflect the time value of money.

The fair value of the long-term receivable from the Province of Manitoba – severance approximates its carrying value as the receivable includes an interest component as described in Note 7.

The fair value of the long-term receivable from the Province of Manitoba – pension approximates its carrying value as the receivable includes an interest component as described in Note 14.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2013		2012	
Financial Asset/Liability	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 1,589,910	$ 1,589,910	$ 1,617,688	$ 1,617,688
Client accounts receivable	168,586	168,586	196,059	196,059
Receivable from the Province of Manitoba	5,341,692	5,341,692	4,956,000	4,956,000
Receivable from the Government of Canada	167,450	167,450	171,896	171,896
Other receivables	472,454	472,454	323,444	323,444
Long-term receivables:				
• Charges on land	782,837	782,837	764,672	764,672
• Severance – Province of Manitoba	716,166	716,166	716,166	716,166
• Pension – Province of Manitoba	20,587,677	20,587,677	19,370,088	19,370,088
Accounts payable	5,412,709	5,412,709	4,424,250	4,424,250

Financial risk management – overview

The Corporation has potential exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Interest rate risk; and
- Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Corporation's Management Council has overall responsibility for the establishment and oversight of the Corporation's objectives, policies and procedures for measuring, monitoring and managing these risks.

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 Corporation to credit risk consist principally of cash and accounts receivable.

Notes to Financial Statements
for the year ended March 31, 2013

The maximum exposure of the Corporation to credit risk at March 31, 2013 is:

Cash	$	1,589,910
Client accounts receivable		168,586
Receivable from the Province of Manitoba		5,341,692
Receivable from the Government of Canada		167,450
Other receivables		472,454
Long-term receivables:		
• Charges on land		782,837
• Severance – Province of Manitoba		716,166
• Pension – Province of Manitoba		20,587,677
	$	29,826,772

Cash: The Corporation is not exposed to significant credit risk as the cash is held by a large financial banking institution.

Client accounts receivable: Includes clients that contribute toward the cost of their case under the Agreements to Pay – Partial and Agreements to Pay – Full payment programs based on a contract. The Corporation manages its credit risk on these accounts receivables which are primarily small amounts held by a large client base. It is typically expected that clients will settle their account based on their payment program. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses.

Receivable from the Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivable is from the provincial government.

Receivable from the Government of Canada: The Corporation is not exposed to significant credit risk as the receivable is from the federal government.

Other receivables: Includes court costs, Child and Family Services agencies, Employment and Income Assistance, and miscellaneous. The Corporation is exposed to significant credit risk related to court costs and therefore, an allowance of 95% is set up to recognize the likelihood of collection. In the case of receivables from Child and Family Services agencies and Employment and Income Assistance, they are funded through the Province of Manitoba. Miscellaneous includes employee advances, GST and other recoverable costs. Employee advances are usually paid within one month, GST is received quarterly and other recoverable costs are usually paid within 90 days of receipt of an order to pay by the courts or other authority.

Long-term receivable – charges on land: The Corporation manages its credit risk on these accounts receivables which primarily consists of small amounts held by a large client base for which payment is secured by a lien on property. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated on a specific identification basis and a general provision based on historical experience.

Long-term receivables – severance and pension – Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivables are with the provincial government.

Liquidity risk

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

The Corporation manages liquidity risk by maintaining adequate cash balances. The Corporation prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. The Corporation continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Notes to Financial Statements
for the year ended March 31, 2013

Market risk

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

Interest rate risk

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

The interest rate risk is considered to be low on cash because of its short-term nature and low on accounts payable because they are typically paid when due.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

MASC
Manitoba Agricultural Services Corporation

Responsibility for Financial Statements

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

'original signed by'

Neil Hamilton
President & Chief Executive Officer

'original signed by'

Jim Lewis
Vice President, Finance & Administration

July 23, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the accompanying financial statements of the Manitoba Agricultural Services Corporation, which comprise the statements of financial position as at March 31, 2013, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Agricultural Services Corporation as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 23, 2013

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Statement of Financial Position

As at March 31, 2013
(in thousands of dollars)

	NOTE	MARCH 31, 2013	MARCH 31, 2012
FINANCIAL ASSETS			
Cash		$ 3,477	$ 5,223
Accounts receivable	8	3,670	1,916
Receivables from the Province of Manitoba	9	42,484	107,277
Receivables from the Government of Canada	10	7,270	5,659
Investments	11	192,162	191,475
Loans receivable	12	353,646	318,247
Total Financial Assets		$ 602,709	$ 629,797
LIABILITIES			
Accounts payable and accrued liabilities	13	$ 23,737	$ 35,866
Claims payable	14	46,680	124,650
Loans from the Province of Manitoba	15	387,071	345,109
Provisions for losses on guaranteed loans	16	16,176	15,829
Future employee benefits	17	8,865	8,775
Total Liabilities		$ 482,529	$ 530,229
Net Financial Assets		$ 120,180	$ 99,568
NON-FINANCIAL ASSETS			
Inventories held for use	3	$ 451	$ 480
Prepaid expenses	3	139	125
Tangible capital assets	19	168	198
Total Non-Financial Assets		$ 758	$ 803
Accumulated surplus		$ 120,938	$ 100,371
Loan guarantees and contingencies	16		
Commitments	18		

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

Approved by the Board:

'original signed by'

John S. Plohman
Chair, Board of Directors

'original signed by'

Harry Sotas
Chair, Board Audit and Finance Committee

Statement of Operations

As at March 31, 2013
(in thousands of dollars)

	2013 BUDGET	2013 ACTUAL	2012 ACTUAL
REVENUE			
Premiums from insured producers	$ 124,137	$ 132,962	$ 87,275
Interest from loans	19,906	19,049	19,523
Contribution from the Province of Manitoba	104,507	100,902	315,895
Contribution from the Government of Canada	97,673	103,811	132,351
Investment income	2,350	2,730	3,701
Other income	194	35	340
	348,767	359,489	559,085
EXPENSE			
Lending Programs	23,576	26,536	25,703
AgriInsurance Program	255,726	250,036	377,953
Hail Insurance Program	25,052	25,473	8,097
Wildlife Damage Compensation Program	3,321	3,381	2,397
Farmland School Tax Rebate Program	35,603	39,399	36,935
Other Programs	86	(5,903)	295,861
	343,364	338,922	746,946
Income (deficit) for the year	$ 5,403	20,567	(187,861)
Accumulated surplus, beginning of year		100,371	288,232
Accumulated surplus, end of year		$ 120,938	$ 100,371

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

Statement of Change in Net Financial Assets

For the Year Ended March 31, 2013
(in thousands of dollars)

	2013 ACTUAL	2012 ACTUAL
Net income (loss)	$ 20,567	$ (187,861)
Tangible capital assets		
Acquisition of tangible capital assets	(37)	(41)
Amortization of tangible capital assets	67	75
	30	34
Other non-financial assets		
Disposal of inventory held for use	29	108
Increase in prepaid expenses	(14)	(7)
	15	101
Increase (decrease) in net financial assets	20,612	(187,726)
Net financial assets, beginning of year	99,568	287,294
Net financial assets, end of year	$ 120,180	$ 99,568

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

Statement of Cash Flows

For the Year Ended March 31, 2013
(in thousands of dollars)

	2013 ACTUAL	2012 ACTUAL
Cash provided by (used for):		
Operating		
Surplus (deficit) for the year	$ 20,567	$ (187,861)
Amortization of tangible capital assets	67	75
	20,634	(187,786)
Changes in:		
Receivables	61,428	(96,099)
Loans receivable	2,889	639
Accounts payable and accrued liabilities	(12,129)	21,257
Claims payable	(77,970)	103,486
Provisions for losses on guaranteed loans	347	623
Future employee benefits	90	77
Prepaid expenses	(14)	(7)
Inventories held for use	29	108
Cash used for operating activities	(4,696)	(157,702)
Capital		
Acquisition of tangible capital assets	(37)	(41)
Cash used for capital activities	(37)	(41)
Investing		
Investments redeemed	43,623	153,070
Loans disbursed	(143,063)	(95,898)
Loan principal received	104,775	87,460
Cash provided by investing activities	5,335	144,632
Financing		
Debt repayments to the Province of Manitoba	(78,038)	(73,639)
Loans from the Province of Manitoba	120,000	84,000
Cash provided by financing activities	41,962	10,361
Net decrease in cash and cash equivalents	42,564	(2,750)
Cash and cash equivalents, beginning of year	73,853	76,603
Cash and cash equivalents, end of year	$ 116,417	$ 73,853
Cash and cash equivalents are comprised of the following:		
Investments	$ 192,162	$ 191,475
Investments with terms greater than 90 days	(79,222)	(122,845)
Investments with terms of 90 days or less	112,940	68,630
Cash	3,477	5,223
	$ 116,417	$ 73,853
Supplemental Cash Flow Information		
Interest paid	$ 15,324	$ 15,857
Interest received	$ 21,961	$ 23,620

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

Notes to Financial Statements

as at March 31, 2013 (tabular amounts in thousands of dollars)

1. NATURE OF ORGANIZATION

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act.* The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act.* As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act,* C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form a provincial Crown corporation called the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services.

2. ADOPTION OF NEW ACCOUNTING STANDARD

As of April 1, 2012, MASC adopted the accounting standard set out in PSA Handbook 3410, *Government Transfers.* This revised standard provides guidance on government transfers of tangible assets, transfers through the tax system, stipulations and shared cost arrangements. MASC's adoption of PS3410 had no effect on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statements are presented in accordance with Canadian Public Sector Accounting (PSA) standards.

(A) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act.* Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) Loans Receivable

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

(C) Claims Payable

Claims payable is comprised of claims approved but not yet disbursed and a provision for claims in process.

The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(D) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(E) Provision for Losses on Guaranteed Loans

The provision for losses on loan guarantees is determined annually through a review of each guarantee program. The provision represents management's best estimate of probable claims against the loan guarantees. Such provision is intended to cover principal, accrued and unpaid interest and any additional amounts that are recoverable by the financial institution that issued the loan.

Current year provisions for guaranteed loan losses are charged as expenses to the provision for guaranteed loan losses. Actual loan guarantee claims that have been paid are charged to the appropriate provision.

(F) Future Employee Benefits

The employees of MASC belong to The Civil Service Superannuation Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually.

Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments and accrued benefits.

MASC employees are entitled to vacation and severance pay in accordance with the terms of the collective agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on management's best estimate.

(G) Inventories Held for Use

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Option Program is recorded at cost. Occasionally, real estate is acquired through foreclosure and voluntary transfer of title in the settlement of loans and is recorded at the appraised value of the real estate at acquisition date.

(H) Prepaid Expenses

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

(I) Tangible Capital Assets

MASC's tangible capital assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life, as follows:

Leasehold improvements	remaining term of lease
Furniture and equipment	10 years
Computer hardware and software	4 years
Major software development	8 years

(J) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Transfers (revenues from non-exchange transactions) are recognized as revenue when: the transfer is authorized, all eligible criteria are met, and a reasonable estimate of the amount can be made.

(K) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgriInsurance Agreement, which is consolidated in Annex B of Growing Forward: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgriInsurance premiums. For most AgriInsurance Programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Province of Manitoba. The exceptions are: the Excess Moisture Insurance (EMI) Reduced Deductible Option, which is paid entirely by participating producers; and the highest EMI High Dollar Value option, which is paid 67% by insured producers, 20% by the Government of Canada and 13% by the Province of Manitoba.

(L) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The Canada-Manitoba AgriInsurance Agreement referred to in Section (K) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(M) Financial Instruments

MASC's financial instruments include: cash, receivables, investments, loans receivable, accounts payable and accrued liabilities, claims payable, loans from the Province of Manitoba and provisions for losses on guaranteed loans.

All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

(N) Measurement Uncertainty

The preparation of financial statements that conform to Canadian PSA 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, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include: provisions for losses on accounts receivable, loans receivables, loan guarantees, liabilities for claims and program payments, future employee benefits and accrued administration liabilities.

4. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2012/13 budget in April 2012. Provincial funding for the approved budget of $104,457,000 was authorized by Manitoba's Legislative Assembly. Other Programs, with the exception of the Inspection Services component, do not contain the budgeted amounts. The table below provides the budgeted amounts that were approved by the Province of Manitoba and the Government of Canada and a reconciliation to the amounts that are shown in MASC's Statement of Operations:

	PROVINCE OF MANITOBA	GOVERNMENT OF CANADA
Funding approved by governments	$ 104,457	$ 97,640
Non-cash items*	50	33
Contributions from governments	$ 104,507	$ 97,673

*Includes items such as amortization and unfunded pension expense.

(B) AgriInsurance and Hail Insurance Fund Balance Restrictions

The AgriInsurance and Hail Insurance funds are restricted as set out in Sections 58 and 61 of *The Manitoba Agricultural Services Corporation Act.* The only items to be paid out of these funds are: indemnities payable under the contracts of insurance; premiums or other amounts payable for reinsurance; interest on any money borrowed for the purpose of the funds; and expenses relating to the administration of the funds (for Hail Insurance only).

5. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation Program, which pays producers for 90% of damage to agricultural crops and related products caused by waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The first 80% of compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%). The remaining 10% of compensation is paid by the Province of Manitoba.

6. FARMLAND SCHOOL TAX REBATE PROGRAM

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate on the school tax paid on farmland. The rebate of 80% for the 2012 property tax year remained unchanged from the 2011 tax year. The program has provided a three-year time frame for claiming rebates, however, the deadline for applications for the 2011 and 2012 tax rebates is being shortened to March 31, 2014. Recorded rebate payments for the 2012 tax year of $39,046,000 are comprised of $39,402,000 for the 2012 tax rebates and a recovery of $356,000 for rebates relating to 2009 to 2011. Included in the 2012 tax rebates is a provision of $3,823,000 for rebates that had not been applied for as of March 31, 2013. A provision of $2,078,000 remains for prior year rebates that remain unclaimed. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

7. OTHER PROGRAMS

(A) Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include: production loss assessments for windmill construction and maintenance, certificates of local production for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance Program. Such services totalled $37,000 in 2013 (2012 - $68,000).

(B) Flood 2011 - Building and Recovery Action Plan

In May 2011, MASC was given the responsibility of administering the following flood assistance programs announced under the Flood 2011 - Building and Recovery Action Plan. All funding for these programs was provided to MASC by the Province of Manitoba.

a) **Lake Manitoba Financial Assistance Program**

Part A - Lake Manitoba Pasture Flooding Assistance Component: This program assisted Manitoba livestock producers in managing their feed requirements resulting from the loss of pasture in the designated Lake Manitoba Flood Zone.

Part B - Lake Manitoba Agricultural Infrastructure, Transportation and Crop/Forage Loss Component: This program assisted agricultural producers with flood mitigation measures, lost crop production, damage to agricultural infrastructure and extra costs for feeding and transporting livestock in the Lake Manitoba Flood Zone.

Part C - Lake Manitoba Business, Principal and Non-Principal Residence Component: This program compensated residents and businesses for the cost of uninsurable property damage and flood protection measures taken as a direct result of the elevated water levels in the Lake Manitoba Flood Zone.

Part D - Lake Manitoba Flood Protection for Principal Residences, Non-Principal Residences and Business Structures: This program provided financial assistance for flood protection measures undertaken individually or cooperatively for the purpose of protecting principal residences, non-principal residences and business structures in the Lake Manitoba Flood Zone. The costs are allocated between the 2011/12 and 2012/13 fiscal years based on when the flood protection measures were completed.

b) **Hoop and Holler Compensation Program**

This program provided compensation to families, businesses and agricultural producers in the area of the controlled release of water from the Assiniboine River near the Hoop and Holler Bend on Highway 331, and the overflow of water diverted from the Assiniboine River into the Portage Diversion. Compensation covered the cost of property damage, income loss and flood protection measures.

c) **2011 Dauphin River Flood Assistance Program**

This program provided compensation to commercial fishers in the Dauphin River area for 2011 income losses resulting from the inability to access their fishery and fish processing facilities.

d) **2011 Lake Dauphin Emergency Flood Protection Program**

This program provided financial assistance for emergency structural flood protection measures to protect principal residences and non-principal residences in the Lake Dauphin flood zone.

e) **Shoal Lakes Agricultural Flood Assistance Program**

This program provided financial support to agricultural producers affected by chronic flooding in the Shoal Lakes complex in the Interlake area of Manitoba. This program consisted of: assistance for lost income due to flooded hay and pasture land in 2010 and 2011, transportation assistance for movement of feed and/or animals, voluntary buy-out option for producers with flooded property and transition assistance for producers that participate in the voluntary buy-out program. MASC did not administer the buy-out component of this program. The cost of the transition assistance for producers that participated in the voluntary buy-out option of the program is allocated between the 2011/12 and 2012/13 fiscal years based on when the producer signed the buy-out agreement.

f) **Lake St. Martin Fishers Program**
This program provided compensation to Lake St. Martin Commercial fishers who experienced net income losses due to not being able to participate in the 2011/12 winter commercial fishery due to ice and/or flooding, or because they were evacuated from the community.

g) **2012 Dauphin River Commercial Fishers Income Loss Assistance Program**
This program provided compensation to commercial fishers who experienced income losses for the summer 2012 commercial fishing season, due to lack of access to the fishery and fish processing facilities as a direct result of elevated water levels on Dauphin River in 2011.

The table below outlines the total costs for each program as of March 31, 2013.

	COMPENSATION				ADMINISTRATION*			
	Expensed (recovered) in the year ended				Expensed (recovered) in the year ended			**Total Expenditures**
PROGRAM	March 31, 2012	March 31, 2013	Total Compensation	Provision for Payments**	March 31, 2012	March 31, 2013	Total Administration	**March 31, 2013**
Lake Manitoba Financial Assistance Program								
Part A	$ 2,753	$ 10	$ 2,763	$ 66				
Part B	37,598	(813)	36,785	4,750				
Part C	83,876	(12,499)	71,377	12,800				
Part D	2,652	5,913	8,565	750				
	$ 126,879	$ (7,389)	$ 119,490	$ 18,366	$ 10,057	$ 4,477	$ 14,534	**$ 134,024**
Hoop and Holler Compensation Program	9,114	2,158	11,272	2,750	364	44	408	**11,680**
2011 Dauphin River Flood Assistance Program	1,973	-	1,973	-	1	-	1	**1,974**
2011 Lake Dauphin Emergency Flood Protection Program	311	(23)	288	-	38	1	39	**327**
Shoal Lakes Agricultural Flood Assistance Program	5,336	(58)	5,278	62	7	(7)	-	**5,278**
Lake St. Martin Fishers Program	-	127	127	3	-	6	6	**133**
2012 Dauphin River Commercial Fishers Income Loss Assistance Program	-	259	259	18	-	2	2	**261**
Total	$ 143,613	$ (4,926)	$ 138,687	$ 21,199	$ 10,467	$ 4,523	$ 14,990	**$ 153,677**

*Includes provision for administration of claims in process and Flood Appeals Commission expenses and is net of any interest revenue and bad debt expense.

**The provision for payments is as of March 31, 2013 and represents the expected outstanding payments for each program. These amounts are included in total compensation.

(C) 2011 Manitoba AgriRecovery Programs

In June 2011, MASC was given the responsibility of administering the following emergency assistance programs. The purpose of these programs was to provide financial assistance for the restoration, maintenance and rehabilitation of farms that were impacted by excess moisture and flooding in 2011.

a) 2011 Manitoba Excess Moisture Assistance Program

This program provided financial assistance to farmers who could not seed a crop by June 20, 2011 or who had an annual crop or newly seeded forage crop destroyed by flooding or excess moisture prior to September 15, 2011. Producers received $30 per acre for unseeded or drowned out crop. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided funding for 60% of the compensation payments (net of a deemed 5% deductible) and 60% of the program's administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of $108,147,000 was funded by the Government of Canada ($61,655,000) and the Province of Manitoba ($46,492,000).

b) 2011 Manitoba Transportation Assistance Program

This program provided livestock producers with financial assistance to deal with the extraordinary costs of transporting feed and animals, due to the flooding and excess moisture conditions in 2011. The program covered breeding and market animals and provided for transportation costs that were associated with the pasture and overwinter feed shortages that were incurred from May 15, 2011 to March 31, 2012. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the cost of transporting feed to breeding animals or transporting breeding animals to feed. The Government of Canada paid 60% of the related administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of $2,161,000 was funded the Government of Canada ($1,091,000) and the Province of Manitoba ($1,070,000).

c) 2011 Manitoba Forage Shortfall Assistance Program

This program provided livestock producers with financial assistance to deal with extraordinary pasture and overwinter feeding costs due to shortfalls in their forage production caused by flooding or excess moisture conditions in 2011. The program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the feeding costs of breeding animals and related administrative expenses from June 1, 2011 to March 31, 2013. The remaining cost was provided by the Province of Manitoba. The program's total cost of $14,774,000 was funded by the Government of Canada ($6,576,000) and the Province of Manitoba ($8,198,000).

d) 2011 Manitoba Forage Restoration Assistance Program

This program provided forage producers with financial assistance to restore established tame forage and forage seed crops that were damaged by excess moisture in 2011. Producers were eligible for $50 for each acre of forage that was destroyed and reseeded to forage. This program was partially funded by the Government of Canada under the Canada-Manitoba Forage Shortfall and Restoration Assistance Initiative. The Government of Canada provided 60% of the funding for the first $30 of compensation per acre plus 60% of the related administrative expenses from June 1, 2011 to March 31, 2013. The remaining cost was provided by the Province of Manitoba. The total program cost of $1,536,000 was funded by the Government of Canada ($610,000) and the Province of Manitoba ($926,000). As at March 31, 2013, a number of eligible fields had yet to be reseeded to forage, which is a requirement for payment.

e) 2011 Manitoba Greenfeed Assistance Program

This program provided financial assistance to compensate producers who seeded greenfeed by July 22, 2011 on fields that were left unseeded due to excess moisture. Producers were eligible for $15 per acre based on the number of acres of greenfeed in excess of their normal acreage of greenfeed. Greenfeed crops that were harvested for seed did not qualify for compensation. This program was funded entirely by the Province of Manitoba ($3,018,000).

f) **Manitoba 2011 Infrastructure and Individual Assessment Program**
This program provided financial assistance to agricultural crop and livestock producers to recover from flood losses related to mitigation and damage to agricultural property and inventory that were not eligible for assistance under Disaster Financial Assistance or the Flood 2011 - Building and Recovery Action Plan. This program was funded entirely by the Province of Manitoba ($5,946,000).

The table below outlines the cost expended for each program as of March 31, 2013.

	COMPENSATION				ADMINISTRATION*			
	Expensed (recovered) in the year ended				Expensed (recovered) in the year ended			**Total Expenditures**
PROGRAM	March 31, 2012	March 31, 2013	Total Compensation	Provision for Payments**	March 31, 2012	March 31, 2013	Total Administration	**March 31, 2013**
2011 Manitoba Excess Moisture Assistance Program	$ 108,282	$ (562)	$ 107,720	$ -	$ 463	$ (36)	$ 427	**$ 108,147**
2011 Manitoba Transportation Assistance Program	2,300	(257)	2,043	-	97	21	118	**2,161**
2011 Manitoba Forage Shortfall Assistance Program	15,761	(1,450)	14,311	-	400	63	463	**14,774**
2011 Manitoba Forage Restoration Assistance Program	4,745	(3,504)	1,241	337	308	(13)	295	**1,536**
2011 Manitoba Greenfeed Assistance Program	2,903	(62)	2,841	-	181	(4)	177	**3,018**
2011 Manitoba Infrastructure and Individual Assessment Program	5,606	(112)	5,494	3,382	340	112	452	**5,946**
Total	$ 139,597	$ (5,947)	$ 133,650	$ 3,719	$ 1,789	$ 143	$ 1,932	**$ 135,582**

*Includes provision for administration of claims in process and appeal committee expenses and is net of any interest revenue and bad debt expense.

**The provision for payments is as of March 31, 2013 and is included in the total compensation amounts.

8. ACCOUNTS RECEIVABLE

	2013	2012
Amounts from insured persons		
AgriInsurance Program	$ 3,762	$ 2,164
Hail Insurance Program	792	293
Other	785	828
	5,339	3,285
Less provision for credit losses	(1,669)	(1,369)
	$ 3,670	$ 1,916

The provisions for credit losses of $1,669,000 (2012 - $1,369,000) includes estimated losses on premiums, lease receivables and overpayments, and is subject to measurement uncertainty. The provision estimate is formula based and depends on an assessment of MASC's ability to collect the outstanding balance. A 100% provision is assessed on accounts in arrears for more than two years, with lower provisions based on actual collection experience over the last seven years being applied to accounts that are in arrears by less than two years.

9. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2013	2012
AgriInsurance premiums	$ 4,103	$ 906
Administration	14,616	2,855
Pension liability	6,487	6,439
Severance liability	429	429
Vacation pay liability	169	169
Flood 2011 - Building and Recovery Action Plan (Note 7 (B))	16,680	82,559
2011 Manitoba AgriRecovery Programs (Note 7 (C))	-	13,900
Other programs	-	20
	$ 42,484	$ 107,277

Pension liability

The Province of Manitoba has accepted responsibility for funding MASC's pension liability (for pensionable service earned by employees of the former MACC prior to amalgamation on September 1, 2005) and related expense, which includes an interest component. MASC has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $6,487,000 as of March 31, 2013 (2012 - $6,439,000), and has recorded an increase under other contributions from the Province of Manitoba for 2012/13 equal to the related pension expense of $48,000 (2012 - $33,000). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

Severance pay liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2013, the receivable for severance pay liability was $429,000 (2012 - $429,000).

Vacation pay liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2013, the receivable for vacation pay liability was $169,000 (2012 - $169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2013	2012
AgriInsurance Program	$ 6,388	$ 1,364
Wildlife Damage Compensation Program	228	10
Other programs	654	4,285
	$ 7,270	$ 5,659

11. INVESTMENTS

MASC's investments as of March 31, 2013 consist of the following:

Maturity Terms	Average Interest Rate	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	2013	2012
90 days or less	0.900%	$ 78,176	$ 18,673	$ 2,545	$ 13,243	$ 112,637	$ 68,146
1 year	1.178%	19,923	15,000	299	8,500	43,722	56,245
2 years	-	-	-	-	-	-	40,000
3 years	1.725%	-	21,000	-	-	21,000	13,000
5 years	2.426%	-	14,500	-	-	14,500	13,600
	1.169%	98,099	69,173	2,844	21,743	191,859	190,991
Accrued Interest		95	175	3	30	303	484
		$ 98,194	$ 69,348	$ 2,847	$ 21,773	$ 192,162	$ 191,475

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2013 consist of the following:

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	$ 340,116	$ 37,195	$ 377,311	$ 291,273	$ 48,318	$ 339,591
Specific provision	(2,379)	(23,067)	(25,446)	(4,017)	(15,107)	(19,124)
General provision	(1,987)	(3,478)	(5,465)	(2,879)	(6,857)	(9,736)
	335,750	10,650	346,400	284,377	26,354	310,731
Accrued interest	6,394	852	7,246	6,432	1,084	7,516
Net carrying value	$ 342,144	$ 11,502	$ 353,646	$ 290,809	$ 27,438	$ 318,247

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Impaired loans included in the preceding schedule:

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	$ 13,825	$ 27,589	$ 41,414	$ 20,510	$ 18,380	$ 38,890
Specific provision	(2,379)	(23,067)	(25,446)	(4,017)	(15,107)	(19,124)
	$ 11,446	$ 4,522	$ 15,968	$ 16,493	$ 3,273	$ 19,766

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table above provides the amount of impaired loans and the specific provision for credit losses on these loans as of March 31, 2013. A total of $2,116,000 (2012 - $2,241,000) of interest on impaired loans was included in revenue for the year ended March 31, 2013.

Provisions for impaired loans:

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	$ 6,896	$ 21,964	$ 28,860	$ 11,020	$ 17,541	$ 28,561
Write-offs, net of recoveries	(611)	(1,576)	(2,187)	(1,220)	(519)	(1,739)
Provision (recovery) expense	(1,919)	6,157	4,238	(2,904)	4,942	2,038
Ending provision balance	$ 4,366	$ 26,545	$ 30,911	$ 6,896	$ 21,964	$ 28,860

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Included in loans receivable is a specific provision of $25,446,000 (2012 - $19,124,000) and a general provision of $5,465,000 (2012 - $9,736,000) that are subject to measurement uncertainty. The amount established for specific and general provisions of $30,911,000 (see Note 3 (B)) could change substantially in the future, if the factors considered by management in establishing these estimates change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land, followed by buildings, livestock and other assets. The estimated values of such tangible securities are $779,980,000 (2012 - $733,756,000).

Remaining terms to maturities are as follows:

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	$ 45,519	$ 32,777	$ 78,296	$ 41,880	$ 39,867	$ 81,747
5 years to up to 10 years	69,830	1,202	71,032	56,978	4,966	61,944
10 years to up to 15 years	82,107	3,216	85,323	78,418	3,485	81,903
15 years to up to 20 years	90,061	-	90,061	75,134	-	75,134
More than 20 years	52,599	-	52,599	38,863	-	38,863
Recorded investment	$ 340,116	$ 37,195	$ 377,311	291,273	$ 48,318	$ 339,591

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2013 included the following:

	Lending Programs	AgriInsurance Program	Hail Insurance Program	Wildlife Damage Compensaton Program	Other Programs	2013	2012
Accounts payable - general	$ 262	$ 3,422	$ -	$ 19	$ 3,614	$ 7,317	$ 11,119
Salaries and benefits	36	377	-	41	2,710	3,164	3,506
Accrued vacation pay	-	1,276	-	-	-	1,276	1,183
Other	276	4,934	119	-	6,651	11,980	20,058
	$ 574	$ 10,009	$ 119	$ 60	$ 12,975	$ 23,737	$ 35,866

14. CLAIMS PAYABLE

	2013	2012
AgriInsurance Program	$ 15,066	$ 10,492
Wildlife Damage Compensation Program	295	117
Farmland School Tax Rebate Program (Note 6)	5,901	5,835
Flood 2011 - Building and Recovery Action Plan (Note 7 (B))*	21,699	87,509
2011 Manitoba AgriRecovery Programs (Note 7 (C))*	3,719	20,697
	$ 46,680	$ 124,650

*Includes claims approved but not paid and provisions for claims as outlined in the note references.

15. LOANS FROM THE PROVINCE OF MANITOBA

Following the practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended instalments of principal and interest, with March 31, 2013 interest rates ranging from 1.400% to 7.625% (2012 - 1.425% to 7.625%).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2013	2012
1 year	$ 74,544	$ 75,851
2 years	46,303	40,819
3 years	43,108	37,355
4 years	36,528	33,847
5 years	33,797	27,030
More than 5 years	152,791	130,207
	$ 387,071	$ 345,109

16. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2013 are shown below:

	2013			2012		
	Contingent Liability	Provision for Losses	Net Contingent Liability	Contingent Liability	Provision for Losses*	Net Contingent Liability
Operating Credit Guarantees for Agriculture	$ 9,519	$ (952)	$ 8,567	$ 9,633	$ (963)	$ 8,670
Operating Credit Guarantees for Rural Small Business	205	(20)	185	184	(19)	165
Manitoba Livestock Associations Loan Guarantees	5,254	(1,051)	4,203	4,857	(971)	3,886
Diversification Loan Guarantees	2,315	(347)	1,968	2,907	(436)	2,471
Enhanced Diversification Loan Guarantees	50,807	(11,795)	39,012	53,099	(11,592)	41,507
Rural Entrepreneur Assistance Program	11,964	(2,011)	9,953	11,262	(1,848)	9,414
	$80,064	$(16,176)	$63,888	$81,942	$(15,829)	$ 66,113

The change in the provision for guaranteed loan losses is as follows:

	2013	2012
Beginning provision balance	$ 15,829	$ 15,206
Write-offs, net of recoveries	(874)	(1,295)
Provision expense	1,221	1,918
Ending provision balance	$ 16,176	$ 15,829

The Operating Credit Guarantee for Agriculture Program was introduced in 2003, replacing the Guaranteed Operating Loan Program. Participating lending institutions are provided a guarantee of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit). The maximum allowable loan is $700,000 for individuals and $1,000,000 for partnerships, corporations and co-operatives.

The Operating Credit Guarantee for Rural Small Business Program was introduced in June 2009. Participating lending institutions are provided a guarantee of the lesser of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit) or 75% of the actual eligible loss of the lender. To be eligible for the program, annual sales have to be less than $2,000,000. The maximum allowable loan is $200,000.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each livestock association, MASC provides a 25% guarantee to the association's lending institution, based on a maximum loan of $5,000,000 per association.

The Diversification Loan Guarantee Program was introduced in 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was $3,000,000.

The Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program in 2001. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) Program provides a guarantee of up to 80% on loans made by participating lenders to small rural non-agricultural businesses. REA guarantees loans up to a maximum of $200,000.

(B) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

17. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance based on their years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefit. The amount of recorded severance pay obligation is based on actuarial calculations, which are carried out every three years.

An actuarial valuation of the severance obligations as of March 31, 2011 was conducted by the actuarial firm of Ellement & Ellement. The key actuarial assumptions include an interest rate of 6.5% (2009 - 7.0%), severance rate of 0.72% of average salary of $59,978 for administration staff and 0.39% of average salary of $38,454 for adjusting staff (2009 - 0.69% of average salary of $54,020 for administration staff and 0.43% of average salary of $36,294 for adjusting staff), and salary inflation rate increases of 2.75% (2009 - 3.25%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2013 using the formula provided by the actuary. The following table provides the calculation of the liability for severance benefits of $2,424,000 (2012 - $2,273,000):

	2013	2012
Accrued severance liability – beginning of year	$ 2,273	$ 2,226
Benefits accrued	87	84
Interest on obligation	143	134
Benefits paid	(79)	(171)
Accrued severance liability – end of year	$ 2,424	$ 2,273

Pension Liability

MASC's employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act.* MASC contributes 50% of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005. In addition, MASC has a pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC. As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

Prior to amalgamation, MACC did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The actuarial valuation was based on the projected method prorated on services to be used. The Province of Manitoba provides funding for this liability (Note 9). Actuarial gains (losses) are amortized over the expected average remaining service life of the related employee group (2013 - six years). The unamortized actuarial gains to March 31, 2013 were $181,000 (2012 - $377,000).

Actuarial valuations are carried out every year to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2011 was conducted by the actuarial firm of Ellement & Ellement. The key actuarial assumptions include a rate of return of 6.50% (2010 - 6.50%), inflation of 2.0% (2010 - 2.0%), salary inflation rate increases of 3.75% (2010 - 3.75%) and post-retirement indexing at two-thirds of the inflation rate. The projected benefit method prorated on services was used and the liabilities have been extrapolated to March 31, 2013 using a formula provided by the actuary. The following table provides the calculation of the liability for pension benefits of $6,441,000 (2012 - $6,502,000).

	2013	2012
Accrued pension liability – beginning of year	$ 6,502	$ 6,472
Amortization of experience gain	(155)	(80)
Benefits accrued	-	3
Interest on obligation	411	395
Benefits paid	(317)	(288)
Accrued pension liability – end of year	$ 6,441	$ 6,502

18. COMMITMENTS

	2013	2012
Approved, undisbursed loans	$ 23,449	$ 26,359
Estimated farm loan incentives	6,748	5,854
Operating leases	150	158
	$ 30,347	$ 32,371

The estimated farm loan incentives relate to estimated future payments for the Young Farmer Rebate and Management Training Credit Programs. The Young Farmer Rebate is based on rebates clients earn for the first five years of the loan, with the rebate being applied to the client's loan balance. The Management Training Credit is deducted from the loan balance once the eligible training has been completed.

The operating lease commitments are for equipment and vehicles.

19. TANGIBLE CAPITAL ASSETS

	Leasehold Improvements	Furniture and Equipment	Computer Hardware and Software	2013	2012
Cost					
Beginning of year	$ 344	$ 431	$ 442	$ 1,217	$ 4,096
Additions	-	5	32	37	41
Disposals and write-downs	-	-	-	-	(2,920)
	344	436	474	1,254	1,217
Accumulated amortization					
Beginning of year	330	306	383	1,019	3,864
Amortization expense	10	27	30	67	75
Disposals and write-downs	-	-	-	-	(2,920)
	340	333	413	1,086	1,019
Net book value at March 31, 2013	$ 4	$ 103	$ 61	$ 168	$ 198

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For its lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides fixed term loans to its clients at interest rates that generally earn a reasonable interest rate margin. For its insurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make insurance payments when losses exceed available funds in the current year (premium income plus interest revenue less reinsurance premiums).

MASC's risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk mainly consist of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

	2013	2012
Investments	$ 192,162	$ 191,475
Accounts receivable	3,670	1,916
Receivables from the Province of Manitoba	42,484	107,277
Receivables from the Government of Canada	7,270	5,659
Loans receivable	353,646	318,247
Loan guarantees	80,064	81,942
	$ 679,296	$ 706,516

Investments - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable - MASC's accounts receivable consist largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums.

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

Loans Receivable - Impairment provisions are provided for losses that have been incurred as of the balance sheet date. Significant changes in the economic well being of Manitoba's agricultural industry or deterioration in specific sectors of the industry, which represent a concentration within MASC's overall loan portfolio, may result in losses that differ from those provided for at the balance sheet date. Management of credit risk associated with loans is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the guidelines for lending and loan guarantee programs and by setting limits on credit exposures to individual clients. MASC has comprehensive policy and procedures manuals in place for all lending programs. In general, MASC emphasizes responsible lending, which is comprised of a combination of adequate loan security and a client's ability to pay.

MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba, which fall outside the normal limits set out in regular loan policies. These special assistance loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, an increased level of monitoring is carried out on this category of loans in an effort to mitigate losses. Special assistance loans make up 10% of the MASC's overall lending portfolio.

Summarized below are the loan balances that are past due but not impaired.

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	$ 4,570	$ 319	$ 4,889	$ 3,620	$ 602	$ 4,222
1 to 2 years in arrears	1,438	460	1,898	1,092	697	1,789
Over 2 years in arrears	25	-	25	17	-	17
	$ 6,033	$ 779	$ 6,812	$ 4,729	$ 1,299	$ 6,028

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Loans that are past due but not impaired generally reflect situations where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears puts the loan in the "1 to 2 years" category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of the term, which is generally one year. Any delay in the sale of the cattle at the end of the term technically puts the loan in arrears; however, such loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure, as provided in Note 12, broken down by agricultural sector is as follows:

Loans Receivable by Agricultural Sector

	2013			2012		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	$ 206,816	$ 2,189	$ 209,005	$ 169,943	$ 4,003	$ 173,946
Potatoes	479	-	479	748	-	748
Other crops	8,108	50	8,158	6,363	65	6,428
Cattle	107,054	6,897	113,951	98,253	11,420	109,673
Hogs	4,842	25,141	29,983	4,673	29,643	34,316
Poultry	2,787	-	2,787	2,860	-	2,860
Dairy	5,849	55	5,904	7,378	93	7,471
Other	10,575	3,715	14,290	7,487	4,178	11,665
Provisions and concessions	(4,366)	(26,545)	(30,911)	(6,896)	(21,964)	(28,860)
	$ 342,144	$ 11,502	$ 353,646	$ 290,809	$ 27,438	$ 318,247

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Given that the Province of Manitoba provides funding for the full amount of loans that are written off, the loans receivable risk to MASC is minimal.

Loan Guarantees - MASC provides loan guarantees to private sector financial institutions, which encourages the provision of credit to operations that financial institutions consider to be higher risk. Each loan guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves five separate programs: Operating Credit Guarantees for Rural Small Business and Rural Entrepreneur Assistance (REA), which are directed at rural non-agricultural businesses; Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry.

MASC's loan guarantee exposure by agricultural sector is summarized below:

Loan Guarantees by Agricultural Sector

	Diversification Loan Guarantees		Operating Credit Guarantees	
	2013	2012	2013	2012
Grains and oilseeds	-	-	52%	54%
Potatoes	2%	3%	11%	16%
Other crops	1%	1%	4%	4%
Cattle	-	-	13%	8%
Hogs	44%	44%	15%	13%
Poultry	8%	8%	1%	1%
Dairy	44%	42%	1%	1%
Other	1%	2%	3%	3%
	100%	100%	100%	100%

The Province of Manitoba provides funding for all claims by private sector financial institutions on loan guarantees, resulting in minimal associated risk to MASC.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable and advances from the Province of Manitoba.

Investments - MASC's investment portfolio is mainly in short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Loans from the Province of Manitoba - MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the associated borrowing rate. All loans from the Province of Manitoba have fixed interest rates for the full term of the advance and MASC only offers fixed interest rate loans to its clients. This arrangement mitigates MASC's interest rate risk; however, some interest rate risk is imparted through MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

Loans Receivable and Advances from the Province of Manitoba

	SCHEDULED REPAYMENTS						
	Within 1 Year	1 to 5 Years	6 to 10 years	Over 10 years	Not Interest Rate Sensitive*	2013	2012
Loans receivable	$ 54,546	114,779	94,362	113,624	(23,665)	$ 353,646	$ 318,247
Yield	5.19%	5.24%	5.29%	5.24%		5.25%	5.83%
Due to the Province of Manitoba	$ 74,544	159,737	94,551	58,239	-	$ 387,071	$ 345,109
Yield	3.98%	4.14%	4.08%	3.82%		4.05%	4.46%
	$ (19,998)	(44,958)	(189)	55,385	(23,665)	$ (33,425)	$ (26,862)

* Includes provisions for impaired loans and accrued interest.

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Consequently, MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance claims payments are funded firstly out of current revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and placed in short-term investments, making such funds available to pay claims in excess of current revenue. Private sector reinsurance is in place for AgriInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted for AgriInsurance, the Government of Canada and the Province of Manitoba have an agreement in place which provides for unlimited additional funding for claim payments (Note 23). MASC also has the ability to borrow funds from the Province of Manitoba for AgriInsurance and Hail Insurance, if required.

21. ACTUARIAL REVIEW

An actuarial certification of AgriInsurance premium rates and financial self-sustaining criteria was completed by Towers Watson, consulting actuaries, in March 2012. The actuarial review concluded that: the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time and that the program meets the financial self-sustaining criteria as defined by the Government of Canada. The actuarial review of the methodologies used to establish the probable yields for insured crops was last completed in March 2008 and is scheduled to be reviewed again by March 31, 2014. MASC requires that all program changes receive actuarial approval prior to implementation.

22. RELATED PARTY TRANSACTIONS

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

Information is provided throughout these statements, which disclose the significant related party transactions MASC entered into, with the exception of the following:

	2013	2012
Interest earned – Province of Manitoba	$ 2,456	$ 3,594
Interest paid on loans from the Province of Manitoba	$ 15,324	$ 15,857

23. REINSURANCE FUNDS

AgriInsurance
In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgriInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The balances in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share the financing of any deficits in the AgriInsurance Program.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2013	2012	2013	2012
Opening surplus (deficit)	$ 5,783	$ 4,939	$ 27,802	$ 26,958
Current year premium contributions (net)*	12,920	844	12,920	844
Net book value	$ 18,703	$ 5,783	$ 40,722	$ 27,802

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts, which is an expense of $14,000 (2012 - $5,000 recovery).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers for the 2012 crop year. The agreement involves 33 reinsuring companies assuming 90% (2012 -100%) of losses (including deemed losses for adjustment expenses and a deemed loss of premium as a result of excess moisture) from 15.0% to 27.5% of AgriInsurance liability (coverage). Reinsurance premiums were $36,935,000 (2012 - $38,380,000). There was a $177,000 private sector reinsurance claim reversal reimbursement (2012 - $9,000 claim reversal reimbursement) for outstanding prior year claims.

Hail Insurance

For 2012/13, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves 17 reinsuring companies assuming 90% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were $1,807,000 (2012 - $1,047,000) with no reinsurance recoveries (2012 - nil).

Schedule 1: Schedule of Administrative Expenses

For the year ended March 31, 2013
(in thousands of dollars)

	2013	2012
Adjustors' wages, benefits and expenses	$ 5,841	$ 7,690
Advertising	200	394
Amortization expense	67	75
Appeals	346	2,965
Audit fees and legal	623	302
Directors' remuneration and expense	111	122
Furniture and equipment	43	54
Information technology	406	410
Office rental and utilities	1,156	1,212
Other administrative expenses	976	2,019
Other administrative recoveries	(728)	(575)
Postage	195	206
Printing and office supplies	187	359
Salaries and employee benefits	13,098	14,544
Telephone	223	305
Travel and vehicle expenses	475	579
Total administrative expenses	$ 23,219	$ 30,661
Administrative expenses allocation:		
Lending Programs	4,098	4,230
AgriInsurance Program	10,136	10,940
Hail Insurance Program	3,691	2,230
Wildlife Damage Compensation Program	512	354
Farmland School Tax Rebate Program	352	387
Other Programs	4,430	12,520
Total administrative expenses	$ 23,219	$ 30,661

Schedule 2: Schedule of Operations and Accumulated Surplus

For the year ended March 31, 2013
(in thousands of dollars)

	LENDING PROGRAMS		AGRIINSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2013	2012	2013	2012	2013	2012
REVENUE						
Insurance Premiums						
Insured producers	$ -	$ -	$ 105,524	$ 71,060	$ 27,438	$ 16,215
Province of Manitoba	-	-	61,264	38,914	-	-
Government of Canada	-	-	91,897	58,375	-	-
	-	-	258,685	168,349	27,438	16,215
Interest from loans	19,049	19,523	-	-	-	-
Other contributions - Province of Manitoba	4,872	5,188	4,074	4,274	-	-
Other contributions - Government of Canada	-	-	6,081	6,633	-	-
Investment income	41	79	1,232	2,366	1,142	993
Other income	175	229	(177)	43	-	-
	24,137	25,019	269,895	181,665	28,580	17,208
EXPENSE						
Insurance indemnities and compensation payments	-	-	177,287	326,902	19,973	4,838
Reinsurance premiums (Note 23)	-	-	62,789	40,064	1,807	1,047
Interest on borrowed funds	15,324	15,857	-	-	-	-
Provision (recoveries) for credit losses	4,238	2,038	(195)	28	2	(18)
Provision for guaranteed loan losses (Note 16)	1,221	1,918	-	-	-	-
Young farmer incentives	1,655	1,660	19	19	-	-
Farmland school tax rebates (Note 6)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Administrative expenses (Schedule 1)	4,098	4,230	10,136	10,940	3,691	2,230
Total expenses	26,536	25,703	250,036	377,953	25,473	8,097
Surplus (deficit) for the year	(2,399)	(684)	19,859	(196,288)	3,107	9,111
Accumulated surplus (deficit), beginning of year	(41,995)	(41,311)	75,388	271,676	66,978	57,867
Surplus (deficit), end of year	$ (44,394)	$ (41,995)	$ 95,247	$ 75,388	$ 70,085	$ 66,978

WILDLIFE DAMAGE COMPENSATION PROGRAM		FARMLAND SCHOOL TAX REBATE PROGRAM		OTHER PROGRAMS		TOTAL	TOTAL
2013	2012	2013	2012	2013	2012	2013	2012
$ -	$ -	$ -	$ -	$ -	$ -	$ 132,962	$ 87,275
-	-	-	-	-	-	61,264	38,914
-	-	-	-	-	-	91,897	58,375
-	-	-	-	-	-	286,123	184,564
-	-	-	-	-	-	19,049	19,523
1,543	1,097	39,351	36,905	(10,202)	229,517	39,638	276,981
1,838	1,300	-	-	3,995	66,043	11,914	73,976
-	-	48	30	267	233	2,730	3,701
-	-	-	-	37	68	35	340
3,381	2,397	39,399	36,935	(5,903)	295,861	359,489	559,085
2,869	2,043	-	-	-	-	200,129	333,783
-	-	-	-	-	-	64,596	41,111
-	-	-	-	-	-	15,324	15,857
-	-	1	-	540	-	4,586	2,048
-	-	-	-	-	-	1,221	1,918
-	-	-	-	-	-	1,674	1,679
-	-	39,046	36,548	-	-	39,046	36,548
-	-	-	-	(10,873)	283,341	(10,873)	283,341
512	354	352	387	4,430	12,520	23,219	30,661
3,381	2,397	39,399	36,935	(5,903)	295,861	338,922	746,946
-	-	-	-	-	-	20,567	(187,861)
-	-	-	-	-	-	100,371	288,232
$ -	$ -	$ -	$ -	$ -	$ -	$ 120,938	$ 100,371

MANITOBA ARTS COUNCIL

Management's Responsibility for Financial Reporting

The accompanying financial statements and note disclosures are the responsibility of management of Manitoba Arts Council and have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. The financial statements have been reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors on June 24, 2013.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and other data available as at the date of approval by the Board of Directors.

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

The financial statements have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Manitoba Arts Council are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the financial statements.

On behalf of Management of
Manitoba Arts Council

Douglas Riske
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Members of the Council of
Manitoba Arts Council

Report on the Financial Statements

We have audited the accompanying financial statements of Manitoba Arts Council, which comprise the statement of financial position as at March 31, 2013, the statements of operations, changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Manitoba Arts Council as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards for government not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 4 to the financial statements which describes that Manitoba Arts Council adopted Canadian public sector accounting standards for government not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These new standards were applied retroactively by management to the comparative information included in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances and cash flow for the year ended March 31, 2012 and related disclosures. This restated comparative information is unaudited.

Magnus

June 24, 2013
Winnipeg, Canada

Magnus Chartered Accountants LLP

MANITOBA ARTS COUNCIL
Statement of Financial Position
March 31, 2013

	Grants & Programs Fund	Bridges Fund	March 31, 2013	March 31, 2012	April 1, 2011 (Note 4)
ASSETS					
Current Assets					
Cash and cash equivalents	$636,280	$0	$636,280	$224,371	$376,164
Accounts receivable (Note 5)	24,821	0	24,821	6,653	24,878
Prepaid expenses	14,918	0	14,918	216,942	14,290
	$676,019	**$0**	**$676,019**	**$447,966**	**$415,332**
Recoverable from Province of Manitoba (Note 8)	36,000	0	36,000	36,000	36,000
Portfolio investments	196,953	0	196,953	194,907	193,900
Capital assets (Note 6)	22,300	0	22,300	23,473	58,276
Interfund balances	(22,500)	22,500	0	0	0
TOTAL ASSETS	**$908,772**	**$22,500**	**$931,272**	**$702,346**	**$703,508**
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable and accrued liabilities	125,594	0	125,594	125,301	107,702
Commitments for grants and programs	344,015	22,500	366,515	319,067	404,662
	469,609	**22,500**	**492,109**	**444,368**	**512,364**
Employee future benefits (Note 8)	53,600	0	53,600	31,845	24,642
Fund Balances					
Invested in capital assets	22,300	0	22,300	23,473	58,276
Internally restricted	0	0	0	0	11,290
Unrestricted	363,263	0	363,263	202,660	96,936
	385,563	**0**	**385,563**	**226,133**	**166,502**
Collections (Note 7)					
Designated Assets (Note 8)					
Commitments (Note 9)					
TOTAL LIABILITIES AND FUND BALANCES	**$908,772**	**$22,500**	**$931,272**	**$702,346**	**$703,508**

Approved on behalf of Council:

Chair

Executive Director

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

MANITOBA ARTS COUNCIL
Statement of Operations
Year ended March 31, 2013

	Grants & Programs Fund	Bridges Fund	2013 Total	2012 Total
REVENUES				
Province of Manitoba - Operating Grant	$8,755,000	$0	$8,755,000	$8,595,000
Province of Manitoba - Bridges Grant	0	875,000	875,000	875,000
Province of Manitoba - Manitoba Theatre Centre	0	150,000	150,000	150,000
Province of Manitoba - Prairie Scene (NAC)	0	0	0	150,000
Investment Income	18,875	0	18,875	17,558
Other	65,370	0	65,370	59,549
	8,839,245	**1,025,000**	**9,864,245**	**9,847,107**
EXPENSES				
ORGANIZATIONS				
Annual & Operating Grants				
Arts Training Schools	162,500	0	162,500	162,500
Arts Service Organizations	95,000	0	95,000	95,000
Dance Companies	900,000	0	900,000	900,000
Music Organizations	1,199,000	0	1,199,000	1,349,000
Theatre Companies	1,714,000	150,000	1,864,000	1,864,000
Visual Arts Organizations	889,000	0	889,000	889,000
Book Publishers	271,000	0	271,000	271,000
Periodical Publishers	211,225	0	211,225	211,225
	5,441,725	**150,000**	**5,591,725**	**5,741,725**
Touring Grants	319,000	0	319,000	319,000
Presentation Grants	352,029	0	352,029	326,812
Special Grants	1,000	0	1,000	1,000
Management & Governance	0	20,000	20,000	20,000
	6,113,754	**170,000**	**6,283,754**	**6,408,537**
INDIVIDUALS				
Professional Development Grants	221,292	0	221,292	232,413
Creation and Production Grants	718,092	0	718,092	730,908
Touring Grants	25,000	0	25,000	20,000
Aboriginal Arts Grants	0	37,500	37,500	76,550
	964,384	**37,500**	**1,001,884**	**1,059,871**
ARTS DEVELOPMENT				
Residencies	454,258	0	454,258	340,674
ArtsSmarts Projects	81,813	0	81,813	56,000
Award of Distinction	0	0	0	30,000
Special Projects	10,024	12,961	22,985	29,436
Special Opportunities	0	0	0	50,000
Community Connections & Access	0	147,200	147,200	164,537
Arts Education Initiatives	0	20,000	20,000	27,500
French Language (NB/MB Residency)	0	42,500	42,500	48,120
	546,095	**222,661**	**768,756**	**746,267**
	7,624,233	430,161	8,054,394	8,214,675
Arts Program Delivery Expenses (Schedule 1)	852,957	179,533	1,032,490	986,559
	8,477,190	**609,694**	**9,086,884**	**9,201,234**
Administrative Expenses (Schedule 2)	628,661	0	628,661	625,385
	9,105,851	**609,694**	**9,715,545**	**9,826,619**
Rescinded Commitments	(10,730)	0	(10,730)	(39,143)
Total Expenses	**9,095,121**	**609,694**	**9,704,815**	**9,787,476**
Excess (Deficiency) of revenues over expenses	**(255,876)**	**415,306**	**$159,430**	**$59,631**

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

MANITOBA ARTS COUNCIL
Statement of Changes in Fund Balances
Year ended March 31, 2013

	Grants & Program Fund		Bridges		
	Invested In Capital Assets	General	Fund	2013 Total	2012 Total
Fund Balances, beginning of year	$23,473	$202,660	$0	$226,133	$166,502
Excess (Deficiency) of revenues over expenses	(19,001)	(236,875)	415,306	159,430	59,631
Additions to capital assets	17,828	(17,828)	0	0	0
Interfund transfer (Note 10)	0	415,306	(415,306)	0	0
Fund Balances, end of year	**$22,300**	**$363,263**	**$0**	**$385,563**	**$226,133**

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

MANITOBA ARTS COUNCIL
Statement of Cash Flow
Year ended March 31, 2013

	2013 Total	2012 Total
Cash provided by (applied to):		
Operating Activities:		
Excess (Deficiency) of revenues over expenses	$159,430	$59,631
Adjustment for:		
Amortization of capital assets	19,001	46,763
	178,431	106,394
Changes in the following:		
Accounts receivable	(18,168)	18,225
Prepaid expenses	202,024	(202,652)
Accounts payable and accrued liabilities	293	17,599
Commitments for grants and programs	47,448	(85,595)
Employee future benefits	21,755	7,203
	253,352	(245,220)
Cash provided by (applied to) operating activities	431,783	(138,826)
Investing Activities:		
Portfolio investments	(2,046)	(1,007)
Cash (applied to) investing activities	(2,046)	(1,007)
Capital Activities:		
Acquisition of capital assets	(17,828)	(11,960)
Cash (applied to) capital activities	(17,828)	(11,960)
Change in cash and cash equivalents	411,909	(151,793)
Cash and cash equivalents, beginning of year	**224,371**	**376,164**
Cash and cash equivalents, end of year	**$636,280**	**$224,371**

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

1. Nature of Organization

The *Arts Council Act* established the Manitoba Arts Council ("the Council") in 1965 to "…promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. Additional disclosures relating to the transition to PSA standards are provided in Note 4 to these financial statements.

3. Significant Accounting Policies

(a) Fund Accounting
The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Program Fund
This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of the Council as defined in *The Arts Council Act.*

(ii) Bridges Fund
This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenses, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(b) Revenue Recognition

(i) Contributions
The Council follows the deferral method of accounting for contributions. Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted contributions are recognized as revenue in the applicable fund when received or receivable.

(ii) Investment Income
Interest income is recognized on the accrual basis.

(c) Expenses
All expenses incurred are recognized on the accrual basis.

(d) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

(e) Accounts Receivable
Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

(f) Portfolio Investments
Portfolio investments include investments and term deposits with original maturities greater than three months. These investments are recognized at cost.

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

Office furniture and equipment	5-10 years straight line
Computer hardware and software	3 years straight line

(h) Collections of Musical Instruments and Works of Visual Art
The Council has collections of musical instruments and works of visual art which are not recorded in its financial statements. Information relating to the Council's collections are disclosed in Note 7 to these financial statements.

(i) Liabilities
Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year, the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(j) Commitments for Grants and Programs

Grants and program commitments are reflected as expenses when funding is formally approved and committed by the Council. Cancellations of prior years' grant expenses are reflected as rescinded commitments in the statement of operations in the year of cancellation.

(k) Financial Instruments - Measurement

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

The Council records its financial assets at cost, which include cash and cash equivalents, accounts receivable, portfolio investments and recoverable from the Province of Manitoba. The Council also records its financial liabilities at cost, which include accounts payable and accrued liabilities and commitments for grants and programs.

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

(l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Adoption of Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations

In previous fiscal years, the Council was classified as a not-for-profit organization and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. Given the recent restructuring of the CICA Accounting Handbook, all public sector entities are now directed to the Public Sector Accounting (PSA) Handbook. In accordance with the recommendations of the PSA Handbook, the Council has determined that it is a "Government Not-for-Profit Organization" and has determined that PSA standards including the standards for government not-for-profit organizations (PS 4200 - PS 4270) are the most appropriate framework for financial reporting purposes.

The Council adopted Canadian PSA standards for government not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These are the Council's first financial statements prepared in accordance with PSA standards and and PS 2125, *First Time Adoption*, has been applied. The Council did not use any elective exemptions available on first time adoption.

These new standards were required to be applied retroactively. Adjustments to the previously reported assets, liabilities and fund balances as a result of adopting these new standards are as follows:

Musical Instruments	**March 31, 2012**	**April 1, 2011**
Musical instruments as per previous financial statements	$104,796	$104,796
Less: adjustment as per PSA standards - Note (i)	(104,796)	(104,796)
Musical instruments as per PSA standards	$0	$0

Works of Visual Art	**March 31, 2012**	**April 1, 2011**
Works of visual art as per previous financial statements	$329,995	$329,995
Less: adjustment as per PSA standards - Note (i)	(329,995)	(329,995)
Works of visual art as per PSA standards	$0	$0

Investments in Musical Instruments and Works of Visual Art	**March 31, 2012**	**April 1, 2011**
Investments in musical instruments and works of visual art as per previous financial statements	$434,791	$434,791
Less: adjustment as per PSA standards - Note (i)	(434,791)	(434,791)
Investments in musical instruments and works of visual art as per PSA standards	$0	$0

There were no adjustments to the previously reported net fund balances, results of operations or cash flows of the Council as a result of adopting Canadian PSA standards for government not-for-profit organizations. A statement of cash flow has been included in these financial statements as required per PSA standards.

Notes:

(i) Under its previous accounting standards, the Council recorded its collections of musical instruments and works of visual art on the statement of financial position at cost with an offsetting credit to investments in musical instruments and works of visual art.

5. Accounts Receivable

Accounts Receivables as at March 31 is comprised of the following:

	2013	2012
Receivable from Province of Manitoba	$20,000	$0
Accrued interest	4,537	2,631
Other receivables	284	4,022
	$24,821	$6,653

6. Capital Assets

	2013			2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	$132,202	$127,350	$4,852	$4,866
Computer hardware and software	477,075	459,627	17,448	18,607
	$609,277	$586,977	$22,300	$23,473

7. Collections

Works of Visual Art

The Council's collection of works of visual art is comprised of 399 pieces of art currently in the care of the Arts Gallery of Southwestern Manitoba in Brandon and at Council's Winnipeg, Manitoba office. There were no acquisitions, disposals or expenditures on collection items incurred during the year (2012 - $nil). The most recent appraisal of the visual art collection was completed in 2005 indicating a market value of $449,222.

Musical Instruments

The Manitoba Arts Council jointly owns a collection of stringed instruments with the Unviersities of Manitoba and Brandon, Schools of Music which are for the exclusive use of the students. There were no acquisitions, disposals or expenditures on stringed instruments during the year (2012 - $nil). The most recent valuation of these instruments indicated a value of $104,796.

8. Employee Future Benefits and Designated Assets

Pension Benefits

Employees of the Council are provided pension benefits as a result of the participation of its eligible employees in the *Civil Service Superannuation Act (CSSA).* The Council participates on a fully funded basis and its contributions of $40,405 (2012 - $34,247) represents the total pension expense for the year. Pursuant to the *CSSA*, the Council has no further liability for pension benefits.

Severance Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, was required to record a severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998 and the Council has recorded a corresponding recoverable from the Province; this recoverable from the Province is designated for future severance obligations of the Council. Any subsequent changes to the severance liability is the responsibility of the Council.

As at March 31, 2013, the Council recorded a severance liability of $53,600 (2012 - $31,845) based on the provisions of its Employee Handbook and management's best assumptions regarding severance rates and compensation increases. The assumptions used parallel those used by the Province of Manitoba and include a 6% rate of return and 3.75% annual salary increases. The liability is based on actuarial calculations and is updated annually based on a formula included in the most recent actuarial valuation dated March 31, 2010.

9. Commitments

The Council has entered into an agreement to lease office premises for ten years commencing April 1, 2012. The 2013 basic annual rent was $126,839. The 2014 basic annual rent is estimated to be $126,839. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

10. Interfund Transfers and Internally Restricted Fund Balances

In 2013, there were no internally restricted funds allocated to programs. In addition, $415,306 (2012 - $356,716) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Individual Artists and Arts Development Grants.

11. Financial Instruments and Financial Risk Management

The Council does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Council did not incur any remeasurement gains or losses during the year (2012 - $nil).

Financial Risk Management - Overview

The Council has exposure to the following risks resulting from its financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit Risk

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

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

	2013	2012
Cash and cash equivalents	$636,280	$224,371
Accounts receivable	24,821	6,653
Portfolio investments	196,953	194,907
Recoverable from the Province of Manitoba	36,000	36,000
	$894,054	$461,931

Cash and Cash Equivalents and Portfolio Investments

The Council is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and the Minister of Finance.

Accounts Receivable and Recoverable from the Province of Manitoba

The Council is not exposed to significant credit risk as any significant balances are due from the Province of Manitoba. The Council manages this credit risk through close monitoring and follow up of any overdue accounts.

When necessary, the Council establishes an allowance for doubtful accounts that represent its estimate of potential credit losses. The balance in the allowance for doubtful accounts as at March 31, 2013 is $nil (2012 - $nil).

11. Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due. The Council manages liquidity risk by maintaining adequate cash balances to meet its obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's results of operations or the fair values of its financial instruments.

Interest Rate Risk

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

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered to be low because the original deposits and investments are reinvested at similar rates with similar terms and conditions.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

12. Comparative Information

Certain of the amounts as at March 31, 2012 and April 1, 2011 have been reclassified to conform to the financial statement presentation adopted for the current year.

MANITOBA ARTS COUNCIL
SCHEDULE 1 - ARTS PROGRAM DELIVERY EXPENSES
Year Ended March 31, 2013

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2013 TOTAL	2012 TOTAL
Salaries and benefits	$624,140	$157,498	$781,638	$759,699
Jurors' fees and expenses	45,168	4,798	49,966	64,153
Rent	60,883	12,684	73,567	67,842
Communications	24,491	0	24,491	32,174
Professional Fees	48,133	0	48,133	6,300
Staff travel and expenses	10,219	2,075	12,294	15,803
Postage, courier and telephone	10,391	2,325	12,716	10,832
Office supplies	929	153	1,082	1,182
Touring development	20,000	0	20,000	20,000
Sundry	243	0	243	214
Memberships & Partnerships	8,360	0	8,360	8,360
	$852,957	**$179,533**	**$1,032,490**	**$986,559**

MANITOBA ARTS COUNCIL
SCHEDULE 2 - ADMINISTRATIVE EXPENSES
Year ended March 31, 2013

	GRANTS & PROGRAMS FUND	
	2013 TOTAL	2012 TOTAL
Salaries and benefits	$367,169	$345,901
Council expenses	39,585	29,402
Community consultations	0	2,409
Rent	54,671	49,383
Postage, courier and telephone	11,786	10,602
Office supplies, printing and stationery	11,140	10,821
Communications:		
Recruitment costs	276	0
Advocacy	5,004	4,701
Annual report	12,013	16,239
Strategic planning	222	15,486
Amortization	19,001	46,763
Equipment repairs and maintenance	25,273	21,704
Professional fees	13,929	8,087
Memberships and subscriptions	13,741	15,699
Insurance and sundry	6,094	6,725
Staff travel and expenses	14,596	22,463
Other (Art Bank Administration)	34,161	19,000
	$628,661	**$625,385**

Lazer Grant LLP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Manitoba Cattle Enhancement Council

We have audited the accompanying financial statements of Manitoba Cattle Enhancement Council, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of revenues and expenditures, changes in net assets and cash flow for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continues)

300-309 McDermot Avenue, Winnipeg, Manitoba R3A 1T3
Telephone: (204) 942-0300 Fax: (204) 957-5611 Website: **www.lazergrant.ca**

Basis for Qualified Opinion

Note 3 describes the revenue and related refunds recognition policy with respect to the revenue derived from producer levies and the related refunds. The note indicates that the organization is reporting producer levy revenue and the related refunds on a cash basis. In this respect, the financial statements are not in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Due to their nature, producer levy revenue and related refunds are not susceptible to a reasonable estimate on an accrual basis. Therefore, the effects of this departure from Canadian Accounting Standards for Not-for-Profit Organizations have not been determined.

Note 3 also describes the accounting policy with respect to accounting for investments in subsidiaries. The note indicates that the organization is accounting for investments in subsidiaries using the cost method. In this respect, the financial statements are not in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The effects of this departure from Canadian Accounting Standards for Not-for-Profit Organizations is nil.

Qualified Opinion

In our opinion, except for the effects of the inability to report producer levy revenue and the related refunds on an accrual basis and accounting for investments in subsidiaries at cost as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Manitoba Cattle Enhancement Council adopted Canadian Accounting Standards for Not-for-Profit Organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of revenue and expenditures and changes in net assets for the year ended December 31, 2011 and related disclosures.

Lazer Grant LLP

Winnipeg, MB
March 15, 2013

CHARTERED ACCOUNTANTS

MANITOBA CATTLE ENHANCEMENT COUNCIL

Statement of Financial Position

December 31, 2012

		December 31 **2012**		*December 31* 2011		*January 1* 2011
ASSETS						
CURRENT						
Cash	**$**	**141,279**	$	564,819	$	1,032,119
Accounts receivable *(Note 10)*		**43,678**		554,279		602,154
Prepaid expenses		**4,425**		7,145		4,425
Loans and notes receivable *(Note 5)*		**334,000**		6,009,494		4,142,638
		523,382		7,135,737		5,781,336
CAPITAL ASSETS *(Note 6)*		**11,987**		16,667		7,379
LONG TERM INVESTMENTS *(Note 7)*		**-**		450,900		450,000
	$	**535,369**	$	7,603,304	$	6,238,715
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued liabilities *(Note 8)*	**$**	**101,179**	$	87,581	$	99,185
NET ASSETS						
Unrestricted		**222,203**		7,089,057		5,132,151
Invested in capital assets		**11,987**		16,666		7,379
Internally restricted *(Note 9)*		**200,000**		410,000		1,000,000
		434,190		7,515,723		6,139,530
	$	**535,369**	$	7,603,304	$	6,238,715

LEASE COMMITMENTS *(Note 13)*

COMMITMENTS *(Note 14)*

ON BEHALF OF THE BOARD

Director

Director

Statement of Revenues and Expenditures

Year Ended December 31, 2012

	Budget (Unaudited) 2012	**2012**	2011
REVENUE			
Producer levies	$ 1,000,000	**$ 1,066,676**	$ 1,161,244
Provincial levy match *(Note 10)*	-	**-**	803,051
Levy refunds	(350,000)	**(333,577)**	(358,193)
	650,000	**733,099**	1,606,102
EXPENSES			
Advertising and promotion	43,500	**49,060**	95,363
Amortization	-	**4,679**	3,935
Computer costs	2,500	**832**	6,017
Council remuneration - per diem *(Note 11)*	24,000	**17,141**	19,909
Equipment rentals	5,750	**5,759**	5,269
Grants to proponents	-	**-**	20,000
Interest and bank charges	1,700	**1,675**	2,081
Investment advisory committee fees	1,000	**400**	15,200
Levy commissions	17,500	**18,644**	20,288
Meals and entertainment *(Note 11)*	5,500	**5,987**	7,081
Memberships	3,600	**5,341**	4,190
Office	14,300	**12,154**	10,833
Professional fees	20,745	**22,944**	37,807
Rent	35,000	**32,630**	28,631
Telephone	6,600	**7,270**	5,933
Travel *(Note 11)*	15,000	**25,992**	24,106
Wages and employee benefits *(Note 12)*	246,263	**241,072**	239,718
	442,958	**451,580**	546,361
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	207,042	**281,519**	1,059,741
OTHER INCOME (EXPENSES)			
Interest income	720	**4,080**	13,611
Project cost recoveries	-	**-**	302,840
Write-down of loans and notes receivable *(Note 5)*	-	**(6,400,375)**	-
Write-down of long term investments *(Note 7)*	-	**(450,900)**	-
Write-down of provincial levy match receivable *(Note 10)*	-	**(515,857)**	-
	720	**(7,363,052)**	316,451
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 207,762	**$ (7,081,533)**	$ 1,376,192

Statement of Changes in Net Assets

Year Ended December 31, 2012

	Unrestricted	Invested in capital assets	Internally restricted	**2012**	2011
NET ASSETS - BEGINNING OF YEAR	$ 7,089,057	$ 16,666	$ 410,000	**$ 7,515,723**	$ 6,139,530
Deficiency of revenue over expenses	(7,081,533)	-	-	**(7,081,533)**	1,376,192
Amortization of capital assets	4,679	(4,679)	-	**-**	-
Transfer to unrestricted	210,000	-	(210,000)	**-**	-
NET ASSETS - END OF YEAR	$ 222,203	$ 11,987	$ 200,000	**$ 434,190**	$ 7,515,722

MANITOBA CATTLE ENHANCEMENT COUNCIL

Statement of Cash Flow

Year Ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**$ (7,081,533)**	$ 1,376,192
Items not affecting cash:		
Amortization	**4,679**	3,935
Write-down of loans and notes receivable	**6,400,375**	-
Write-down of long term investments	**450,900**	-
	(225,579)	1,380,127
Changes in non-cash working capital:		
Accounts receivable	**510,601**	47,875
Accounts payable and accrued liabilities	**13,599**	(11,603)
Prepaid expenses	**2,720**	(2,720)
Loans and notes receivable	**(724,881)**	(1,866,856)
	(197,961)	(1,833,304)
Cash flow used by operating activities	**(423,540)**	(453,177)
INVESTING ACTIVITIES		
Purchase of capital assets	**-**	(13,223)
Purchase of long term investments	**-**	(900)
Cash flow used by investing activities	**-**	(14,123)
DECREASE IN CASH	**(423,540)**	(467,300)
Cash - beginning of year	**564,819**	1,032,119
CASH - END OF YEAR	**$ 141,279**	$ 564,819

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the organization adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFPO had no impact on net assets as at January 1, 2011 or revenues and expenditures or cash flow for the year ended December 31, 2011 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

2. PURPOSE OF THE ORGANIZATION

The Manitoba Cattle Enhancement Council was established by Regulation 83/2006 under the Farm Products Marketing Act, Manitoba Cattle Enhancement Marketing Plan Regulation dated March 30, 2006.

The purpose of this plan are to:

a) initiate, promote, support conduct and manage research and programs, including research or programs relating to financing or processing, that enhance value-added marketing activities relating to cattle in Manitoba; and
b) gather, compile and distribute information related to the cattle industry.

The organization is a not for profit organization that is exempt from income taxes under Section 149 (1)(e) of the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO) and reflect the following policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Investment in subsidiary, 5604754 Manitoba Ltd., are recorded at cost.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Computer software	100%	declining balance method
Furniture and fixtures	20%	declining balance method
Signs	20%	declining balance method
Telephone equipment	20%	declining balance method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

One-half the normal rate of amortization is recorded in the year of acquisition.

Net assets

Net assets are segregated based upon the purpose to which they relate, which include those internally restricted, invested in capital assets and unrestricted.

Revenue recognition

The organization follows the deferral method of accounting for contributions and grants. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and grants are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Producer levies are reported on a cash basis upon receipt of funds.

Interest income is recognized as revenue when earned.

4. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks.

5. LOANS AND NOTES RECEIVABLE

	2012	2011
5604754 Manitoba Ltd. (a subsidiary) mortgage, due on demand, bearing interest at prime plus 2% calculated from the date of demand. The mortgage has a maximum of $7.5 million and is secured by a first charge over all present and future property and assets, a guarantee by the debtor, an assignment of all obligations owed to the debtor by Natural Prairie Beef Inc., an assignment of insurance proceeds. The mortgage receivable is convertible to Class C Preferred shares	**$ 6,489,375**	$ 5,764,494
Natural Prairie Beef Inc. promissory notes, due on demand, bearing interest at Prime plus 2% calculated from the date of demand and convertible to Class C preferred shares	**200,000**	200,000
Natural Prairie Beef Inc. promissory note, due on demand, bearing interest at prime plus 2%	**45,000**	45,000
	6,734,375	6,009,494
Impairment in value of loans and notes receivable	**(6,400,375)**	-
	$ 334,000	$ 6,009,494

The loans and notes receivable have been adjusted to reflect the current minimum repayment ability of the debtor.

6. CAPITAL ASSETS

	2012		2011	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Computer equipment	**$ 15,165**	**$ 6,831**	$ 15,165	$ 3,259
Computer software	**2,116**	**2,116**	2,116	2,116
Furniture and fixtures	**8,958**	**5,910**	8,958	4,953
Signs	**2,563**	**1,958**	2,563	1,807
Telephone equipment	**203**	**203**	203	203
	$ 29,005	**$ 17,018**	$ 29,005	$ 12,338
Net book value	**$ 11,987**		$ 16,667	

7. LONG TERM INVESTMENTS

	2012	2011
Natural Prairie Beef Inc. 350,000 Class C voting preferred shares entitled to non-cumulative dividends of not less than 1% and not more than 12% of the issue price per annum	**$ 350,000**	$ 350,000
5604754 Manitoba Ltd. 100,000 Class D non-voting preferred shares, non-cumulative dividends of not more than 12% of the preferred share redemption price, redeemable and retractable at the aggregate consideration for which the shares were issued ($1 per share)	**100,000**	100,000
5604754 Manitoba Ltd. 900 Class A voting common shares	**900**	900
	450,900	450,900
Impairment in value of long term investments	**(450,900)**	-
	$ -	$ 450,900

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of $16,274 (2011 - $16,651).

9. INTERNALLY RESTRICTED FUND

The board of directors established a restricted fund for organizational closure costs and future investments. The organization calculates the amount on a yearly basis and restricts available current assets. For 2012 the organizational closure costs amount is set at $200,000 (2011 organizational closure costs and future investments - $410,000).

10. PROVINCIAL LEVY MATCH

Provincial levy match revenue represents provincial funding equal to the amount of levies, net of refunds, retained by the organization.

There is no formal agreement in place defining the terms of this funding. During the year, the province indicated that funding will no longer be available for periods after March 31, 2011. As a result, levies included in accounts receivable for April 1, 2011 to December 31, 2011 were written off.

11. COUNCIL'S REMUNERATION

Council Member meeting expenditures are paid on the basis of approved rates as follows:

- Per Diem Remuneration: Chair $336 for full day and $191 for half day
  Council Member $193 for full day and $109 for half day
- Meal Allowance: $50 per day
- Mileage and Accommodations: $0.50 per kilometer
  Increased to $0.46/km effective April 21, 2008
  Increased to $0.50/km effective August 15, 2008
- Long distance and cell phone: $35.00 per month

The Council Members' remuneration for the period ended December 31, 2012 is as follows:

Name	Per Diem Remuneration	Meal Allowance	Mileage and Accommodation	Total
Dr. Barry Todd, Chair	$ -	$ -	$ -	$ -
Gaylene Dutchyshen, Vice-Chair	$ 3,960	$ 570	$ 6,142	$ 10,672
Albert Todosichuk, Treasurer	$ 7,777	$ 522	$ 4,860	$ 13,159
Charles Gall, Council Member	$ 2,702	$ 131	$ 2,884	$ 5,717
David Wiens, Council Member	$ 2,702	$ 165	$ 3,809	$ 6,676
	$ 17,141	$ 1,388	$ 17,695	$ 36,224

12. PENSION PLAN

The organization participates in the Civil Service Superannuation Plan. The plan is a defined contribution plan. Total payments for future employee benefits for 2012 were $12,900 (2011 - $12,290)

13. LEASE COMMITMENTS

The organization has long term leases with respect to its premises and office equipment. The organization has agreed to pay, in addition to basic rent, their proportionate share of operating costs and property taxes during the term of the premise lease. Future minimum lease payments as at year end are as follows:

2013	$ 20,953
2014	19,184
2015	3,662
2016	856
2017	214
	$ 44,869

14. COMMITMENTS

At year end the organization had an outstanding offer to loan $920,429 to 6381023 Manitoba Ltd. subject to the proponent meeting all the conditions in the offer.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

KWB CHARTERED ACCOUNTANTS INC.

800-125 Garry Street
Winnipeg, MB R3C 3P2
T 204 982 3878
F 204 982 3888
www.kwb.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the Manitoba Combative Sports Commission (Formerly Manitoba Boxing Commission)

We have audited the accompanying financial statements of Manitoba Combative Sports Commission, formerly Manitoba Boxing Commission, which comprise the statement of financial position as at March 31, 2013, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continues)

Independent Auditor's Report to the Board of Commissioners of the Manitoba Combative Sports Commission (Formerly Manitoba Boxing Commission) *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Combative Sports Commission, formerly Manitoba Boxing Commission, as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit.

Comparative Information

Without modifying our opinion, we draw attention to Note #1 to the financial statements which describes that Manitoba Combative Sports Commission, formerly Manitoba Boxing Commission, adopted Canadian accounting standards for not-for-profit on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial positions as at March 31, 2012 and April 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

KWB

Winnipeg, MB
November 15, 2013

KWB CHARTERED ACCOUNTANTS INC.

MANITOBA COMBATIVE SPORTS COMMISSION
(Formerly Manitoba Boxing Commission)
Statement of Financial Position
March 31, 2013

	2013	2012	April 1 2011
ASSETS			
CURRENT			
Cash	**$ 19,420**	$ 9,432	$ 8,608
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable	**$ 3,500**	$ 3,518	$ 3,964
Performance bond deposits	**8,000**	-	4,000
	11,500	3,518	7,964
NET ASSETS			
General fund	**7,920**	5,914	644
	$ 19,420	$ 9,432	$ 8,608

ON BEHALF OF THE BOARD

Director

Director

MANITOBA COMBATIVE SPORTS COMMISSION
(Formerly Manitoba Boxing Commission)
Statement of Changes in Net Assets
Year Ended March 31, 2013

	2013	2012
NET ASSETS - BEGINNING OF YEAR	**$ 5,914**	$ 644
Excess of revenue over expenses	**2,006**	5,270
NET ASSETS - END OF YEAR	**$ 7,920**	$ 5,914

MANITOBA COMBATIVE SPORTS COMMISSION
(Formerly Manitoba Boxing Commission)
Statement of Revenues and Expenditures
Year Ended March 31, 2013

	2013	2012
REVENUE		
Administration fees	$ 4,500	$ 6,000
Commission, licenses and permits	4,580	3,475
Grant - Province of Manitoba	15,900	15,900
Other	13,950	945
Interest	9	7
	38,939	26,327
EXPENSES		
Administration	3,360	-
Advertising and promotion	8,935	-
Amortization	619	1,526
Bank charges and interest	102	161
Card expenses - boxing	1,015	2,118
Conferences	5,235	7,187
Dues and subscriptions	1,704	185
Event Official	3,512	2,000
Honoraria	4,200	4,300
Office	726	444
Professional fees	3,136	3,136
Training	2,100	-
Travel	2,289	-
	36,933	21,057
EXCESS OF REVENUE OVER EXPENSES	$ 2,006	$ 5,270

MANITOBA COMBATIVE SPORTS COMMISSION
(Formerly Manitoba Boxing Commission)
Statement of Cash Flows
Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 2,006**	$ 5,270
Item not affecting cash:		
Amortization expense	**619**	1,526
	2,625	6,796
Changes in non-cash working capital:		
Accounts payable	**(18)**	(446)
Performance bond deposits	**8,000**	(4,000)
	7,982	(4,446)
Cash flow from operating activities	**10,607**	2,350
INVESTING ACTIVITY		
Purchase of property, plant and equipment	**(619)**	(1,526)
INCREASE IN CASH FLOW	**9,988**	824
CASH - BEGINNING OF YEAR	**9,432**	8,608
CASH - END OF YEAR	**$ 19,420**	$ 9,432

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Commission adopted Canadian accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards.

The statement of financial position at April 1, 2011 remains unchanged to that reported at March 31, 2011. The balance of net assets and the excess of revenues over expenses for the year ended March 31, 2012, which were previously reported using Canadian generally accepted accounting principles, also remain unchanged.

2. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Commission was incorporated under the provisions of the Province of Manitoba by a proclamation dated October 16, 1983.

On June 14, 2012 the Provincial government passed legislation changing the name of the Manitoba Boxing Commission and the name of The Boxing Commision Act. As per section 4 of The Statute Correction and Minor Amendments Act, 2012, the name of the commission will be The Manitoba Combative Sports Commission and the Act will be The Boxing Act. The purpose of the organization is to regulate professional combative sport matches in the Province of Manitoba in accordance with regulations set down in the Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Financial instruments

Financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

The Commission assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

d) Property, plant and equipment

Property, plant, and equipment are stated at cost and are amortized 100% in the year of acquisition.

e) Revenue recognition

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized when earned.

4. PROPERTY, PLANT AND EQUIPMENT

	2013		2012		April 1 2011	
	Cost	Accum Amort	Cost	Accum Amort	Cost	Accum Amort
Equipment	5,597	5,597	5,597	5,597	4,070	4,070
Computers	1,235	1,235	616	616	616	616
	6,832	6,832	6,213	6,213	4,686	4,686
Net Book Value	$0		$0		$0	

5. ECONOMIC DEPENDENCE

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant.

6. RISK MANAGEMENT

Management's risk management policies are typically performed as a part of the overall management of the Commission's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Commission is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Commission, management considers the avoidance of the undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Commission cannot meet its financial obligations associated with financial liabilities in full. The Commission's main source of liquidity are its operations and external borrowing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Commission's financial obligations associated with financial liabilities.

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Commission has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Commission also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Market risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk. There is currency risk, interest rate risk and other price risk.

Currency risk

The risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Commission is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Commission is not exposed to cash flow risk.

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with the Commission's financial instruments are not exposed to other price risk.

Management Report

The accompanying financial statements of the Manitoba Centennial Centre Corporation (the "Corporation") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. We understand that fair presentation of these financial statements include: providing sufficient information about certain transactions, or events, having an effect on the Corporation's financial position; results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect on the Corporation's financial statements; and providing information in a manner that is clear and understandable.

Management are responsible for the design, implementation and operation of internal controls to safeguard the assets of the corporation and to prevent, deter and detect fraud and error, including internal controls over the financial reporting process.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements of the Corporation are fairly presented in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of the audit examination and provides their opinion.

On behalf of Management,

Robert Olson
Chief Executive Officer

Catherine Rushton
Director, Finance and Corporate Services

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Centennial Centre Corporation

We have audited the accompanying financial statements of Manitoba Centennial Centre Corporation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Centennial Centre Corporation as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that Manitoba Centennial Centre Corporation adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements

Office of the Auditor General

Office of the Auditor General
June 19, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Financial Statements of

MANITOBA CENTENNIAL CENTRE CORPORATION

Years ended March 31, 2013 and 2012

MANITOBA CENTENNIAL CENTRE CORPORATION

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	$ 467,707	$ 289,026	$ 397,787
Term deposits - Province of Manitoba	511,917	904,298	301,640
Accounts receivable	288,248	218,550	569,939
Capital grant receivable - Province of Manitoba	362,150	72,486	424,385
Inventory	33,673	39,914	44,855
Prepaid expenses	58,877	75,172	71,680
Vacation pay recoverable from the Province of Manitoba (note 5)	199,964	199,964	199,964
	1,922,536	1,799,410	2,010,250
Amounts recoverable - Province of Manitoba:			
Severance (note 5)	307,561	307,561	307,561
Pension (note 6)	6,261,273	6,142,536	5,997,000
Capital assets (note 7)	1,135,071	890,699	755,793
Other investments (note 9)	104,752	108,747	107,831
	$ 9,731,193	$ 9,248,953	$ 9,178,435

	March 31, 2013	March 31, 2012	April 1, 2011

Liabilities, Deferred Contributions and Fund Balances

	March 31, 2013	March 31, 2012	April 1, 2011
Current liabilities:			
Accounts payable and accrued liabilities	$ 654,834	$ 396,442	$ 665,704
Accrued vacation liability (note 5)	230,714	263,701	248,251
Capital advances (note 10)	48,434	48,434	48,434
Deferred income and rental deposits	38,063	39,640	49,540
	972,045	748,217	1,011,929
Accrued severance pay (note 5)	348,667	423,820	446,340
Accrued sick leave (note 5)	39,879	47,587	47,587
Pension liability (note 6)	6,261,273	6,142,536	5,997,000
Deferred contributions related to capital assets (note 8)	746,732	441,599	659,152
Fund balances			
Invested in capital assets (note 8)	388,339	449,100	96,641
Internally restricted funds (note 9)	264,752	108,747	107,831
Unrestricted funds:			
General fund	709,506	887,347	811,955
	1,362,597	1,445,194	1,016,427
Contingencies (note 15)			
	$ 9,731,193	$ 9,248,953	$ 9,178,435

See accompanying notes to financial statements.

On behalf of the Board:

Director)irector

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations
Year ended March 31, 2013

	General	Capital	Internally restricted	Total
Revenue:				
Concert Hall	$ 948,376	$ –	$ –	$ 948,376
Rental fees	339,557	–	–	339,557
Concession sales	294,581	–	–	294,581
Parking fees	1,061,245	–	–	1,061,245
Miscellaneous	87,413	–	–	87,413
	2,731,172	–	–	2,731,172
Province of Manitoba grants:				
Operating	2,789,838	–	–	2,789,838
Amortization of deferred contributions (note 8)	–	120,893		120,893
Province of Manitoba - pension, net (note 6)	235,451	–	–	235,451
	3,025,289	120,893	–	3,146,182
City of Winnipeg grant:				
Strategic Economic Development grant	24,312	–	–	24,312
Recoveries of expenses	230,267	–	–	230,267
Investment income (note 9)	–	–	1,000	1,000
Total revenues, grants and recoveries	6,011,040	120,893	1,000	6,132,933
Expenses:				
Administration and general	635,862	–	–	635,862
Amortization of capital assets	–	216,417	–	216,417
Bannatyne Condominium	108,580	–	–	108,580
Concession operations	177,047	–	–	177,047
Building services and maintenance	1,231,721	–	–	1,231,721
Host service and special projects	313,652	–	–	313,652
Manitoba Production Centre	205,975	–	–	205,975
Parking services	249,125	–	–	249,125
Pension (note 6)	524,695	–	–	524,695
Security services	500,959	–	–	500,959
Stage operations	364,981	–	–	364,981
Grant (note 9)	–	–	4,995	4,995
	4,312,597	216,417	4,995	4,534,009
Expenses incurred on behalf of The Manitoba Museum (note 11)	1,681,521	–	–	1,681,521
Total expenses (schedule - operating expenses)	5,994,118	216,417	4,995	6,215,530
Excess (deficiency) of revenue over expenses	$ 16,922	$ (95,524)	$ (3,995)	$ (82,597)

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations
Year ended March 31, 2012

	General	Capital	Internally restricted	Total
Revenue:				
Concert Hall	$1,279,474	$ –	$ –	$1,279,474
Rental fees	252,721	–	–	252,721
Concession sales	454,800	–	–	454,800
Parking fees	956,950	–	–	956,950
Miscellaneous	77,390	–	–	77,390
	3,021,335	–	–	3,021,335
Province of Manitoba grants:				
Operating	3,095,127	–	–	3,095,127
Amortization of deferred contributions (note 8)	–	217,553	–	217,553
Province of Manitoba - pension, net (note 6)	(144,051)	–	–	(144,051)
	2,951,076	217,553	–	3,168,629
City of Winnipeg grant:				
Strategic Economic Development grant	24,616	–	–	24,616
Recoveries of expenses	247,487	–	–	247,487
Investment income (note 9)	–	–	916	916
Total revenues, grants and recoveries	6,244,514	217,553	916	6,462,983
Expenses:				
Administration and general	649,745	–	–	649,745
Amortization of capital assets	–	243,273	–	243,273
Bannatyne Condominium	106,508	–	–	106,508
Concession operations	262,949	–	–	262,949
Building services and maintenance	1,315,210	–	–	1,315,210
Host service and special projects	344,572	–	–	344,572
Manitoba Production Centre	202,978	–	–	202,978
Parking services	231,683	–	–	231,683
Pension (note 6)	122,027	–	–	122,027
Security services	463,789	–	–	463,789
Stage operations	402,396	–	–	402,396
	4,101,857	243,273	–	4,345,130
Expenses incurred on behalf of The Manitoba Museum (note 11)	1,689,086	–	–	1,689,086
Total expenses (schedule - operating expenses)	5,790,943	243,273	–	6,034,216
Excess (deficiency) of revenue over expenses	$ 453,571	$ (25,720)	$ 916	$ 428,767

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statements of Changes in Fund Balances
Years ended March 31, 2013 and 2012

	General	Capital	Internally restricted	2013 Total
Fund balances, beginning of year	$ 887,347	$ 449,100	$ 108,747	$1,445,194
Excess (deficiency) of revenue over expenses	16,922	(95,524)	(3,995)	(82,597)
Inter-fund transfers (notes 8 and 9)	(194,763)	34,763	160,000	–
Fund balances, end of year	$ 709,506	$ 388,339	$ 264,752	$1,362,597

	General	Capital	Internally restricted	2012 Total
Fund balances, beginning of year	$ 811,955	$ 96,641	$ 107,831	$1,016,427
Excess (deficiency) of revenue over expenses	453,571	(25,720)	916	428,767
Inter-fund transfers (note 8)	(378,179)	378,179	–	–
Fund balances, end of year	$ 887,347	$ 449,100	$ 108,747	$1,445,194

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statements of Cash Flows
Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ (82,597)	$ 428,767
Adjustments for:		
Amortization of deferred contributions	(120,893)	(217,553)
Amortization of capital assets	216,417	243,273
	12,927	454,487
Change in other investments	3,995	(916)
Change in accrued severance pay	(75,153)	(22,520)
Change in accrued sick leave	(7,708)	–
Change in non-cash working capital balances:		
Accounts receivable	(69,698)	351,389
Inventory	6,241	4,941
Prepaid expenses	16,295	(3,492)
Accounts payable and accrued liabilities	264,072	(251,703)
Accrued vacation liability	(32,987)	15,450
Deferred income and rental deposits	(1,577)	(9,900)
	116,407	537,736
Financing:		
Capital assets grants and advances - Province of Manitoba	136,362	351,899
Capital:		
Purchase of capital assets	(466,469)	(395,738)
Increase (decrease) in cash and cash equivalents	(213,700)	493,897
Cash and cash equivalents, beginning of year	1,193,324	699,427
Cash and cash equivalents, end of year	$ 979,624	$ 1,193,324
Cash and cash equivalents consist of:		
Cash	$ 467,707	$ 289,026
Term deposits - Province of Manitoba	511,917	904,298
	$ 979,624	$ 1,193,324

See accompanying notes to financial statements.

1. Nature of the Corporation's operations:

Manitoba Centennial Centre Corporation (the Corporation) was established in 1968 for the development and management of a permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Sub-section 149(1) of the *Income Tax Act.*

2. Properties of the Corporation:

The Corporation oversees properties on behalf of the Province of Manitoba. At March 31, 2013 registered titles to these properties, being the Manitoba Centennial Centre, Manitoba Production Centre, condominium property at 211 Bannatyne Avenue, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the financial results of the Manitoba Production Centre and condominium property at 211 Bannatyne Avenue within its financial statements as per Letters of Understanding/Agreement between Manitoba Culture, Heritage and Tourism and Manitoba Centennial Centre Corporation dated December 14, 2005 and June 30, 2010, in which the Corporation agreed to manage these properties for the Province.

3. Significant accounting policies:

On April 1, 2012, the Corporation adopted Canadian public sector accounting standards. The Corporation has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Corporation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to fund balances and excess (deficiency) of revenue over expenses is provided in note 16.

3. Significant accounting policies (continued):

(a) Fund accounting:

The Corporation's financial statements have been prepared on a fund basis.

The General fund is used to account for the operations of the Corporation.

Internally restricted funds consist of the Foundation of the Future Fund which is to be used towards funding of youth based arts and culture, Manitoba Production Centre Fund which is to be reinvested in that facility and an Equipment Purchases Fund which is used to acquire capital equipment. Internally restricted funds cannot be expended without the approval of the Board of Directors.

The Capital Asset fund reports the assets, liabilities, revenues and expenses related to capital assets other than assets that are funded by the Province of Manitoba (notes 2, 3 (e) and 8).

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis corresponding with the amortization rate for the related capital assets.

Revenue from fees contracts and sales of goods is recognized when the services are provided or the goods are sold.

3. Significant accounting policies (continued):

(c) Inventory:

Inventory is valued at the lower of cost, using the first-in, first-out basis, and net replacement cost.

(d) Cash:

Cash includes cash on hand and balances with banks.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer equipment	20%
Concert hall and museum refurbishments	10%
Concrete replacement	8%
Equipment and furnishings	20%
Marquee	20%
Office and building renovations	5% - 10%
Courtyard vestibule	2.5%
Physical plant and building controls	10%
Stage equipment	20%
Security equipment	20%
System and motor controls	10%

3. Significant accounting policies (continued):

Assets under construction are included in the appropriate asset category. Assets under construction are not amortized until asset construction is complete.

The financial statements of the Corporation exclude capital assets that are recorded as capital assets in the accounts of the Province of Manitoba. Expenditures on these excluded assets, and the related advances from the Province of Manitoba, are presented in note 10. Effective April 1, 2006, the Corporation began reflecting all other capital asset expenditures in its financial statements. Such assets are accounted for in accordance with the requirements of Canadian public sector accounting standards section 4230.

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Investments consist of term deposits, and are recorded at cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value, if any, are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Corporation did not incur any remeasurement gains and losses during the year ended March 31, 2013 (2012 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

3. Significant accounting policies (continued):

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Employee benefits:

The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees. A provision for employee severance pay is recognized based on the number of eligible employees and year of service.

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Corporation to contribute 50 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for the employer's share of current and past service pension obligations.

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

(h) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Actual results could differ from those estimates.

4. Change in accounting policy:

On April 1, 2012, the organization adopted Public Accounting Standards *PS 3450 - Financial Instruments* and *PS 2601 - Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Corporation's accounting policy choices (see note 3(f)).

5. Employee benefits:

(a) Accrued vacation pay:

The Province of Manitoba funds a portion of the vacation pay benefits of the Corporation, which is limited to the amount estimated at March 31, 1995. Accordingly, the Corporation has recorded a recoverable in the amount of $199,964 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. Each year the Corporation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

(b) Accrued severance pay:

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. At March 31, 2013, based on an actuarial estimate, the obligation for accrued severance pay is $348,667 (March 31, 2012 - $423,820; April 1, 2011 - $446,340). The significant actuarial assumptions include an interest rate of 6 percent (March 31, 2012 - 6 percent; April 1, 2011 - 7 percent).

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

5. Employee benefits (continued):

The amount of funding which will be provided by the Province of Manitoba for severance pay benefits of $307,561, represents the amount accumulated to March 31, 1998 by the employees of the Corporation, and is recorded as amounts recoverable - Province of Manitoba on the statement of financial position. This receivable from the Province of Manitoba has no specified terms of repayment. The Corporation is responsible for funding liabilities for severance pay benefits accumulated after March 31, 1998 through its operating grants from the Province of Manitoba. As a result, the change in the accrued severance pay liability, including the interest accretion, is reflected in the funding for severance expense.

(c) Sick leave:

The Corporation provides accumulating sick leave benefits to employees. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Corporation's accumulated non-vested sick leave benefits include a discount rate of 6 percent (March 31, 2012 - 6 percent; April 1, 2011 - 6 percent) and a rate of salary increase of 3.25 percent (March 31, 2012 - 3.25 percent; April 1, 2011 - 3.25 percent).

6. Pension liability:

The Corporation records the pension liability and the related pension expense, including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report as at December 31, 2010, the Corporation has recorded an amount of $6,261,273 (March 31, 2012 - $6,142,536; April 1, 2011 - $5,997,000) in its financial statements, representing the estimated unfunded liability for the Corporation's employees as at March 31, 2013. Total pension expense of $631,356 (2012 - $227,070) has been recorded in the statement of operations (see schedule - operating expenses), or $524,695 (2012 - $122,027) net of expenses incurred on behalf of Manitoba Museum.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense. The Corporation has therefore recorded an amount recoverable from the Province of Manitoba of $6,261,273 (March 31, 2012 - $6,142,536; April 1, 2011 - $5,997,000) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded associated net revenue of $235,451 (2012 - net expense of $144,051). The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

6. Pension liability (continued):

Provision for employer's share of employees' pension plan:

	March 31, 2013	March 31, 2012
Balance, beginning of year	$ 6,142,536	$ 5,997,000
Decrease (increase) in trust account held by the Province of Manitoba	–	5,317
Benefits accrued	174,915	171,105
Interest accrued (6 percent; 2012 - 6 percent)	367,897	337,598
Benefits paid	(395,905)	(368,484)
Actuarial (gains) losses[1]	(28,170)	–
Balance, end of year	$ 6,261,273	$ 6,142,536

[1]The actuarial valuations as at December 31, 2011 and 2010 were completed in January 2013 and 2012, respectively. Actuarial gains and losses are recognized over the estimated average remaining service life (EARSL) of the plan members (note 16) of 9 years. Assumed salary rate increases are 3.75% (2012 - 3.75%).

7. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Computer equipment	$ 100,058	$ 67,703	$ 32,355
Concert hall and museum refurbishments	275,615	117,620	157,995
Concrete replacement	10,060	4,829	5,231
Equipment and furnishings	134,116	134,116	–
Marquee	382,230	382,230	–
Office and building renovations	532,155	306,050	226,105
Courtyard vestibule	250,017	50,003	200,014
Physical plant and building controls	235,633	120,189	115,444
Stage equipment	414,318	363,217	51,101
Security equipment	335,743	24,496	311,247
System and motor controls	71,158	35,579	35,579
	$ 2,741,103	$ 1,606,032	$ 1,135,071

7. Capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	$ 59,615	$ 59,615	$ –
Concert hall refurbishments	221,032	95,516	125,516
Concrete replacement	10,060	4,024	6,036
Equipment and furnishings	134,116	116,671	17,445
Marquee	382,230	382,230	–
Office renovations	437,851	258,008	179,843
Courtyard vestibule	255,698	6,392	249,306
Physical plant and building controls	235,633	99,896	135,737
Stage equipment	350,441	338,802	11,639
Security equipment	122,482	–	122,482
System and motor controls	71,158	28,463	42,695
	$ 2,280,316	$ 1,389,617	$ 890,699

April 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	$ 59,615	$ 47,692	$ 11,923
Concert hall refurbishments	221,032	73,413	147,619
Concrete replacement	10,060	3,219	6,841
Equipment and furnishings	134,115	95,432	38,683
Marquee	382,230	305,784	76,446
Office renovations	437,851	214,679	223,172
Physical plant and building controls	235,633	73,062	162,571
Stage equipment	350,442	311,714	38,728
System and motor controls	71,158	21,348	49,810
	$ 1,902,136	$ 1,146,343	$ 755,793

8. Deferred contributions:

Deferred contributions represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	March 31, 2013	March 31, 2012
Balance, beginning of year	$ 441,599	$ 659,152
Capital grants received and receivable	426,026	–
Less amortized to revenue	(120,893)	(217,553)
Balance, end of year	$ 746,732	$ 441,599

Amounts invested in capital assets are as follows:

	March 31, 2013	March 31, 2012
Capital assets (note 7)	$ 1,135,071	$ 890,699
Amounts financed by deferred contributions	(746,732)	(441,599)
	$ 388,339	$ 449,100

During the year, $34,763 (2012 - $378,179) was transferred from the General Fund to the Capital Asset Fund for capital assets additions.

9. Internally restricted funds and other investments:

	March 31, 2013	March 31, 2012
Foundation of the Future Fund:		
Balance, beginning of year	$ 108,747	$ 107,831
Investment income	1,000	916
Grant expense	(4,995)	–
Balance, end of year	$ 104,752	$ 108,747
Manitoba Production Centre Fund:		
Balance, beginning of year	$ –	$ –
Transferred from general fund	30,000	–
Balance, end of year	$ 30,000	$ –
Equipment Purchases Fund:		
Balance, beginning of year	$ –	$ –
Transferred from general fund	130,000	–
Balance, end of year	$ 130,000	$ –
Total internally restricted funds, end of year	$ 264,752	$ 108,747

Manitoba Production Centre Fund and Equipment Purchases Fund:

During the year ended March 31, 2013, the Corporation established the Manitoba Production Centre Fund and the Equipment Purchases Fund, which are to be used as described in note 3(a).

Other investments:

Foundation of the Future funds are held in term deposits with the Province of Manitoba.

10. Capital advances:

Changes in capital funds drawn in advance on projects awarded but not yet undertaken by March 31, 2013 were as follows:

	March 31, 2013	March 31, 2012
Capital advances - Province of Manitoba:		
Advances brought forward from previous years	$ 48,434	$ 48,434
Received during the year	–	715,584
	48,434	764,018
Capital expenditures recorded as capital assets in the accounts of the Province of Manitoba [note 3(e)]:		
Courtyard renovations	–	(715,584)
	–	(715,584)
Advances carried forward to future years	$ 48,434	$ 48,434

11. Grant of service:

Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of The Manitoba Museum. These expenses amounted to $1,681,521 for the year ended March 31, 2013 (2012 - $1,689,086). Included in these expenses is $212,919 (2012 - $222,026) of administration and general expenses of the Corporation that are allocated to The Manitoba Museum proportionately on a predetermined basis.

12. Financial risk and concentration of credit risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable, capital grant receivable - Province of Manitoba, amounts recoverable - Province of Manitoba for severance and pension, cash and term deposits - Province of Manitoba.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at March 31, 2013 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. There was no allowance for doubtful accounts at March 31, 2013, March 31, 2012 and April 1, 2011. As at March 31, 2013, March 31, 2012 and April 1, 2011 there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

13. Economic dependence:

The Corporation is economically dependent on funding received from the Province of Manitoba.

14. Capital management:

The Corporation's objective when managing its capital is to maintain sufficient capital to cover its costs of operations, while fulfilling its mandate under the *Manitoba Centennial Centre Corporations Act*. The Corporation's capital consists of unrestricted funds, internally restricted funds and funds invested in capital assets. The Corporation's ability to meet its capital objectives is dependent on its cash flows, including operating and capital grants received from the Province of Manitoba.

The Corporation manages financial risk by maintaining a balance equivalent to approximately three months of salary and benefits in its unrestricted funds.

The Corporation is not subject to externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the period.

15. Contingencies:

The Corporation is subject to certain legal claims arising in the normal course of operations, none of which are expected to materially affect the financial condition of the Corporation.

16. Transitional adjustments:

(a) Fund balances:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Corporation's fund balances as of April 1, 2011:

Fund balances:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$ 1,064,014
Adjustment to recognize accumulated non-vested sick leave benefits	(47,587)
Restated, April 1, 2011	$ 1,016,427

16. Transitional adjustments (continued):

In accordance with the transitional provisions in Canadian public sector accounting standards, the Corporation has elected to use the exemption for employee future benefits. The Corporation has elected to recognize all cumulative actuarial gains and losses and past services costs in opening fund balances.

(b) Statement of operations:

Under previous Canadian accounting standards, actuarial gains and losses were recognized in earnings immediately. Under Canadian public sector accounting standards, such gains and losses are amortized over EARSL, commencing in the year following the year the gain or loss is incurred.

There was no net impact to the excess of revenue over expense for the year ended March 31, 2012.

MANITOBA CENTENNIAL CENTRE CORPORATION

Schedule - Operating Expenses
Years ended March 31, 2013 and 2012

	2013	2012
Administration and general:		
Salaries and employee benefits	$ 575,869	$ 541,664
Audit and legal	23,832	22,369
Insurance	76,332	90,987
Telephone and fax	25,442	18,496
Other	141,470	186,309
Marketing	5,837	11,946
	848,782	871,771
Bannatyne Condominium:		
Administration costs	89,599	86,920
Repairs, maintenance and supplies	–	252
Property taxes	18,981	19,336
	108,580	106,508
Building services and maintenance:		
Salaries and employee benefits	1,341,589	1,319,045
Repairs, maintenance and supplies	438,479	501,975
Utilities	750,842	794,910
	2,530,910	2,615,930
Concession operations:		
Salaries and employee benefits	76,722	102,403
Cost of goods sold	94,340	144,650
Other	5,985	15,896
	177,047	262,949
Host services and special projects:		
Salaries and employee benefits	307,205	306,816
Other	6,447	37,755
	313,652	344,571
Manitoba Production Centre:		
Salaries and employee benefits	7,515	8,801
Administration costs	45,191	53,101
Repairs, maintenance and supplies	26,641	38,615
Property taxes	72,595	72,188
Utilities	54,033	30,273
	205,975	202,978
Parking services:		
Salaries and employee benefits	148,730	135,274
Agency fees and expenses	83,236	84,066
Other	17,160	12,343
	249,126	231,683
Pension	631,356	227,070
Security services:		
Salaries and employee benefits	538,019	498,094
Other	25,690	26,992
	563,709	525,086
Stage operations:		
Salaries and employee benefits	307,165	298,570
Repairs, supplies and equipment	57,816	103,827
	364,981	402,397
Total expenses of general fund	$ 5,994,118	$ 5,790,943

Del Halliday

Certified Management Accountant Inc.

200-960 Portage Avenue
Winnipeg MB R3G 0R4

Telephone (204) 783-3118
Fax (204) 772-7541
Email: delhalliday@200partnership.com

Del Halliday, CMA
Tom Tasker, CA

INDEPENDENT AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the accompanying financial statements of Manitoba Community Services Council Inc., which comprise the statement of financial position as at March 31, 2013 and the statements of changes in net assets and financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Community Services Council Inc. as at March 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
June 18, 2013

Certified Management Accountant

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2013

Assets	2013	2012
Current assets		
Cash	$ 166,455	$ 174,601
Guaranteed investment certificates (note 4)	592,294	-
Accrued interest	4,386	4,376
GST refund	2,885	2,852
Prepaid expense	4,366	5,096
	770,386	186,925
Guaranteed investment certificates (note 4)	-	586,883
Capital assets (note 5)	25,896	11,497
	$ 796,282	$ 785,305

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 22,089	$ 7,165
Allocations not yet paid	440,970	442,370
	463,059	449,535

Net assets		
Invested in capital assets	25,896	11,497
Funds for future allocation	307,327	324,273
	333,223	335,770
	$ 796,282	$ 785,305

Approved on Behalf of the Board

Director

Del Halliday

Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
Revenue		
Province of Manitoba		
Manitoba Housing and Community Development	$ 2,004,000	$ 2,004,000
Interest	9,820	11,870
	2,013,820	2,015,870
Allocations and expenses		
Administrative expenses		
Bank charges	1,171	1,125
Communications	17,919	16,386
Computer expense	7,347	7,589
Courier	816	1,021
Equipment rental	573	9,319
Insurance	5,182	5,132
Meeting costs and volunteer travel	23,831	22,879
Office supplies	9,002	6,681
Postage	1,934	2,478
Professional fees	4,708	4,734
Telephone	5,154	5,152
	77,637	82,496
Amortization	2,946	4,039
Occupancy	34,158	32,474
Salaries and benefits	251,627	225,867
Grant allocations	1,649,999	1,726,999
Grant allocations (recovered)	-	(66,995)
	2,016,367	2,004,880
Excess (deficiency) of revenue over allocations and expenses	$ (2,547)	$ 10,990

Del Halliday
Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2013

	Invested in Capital Assets	Funds for Future Allocation	Total 2013	Total 2012
Balance, beginning of year	$ 11,497	$ 324,273	$ 335,770	$ 324,780
Excess (deficiency) of revenue over allocations and expenses	(2,946)	399	(2,547)	10,990
Purchase of capital assets	17,345	(17,345)	-	-
Balance, end of year	$ 25,896	$ 307,327	$ 333,223	$ 335,770

Del Halliday
Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2013

1. Purpose and objectives

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. Summary of significant accounting policies

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The financial statements include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Guaranteed investment certificates

Guaranteed investment certificates are carried at cost. Interest earned but unpaid at the date of the statement of financial position is recorded as accrued interest receivable.

c) Capital assets

Capital asset acquisitions are recorded in the year of purchase at cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

Furniture and equipment	20%
Computer equipment	20%
Computer software	50%

Del Halliday

Certified Management Accountant Inc.

2. Summary of significant accounting policies, cont'd

d) Revenue recognition

Funding for programs and grant allocations comes from the Province of Manitoba, Minister of Housing and Community Development. The fiscal period relates to the same fiscal period as the Province and is included in their fiscal budgets. If funding were approved and not received, it would be accrued at the end of the fiscal period.

Interest revenue is accrued based on the investment rate of return over the fiscal period.

3. Financial instruments

The Council's financial instruments consist of cash, guaranteed investment certificates, accrued interest, accounts payable and allocations not yet paid. The Council initially measures its financial assets and liabilities at fair value and subsequently carries all financial assets and liabilities at amortized cost. The Council manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Governance Policies. The objective of this policy is to reduce volatility in cash flow and earnings. The Council monitors compliance with risk management policies and reviews risk management policies on an annual basis.

The Council's investment policy is to invest funds not currently needed for operating purposes at the highest rate obtainable consistent with safety of the principal and their most effective possible utilization in serving the best interest of the general public. Investments must be guaranteed by the federal or provincial governments, a chartered bank or credit union or a CDIC member institution. The duration of the term of the deposit is not to exceed a period of three years.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Del Halliday
Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2013

4. Guaranteed investment certificates

	2013	2012
National Trust Company, bearing interest at 1.21% compounded annually, maturing April 12, 2013.	$ 102,124	$ 100,900
Scotia Mortgage Corporation, bearing interest at 1.44% compounded annually, maturing October 10, 2013.	294,159	289,972
The Bank of Nova Scotia, bearing interest at 1.96% payable annually, maturing October 12, 2013.	196,011	196,011
	$ 592,294	$ 586,883
Current portion due within one year	$ 592,294	$ -
Long-term portion	-	586,883
	$ 592,294	$ 586,883

5. Capital assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 35,736	$ 26,794	$ 35,736	$ 24,239
Computer equipment	17,345	391	11,047	11,047
Computer software	11,040	11,040	11,040	11,040
	$ 64,121	$ 38,225	$ 57,823	$ 46,326
Cost less accumulated amortization		$ 25,896		$ 11,497

6. Provincial funding

The Province of Manitoba has committed funding in the amount of $1,704,000 for the year ended March 31, 2014.

Del Halliday
Certified Management Accountant Inc.

7. Commitment

The Council has leased realty pursuant to a lease agreement, until March 31, 2015. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum base rent payment for the next two years is as follows:

2014	$ 13,080
2015	13,080

8. Pension plan

The employees of the organization participate in the Community Agencies' Retirement Plan, a multi-employer, defined benefit pension plan. The Council's pension contribution and expense for the year was $12,728 (2012 - $11,051).

In accordance with the provisions of the Manitoba Pensions Benefit Act the plan is required to calculate the value of its assets and actuarial liabilities on a going concern valuation, a hypothetical wind-up valuation and a solvency basis.

Following the most recent Actuarial Valuation Report (AVR) as at December 31, 2012, the Plan remains in a solvency deficiency. As a result, the Board of Trustees have elected to apply for the Special Payments Relief Regulation 2011 – solvency relief. This regulation permits the Plan's solvency deficiencies to be amortized over a 10 year period, rather than the normal 5 year period. It is possible to elect relief only once, provided funding payments are up to date, for the first AVR filed with the Office of the Superintendent – Pension Commission before January 2, 2014.

By electing, the Board of Trustees is hoping to alleviate the current financial strain in contributions by spreading the payments over a longer period of time. The election of the solvency relief will not affect the benefits accrued to the Members of the Plan.

The Province of Manitoba has committed annual on-going funding assistance to the member agencies, and as a result of these commitments, the Trustees of the Plan have committed to preserving the Plan as a defined benefit pension plan.

Based on the proposed employee and employer contribution rates and a 10 year solvency amortization, the proposed contributions should be sufficient to fund the current solvency deficiency without additional payments from the agencies.

9. Bingo earnings

The Council allocates a certain number of bingo events to various organizations that it funds.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporations to the above organizations. These funds are not reflected on the statement of financial activities.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **MANITOBA DEVELOPMENT CORPORATION** and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 27, 2013.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **MANITOBA DEVELOPMENT CORPORATION** are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
MANITOBA DEVELOPMENT CORPORATION

Jim Kilgour, General Manager

June 27, 2013

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the statement of financial position as at March 31, 2013 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 27, 2013

MANITOBA DEVELOPMENT CORPORATION
Statement of Financial Position

March 31				2013	2012
	PNP-B	MDC Part I	MDC Part II	Total	Total
Financial Assets					
Cash and cash equivalents	$ 13,306,646	$ 797,425	$ -	$ 14,104,071	$ 744,092
Cash held in trust	-	-	2,034,162	2,034,162	513,373
Accounts receivable (Note 5)	1,024,426	54,589	-	1,079,015	1,156,430
Loans receivable (Note 6)	-	-	83,725,620	83,725,620	94,819,221
Portfolio investments (Note 7)	20,506,843	4,442,481	3,707,768	28,657,092	32,556,210
Trust Funds (Note 8)	63,731,821	-	-	63,731,821	75,840,155
	98,569,736	5,294,495	89,467,550	193,331,781	205,629,481
Liabilities					
Accounts payable	2,158,190	423,545	460,000	3,041,735	3,095,315
Funds provided by the Province of Manitoba	-	-	89,007,550	89,007,550	102,670,929
Trust liabilities (Note 8)	63,731,821	-	-	63,731,821	75,840,155
	65,890,011	423,545	89,467,550	155,781,106	181,606,399
Net financial assets	32,679,725	4,870,950	-	37,550,675	24,023,082
Accumulated surplus (Note 9)	$ 32,679,725	$ 4,870,950	$ -	$ 37,550,675	$ 24,023,082

Commitments (Note 11)

Approved on behalf of the Board:

_______________________ Director

_______________________ Director

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Accumulated Surplus

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Income			
Interest	**$ 10,245,000**	**$ 6,947,750**	$ 7,070,591
Deposit retentions (Note 8)	**7,466,700**	**14,626,059**	3,275,321
Recovery of Program Administration Expenses (Note 10)	**33,300**	**17,521**	25,919
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba			
Provision for doubtful accounts	**1,922,502**	**(232,272)**	6,662,303
Provision for decline in value of investments	**562,500**	**2,288,250**	1,300,978
	20,230,002	**23,647,308**	18,335,112
Expenses			
Program administration	**3,333,000**	**1,463,808**	1,497,822
Payment of Part II interest on loan receivable to the Province of Manitoba	**8,810,000**	**4,479,879**	4,506,646
Provision for doubtful accounts	**1,922,502**	**(232,272)**	6,662,303
Provision for decline in value of investments	**562,500**	**2,288,250**	1,300,978
Foreign currency translation loss	**-**	**2,050**	-
	14,628,002	**8,001,715**	13,967,749
Transfers to the Department of Immigration and Multiculturalism (Note 12)	**2,542,000**	**1,223,000**	1,649,000
Transfers to the Department of Entrepreneurship, Training and Trade (Note 12)	**1,558,000**	**895,000**	910,000
	18,728,002	**10,119,715**	16,526,749
Annual surplus	**1,502,000**	**13,527,593**	1,808,363
Accumulated surplus, beginning of year	**24,023,082**	**24,023,082**	22,214,719
Accumulated surplus, end of year (Note 9)	**$ 25,525,082**	**$ 37,550,675**	$ 24,023,082

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Changes in Net Financial Assets

For the year ended March 31	**2013**	2012
Annual surplus	**$ 13,527,593**	$ 1,808,363
Net financial assets, beginning of year	**24,023,082**	22,214,719
Net financial assets, end of year	**$ 37,550,675**	$ 24,023,082

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash provided by (applied to):		
Operating		
Annual surplus	**$ 13,527,593**	$ 1,808,363
Adjustments for:		
Provision for doubtful accounts (recovery)	**(232,272)**	6,662,303
Provision for decline in value of investments	**2,288,250**	1,300,978
Provision for deposit retentions	**(14,626,059)**	(3,275,321)
Reimbursement of Part II expenses to the Province of Manitoba	**(2,055,978)**	(7,963,281)
	(1,098,466)	(1,466,958)
Changes in:		
Accounts receivable	**77,415**	(150,211)
Accounts payable	**(53,581)**	742,243
	23,834	592,032
Cash applied to operating activities	**(1,074,632)**	(874,926)
Investing		
Loans Receivable		
Principal repayments	**15,662,189**	7,092,760
Loans issued	**(3,808,338)**	(27,010,917)
Change in accrued interest receivable	**111,278**	(170,563)
Capitalized interest written-off	**1,437,848**	580,766
Portfolio investments made	**(1,325,600)**	(2,434,616)
Provincial Nominee Program for Business Trust Funds	**8,486,129**	(1,655,761)
Cash provided by (applied to) investing activities	**20,563,506**	(23,598,331)
Financing		
Funds provided by the Province of Manitoba		
Part II	**(11,607,401)**	20,136,522
Provincial Nominee Program for Business	**2,517,725**	3,586,968
Cash provided by (applied to) financing activities	**(9,089,676)**	23,723,490
Net increase (decrease) in cash and cash equivalents	**10,399,198**	(749,767)
Cash and cash equivalents, beginning of year	**6,418,797**	7,168,564
Cash and cash equivalents, end of year	**$ 16,817,995**	$ 6,418,797
Represented by:		
Cash and cash equivalents	**$ 14,104,071**	$ 1,603,456
Cash held in trust	**2,034,162**	513,373
Cash held in trust included in Trust Funds	**679,762**	4,301,968
	$ 16,817,995	$ 6,418,797

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

For the year ended March 31, 2013

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (the "corporation") provides loans, guarantees and investments under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the corporation, while Part II activities are at the direction of the Province of Manitoba.

The corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

The corporation considers its capital to comprise its shareholder's equity (including share capital, restricted surplus and unrestricted surplus). There have been no changes to what the corporation considers to be its capital since the previous period.

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

The Province of Manitoba has directed that the balance of restricted surplus for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings. For the year ended March 31, 2013, the Corporation has complied with these restrictions.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook. Public sector accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates.

3. Summary of Significant Accounting Policies

a) Revenue

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Income from investments and loans receivable is recorded when earned.

b) Financial Assets

(i) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

(ii) Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

(iii) Portfolio Investments

Under PNP-B

The corporation's investment in provincial bonds are accounted for using amortized cost. Any discount or premium arising on purchase is amortized over the period to maturity.

Under Part I

The corporation's investment in GIC's are recognized at cost.

3. Summary of Significant Accounting Policies (continued)

Under Part II

The corporation's equity in investments related to share capital investments are recorded at cost. The corporation's investments in the Vision Capital Fund, CentreStone Vision Fund, Manitoba Science and Technology Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the cost method of accounting.

An allowance for Portfolio Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.

(iv) Trust Funds

Trusts funds are deposits held in trust under the Provincial Nominee Program for Business. These deposits are recorded at cost.

c) Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

d) Expenses

(i) Accrual Accounting

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

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which transfers are authorized and eligibility criteria have been met.

e) Operating Losses

Losses under Part I and under Part II of the corporation are the responsibility of the Province and are charged directly against advances received from the Province.

3. Summary of Significant Accounting Policies (continued)

f) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the time of settlement, the financial assets and liabilities are translated into Canadian dollars. An exchange gain or loss is recognized in the statement of operations in the period of settlement.

g) Contributed Services

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

h) Program Administration and Recoveries

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

4. Financial Instruments and Financial Risk Management

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

The corporation records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable, loans receivable and portfolio investments. The corporation also records its financial liabilities at cost, which include accounts payable and funds provided by the province of Manitoba.

Financial Risk Management Overview

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

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

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

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

	2013	2012
Cash and cash equivalents	**$ 16,817,995**	$ 5,559,433
Accounts receivable	**1,079,015**	1,156,430
Loans receivable	**83,725,620**	94,819,221
Portfolio investments	**28,657,092**	32,556,210
Trust funds	**63,052,059**	71,538,187
	$193,331,781	$205,629,481

Cash, cash equivalents and trust funds: The corporation is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable, loans receivable and portfolio investments: The corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that the allowance required for loans receivable as at March 31, 2013 is 19,784,402 (19,906,416 in 2012).

Management has determined that the allowance required for portfolio investments as at March 31, 2013 is 7,533,539 is (12,963,185 in 2012).

Liquidity Risk

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

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

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts Receivable

	2013	2012
Other	**$ 5,960**	$ 3,966
Accrued Interest - PNPB	**1,018,466**	1,095,163
Accrued Interest - MDC Part I	**54,589**	57,301
	$ 1,079,015	$ 1,156,430

6. Loans Receivable Managed for the Province of Manitoba Under Part II

	2013	2012
Business Support		
Manitoba Industrial Opportunities Program - Repayable	**$ 85,189,918**	$ 96,644,007
Other loans receivable	**18,320,164**	18,081,630
	103,510,082	114,725,637
Allowance for doubtful accounts	**(19,784,462)**	(19,906,416)
	$ 83,725,620	$ 94,819,221

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2013	2012
2013	**$ -**	$ 13,625,503
2014	**14,579,322**	9,860,945
2015	**11,090,422**	14,848,350
2016	**11,931,148**	12,056,066
2017	**9,254,193**	9,066,842
2018	**6,384,550**	7,241,245
Subsequent to 2018	**30,937,701**	28,190,397
Accrued and capitalized interest	**1,012,582**	1,754,659
	85,189,918	96,644,007
Allowance	**(14,222,518)**	(14,694,471)
	$ 70,967,400	$ 81,949,536

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor.

6. Loans Receivable Managed for the Province of Manitoba Under Part II (continued)

Interest rates charged on loans are as follows:

	2013	2012
Greater than Nil, less than 5%	**$ 31,724,608**	$ 33,207,941
5% or greater, less than 6%	**49,740,411**	49,501,240
6% or greater, less than 7%	**173,387**	404,570
7% or greater, less than 8%	**2,146,667**	11,383,333
Royalty-based interest repayment	**392,263**	392,263
Accrued and capitalized interest	**1,012,582**	1,754,660
	85,189,918	96,644,007
Allowance	**(14,222,518)**	(14,694,471)
	$ 70,967,400	$ 81,949,536

When possible, the corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

7. Portfolio Investments

Managed for the Province of Manitoba Under PNP-B

At March 31, 2013, portfolio investments under the Provincial Nominee Program for Business are invested with the Province of Manitoba totaled $20,506,843 ($20,809,096 in 2012). These investments are comprised of provincial bonds. Effective interest rates range from 3.25% to 5.50%. Maturity dates range from September 2014 to December 2014. Interest earned on these portfolio investments during the year totaled $987,500 ($987,500 in 2012). Amortization of bond premiums during the year amounted to $302,253 ($121,535 in 2012).

Managed for the Province of Manitoba Under Part I

At March 31, 2013, portfolio investments under Part I are comprised of GIC's. Effective interest rates range from 1.55% to 3.01%. Maturity dates range from June 2013 to September 2015. Fair values are considered to approximate cost. Investments in GIC's totaled $4,442,481 ($4,408,779 in 2012). Interest earned on these portfolio investments during the year totaled $125,537 ($127,815 in 2012).

Managed for the Province of Manitoba Under Part II

	2013	2012
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	**$ 1,231,075**	$ 2,985,075
CentreStone Vision Fund	**3,308,262**	3,254,118
Manitoba Capital Fund	**-**	4,363,200
Manitoba Science and Technology Fund	**1,826,969**	1,824,126
Renaissance Capital Fund	**-**	3,000,000
Western Life Sciences Venture Fund LLP	**4,875,000**	4,875,000
	11,241,306	20,301,519
Vision Capital Fund	**1**	1
	11,241,307	20,301,520
Less allowance for decline in value of investments	**(7,533,539)**	(12,963,185)
Part II	**3,707,768**	7,338,335
PNP-B	**20,506,843**	20,809,096
Part I	**4,442,481**	4,408,779
	$ 28,657,092	$ 32,556,210

8. Trust Funds/Liabilities - Provincial Nominee Program for Business

	2013	2012
Gross Trust Liabilities	**$ 63,731,821**	$ 75,840,155

The corporation, Manitoba Entrepreneurship, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. Starting in the 2003 fiscal year, the corporation began entering into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 with the corporation. These deposits are held in trust by the corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the corporation also refunds the deposits. The corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2013, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $63,052,058 ($71,538,187 in 2012) and with a chartered bank totaled $679,762 ($4,301,968 in 2012). Interest earned on these deposits during the year and retained by the corporation totaled $2,323,863 ($2,419,417 in 2012). Actual deposits retained during the year amounted to $14,776,059 ($3,350,347 in 2012) and are presented net of an allowance adjustment of $150,000 ($75,026 in 2012). Net deposits retained are $14,626,059 ($3,275,321 in 2012).

9. Accumulated Surplus

Accumulated surplus is made up of the following:

	PNP-B	**MDC Part I**	**MDC Part II**	**2013**	2012
Unrestricted surplus	**$ 24,815,258**	**$ 4,869,950**	**$ -**	**$ 29,685,208**	$ 19,003,570
Restricted surplus	**7,864,467**	**-**	**-**	**7,864,467**	5,018,512
Share capital	**-**	**1,000**	**-**	**1,000**	1,000
	$ 32,679,725	**$ 4,870,950**	**$ -**	**$ 37,550,675**	$ 24,023,082

10. Recovery of Program Administration Expenses

The corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following source.

	2013	2012
Program participants - PNP-B	**$ 17,521**	$ 25,919

11. Commitments

Commitments and undisbursed balances of approved loans and portfolio investments under Part II:

	2013	2012
Manitoba Industrial Opportunities Program	**$ 7,204,474**	$ 7,987,867
Manitoba Science & Technology Fund	**681,631**	675,874
Canterbury Park Capital	**5,725,849**	5,766,849
CentreStone Venture Fund Limited	**1,481,785**	1,285,929
Manitoba Capital Fund	**-**	636,800
	$ 15,093,739	$ 16,353,319

12. Growing Through Immigration Strategy and Economic Development Support

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

	2013	2012
Entrepreneurship, Training and Trade	**$ 895,000**	$ 910,000
Immigration and Multiculturalism	**1,223,000**	1,649,000
	$ 2,118,000	$ 2,559,000

13. Related Party Transactions

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

14. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's presentation. Annual surplus for the year remain as previously reported.

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Auditor's Comments on Supplementary Financial Information

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the statement of financial position as at March 31, 2013 and statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 27, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedule is presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 27, 2013

MANITOBA DEVELOPMENT CORPORATION
Schedule of Operations - PNP-B

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Income			
Interest	$ 1,339,000	$ 2,323,863	$ 2,419,417
Deposit Retentions	7,466,700	14,626,059	3,275,321
Recovery of Program Administration Expenses	33,300	17,521	25,919
	8,839,000	16,967,443	5,720,657
Expenses			
Program administration	3,237,000	1,390,151	1,399,893
Transfers to the Department of Immigration and Multiculturalism	2,542,000	1,223,000	1,649,000
Transfers to the Department of Entrepreneurship, Training and Trade	1,350,000	895,000	910,000
Transfers to the Department of Advanced Education and Literacy	208,000	-	-
	7,337,000	3,508,151	3,958,893
Annual surplus	$ 1,502,000	13,459,292	1,761,764
Accumulated surplus, beginning of year		19,220,433	17,458,669
Accumulated surplus, end of year		$ 32,679,725	$ 19,220,433

MANITOBA DEVELOPMENT CORPORATION
Schedule of Operations - Part I and Part II

For the year ended March 31	Budget	MDC Part I	MDC Part II	2013 Total	2012 Total
Income					
Interest	$ 8,906,000	$ 144,008	$ 4,479,879	$ 4,623,887	$ 4,651,174
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	1,922,502	-	(232,272)	(232,272)	6,662,303
Provision for decline in value of investments	562,500	-	2,288,250	2,288,250	1,300,978
	11,391,002	144,008	6,535,857	6,679,865	12,614,455
Expenses					
Program administration	96,000	73,657	-	73,657	97,929
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	-	4,479,879	4,479,879	4,506,646
Provision for doubtful accounts (recovery)	1,922,502	-	(232,272)	(232,272)	6,662,303
Provision for decline in value of investments	562,500	-	2,288,250	2,288,250	1,300,978
Foreign currency translation loss	-	2,050	-	2,050	-
	11,391,002	75,707	6,535,857	6,611,564	12,567,856
Annual surplus	$ -	68,301	-	68,301	46,599
Accumulated surplus, beginning of year		4,802,649	-	4,802,649	4,756,050
Accumulated surplus, end of year		$ 4,870,950	$ -	$ 4,870,950	$ 4,802,649

MANITOBA DEVELOPMENT CORPORATION
Report of Assistance Granted or to be Granted

For the year ended March 31, 2013

Under Part II of the Development Corporation Act, the following new assistance was authorized in the current fiscal year:

MIOP	Term	Amount
Glacier L.P. Phase 2	12 year repayable term loan	**$ 2,500,000**
Plains Processing Ltd.	10 year repayable term loan	**$ 3,000,000**

Other Under the Direction of the Province of Manitoba	Term	Amount
Lakeview Management Inc.	10 year repayable term loan	**$ 750,000**

Management's Responsibility

To the Board of Directors of Manitoba Film & Sound Recording Development Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Finance and Planning Committee also undertakes the responsibilites of an Audit Committee. The Finance and Planning Committee is appointed by the Board to review the financial statements in detail with management and to recommend them to the Board prior to their approval of the financial statements for publication.

External auditors are appointed to audit the financial statements and report directly to the Finance and Planning Committee; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Finance and Planning Committee and management to discuss their audit findings.

May 27, 2013

Carole Vivier, CEO

Kevin Gabriel, Manager of Finance and Operations

Independent Auditors' Report

To the Board of Directors of Manitoba Film & Sound Recording Development Corporation:

We have audited the accompanying financial statements of Manitoba Film & Sound Recording Development Corporation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Public Sector Accounting Standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Film & Sound Recording Development Corporation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Winnipeg, Manitoba

May 27, 2013

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

Manitoba Film & Sound Recording Development Corporation
Statement of Financial Position
As at March 31, 2013

	2013	2012	April 1 2011
Assets			
Current			
Cash *(Note 4)*	**1,362,522**	1,581,203	2,057,291
Accounts receivable	**18,327**	2,689	626
Prepaid expenses	**53,793**	62,104	43,372
	1,434,642	1,645,996	2,101,289
Capital assets *(Note 5)*	**99,248**	106,359	115,472
	1,533,890	1,752,355	2,216,761
Liabilities			
Current			
Accounts payable and accruals	**106,043**	73,259	61,682
Carry-over commitments *(Note 6)*	**963,399**	952,146	1,717,538
Deferred recoupment revenue *(Note 7)*	**-**	136,835	-
	1,069,442	1,162,240	1,779,220
Net Assets			
Invested in capital assets	**99,248**	106,359	115,472
Unrestricted	**365,200**	483,756	322,069
	464,448	590,115	437,541
	1,533,890	1,752,355	2,216,761

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Operations
For the year ended March 31, 2013

	2013	*2012*
Revenues		
Province of Manitoba	**3,944,600**	3,944,600
Program recoupments	**221,919**	176,529
Other	**63,079**	20,801
	4,229,598	4,141,930
Expenses (Schedule 1)		
Program Delivery - Film and Television and Music Programs *(Note 10)*	**702,001**	663,943
File Commission/Location Services	**344,465**	354,084
Industry Support	**327,950**	298,720
Corporate Administration	**213,295**	205,985
Music Programs	**570,862**	568,699
Film and Television Programs	**2,196,692**	1,897,925
	4,355,265	3,989,356
Excess (deficiency) of revenue over expenses	**(125,667)**	152,574

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Changes in Net Assets
For the year ended March 31, 2013

	Invested in capital assets	Unrestricted	2013	2012
Net assets, beginning of year	106,359	483,756	**590,115**	437,541
Excess (deficiency) of revenue over expenses	(16,507)	(109,160)	**(125,667)**	152,574
Purchase of capital assets	9,396	(9,396)	**-**	-
Net assets, end of year	**99,248**	**365,200**	**464,448**	590,115

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Statement of Cash Flows
For the year ended March 31, 2013

	2013	*2012*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(125,667)**	152,574
Amortization	**16,507**	18,413
	(109,160)	170,987
Changes in working capital accounts		
Accounts receivable	**(15,638)**	(2,063)
Prepaid expenses	**8,311**	(18,732)
Accounts payable and accruals	**32,784**	11,577
Carry-over commitments	**11,253**	(765,392)
Deferred recoupment revenue	**(136,835)**	136,835
	(209,285)	(466,788)
Capital activity		
Purchase of capital assets	**(9,396)**	(9,300)
Decrease in cash resources	**(218,681)**	(476,088)
Cash resources, beginning of year	**1,581,203**	2,057,291
Cash resources, end of year	**1,362,522**	1,581,203

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Manitoba Film & Sound Recording Development Corporation (the “Organization”) is a statutory corporation created by the Province of Manitoba through The Manitoba Film and Sound Recording Development Corporation Act and is exempt from income taxes. The chief objective of the Organization is to foster growth of the Manitoba film and music recording industries by providing financing and other assistance.

The Organization has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. Impact of adopting Canadian public sector accounting standards

These are the Organization's first financial statements prepared in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canada Institute of Chartered Accountants (the "New Standards"). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012, and the opening balance sheet as at April 1, 2011 (the Organization's date of transition to the New Standards). The transition to the New Standards has not affected the statement of financial position, statement of operations, statement of changes in net assets or statement of cash flows previously reported under Canadian generally accepted accounting standards.

3. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and include the following significant accounting policies:

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. The annual rates are as follows:

	Rate
Computer equipment	20 %
Equipment	20 %
Furniture and fixtures	20 %
Leasehold improvements	5 %
Website	30 %

Program funding

The Organization provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and music recording artists and industries. The grant may take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

Revenue recognition

a) Program recoupments

Any recovery of principal or return on investment of programs funded is recorded as program recoupments when received.

b) Province of Manitoba funding

Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Organization and is recorded as revenue on an accrual basis.

c) Jump Start program recoupments

Any recovery of principal or return on investment of programs funded under the Jump Start program must be re-invested in the Organization's Market Driven Television Production and Market Driven Feature Film Production financing programs within the fiscal year that the recoupment occurs, if possible. If not possible, recoupments will be deferred to the following fiscal year and recognized as revenue at that time.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is provided based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Pension costs and obligations

The Organization provides pension benefits to its employees.

Employees of the Organization are provided pension benefits by the Civil Service Superannuation Fund (the "Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Organization is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The Organization's contribution for the year was $42,426 (2012 - $35,741) and is included in employees benefits expense.

In addition, certain employees of the Organization are entitled to enhanced pension benefits. A pension liability has been established for those employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund Plan. The Organization's contribution for the year was $nil (2012 - $nil) and is included in the calculation of employees benefits expense. The cost is actuarially determined using the projected benefit methods and reflects management's best estimate of salary increase and the age at which the employee will retire.

4. Cash

	2013	*2012*
Cash	**399,123**	629,057
Internally designated cash	**963,399**	952,146
	1,362,522	1,581,203

Cash on deposit and internally designated cash earns monthly interest at the Chartered Bank's commercial rates. The Organization has internally designated a portion of its cash as noted above to satisfy commitments made as disclosed in Note 6 for carry-over commitments.

5. Capital assets

			2013
	Cost	***Accumulated amortization***	***Net book value***
Website	**28,663**	**25,197**	**3,466**
Equipment	**8,802**	**6,024**	**2,778**
Computer equipment	**53,752**	**48,439**	**5,313**
Furniture and fixtures	**57,850**	**55,240**	**2,610**
Leasehold improvements	**139,154**	**54,073**	**85,081**
	288,221	**188,973**	**99,248**

			2012
	Cost	*Accumulated amortization*	*Net book value*
Website	37,862	36,039	1,823
Equipment	9,617	6,006	3,611
Computer equipment	53,902	46,447	7,455
Furniture and fixtures	55,363	53,931	1,432
Leasehold improvements	139,154	47,116	92,038
	295,898	189,539	106,359

6. Carry-over commitments

Due to lead times required to obtain all the resources necessary to complete film, television and music recording projects, the Organization approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2013 and prior years, which were not fully advanced as at March 31, 2013 are as follows:

	Year of Commitment			Total	
	2012-2013	2011-2012	2010 -2011 & older	2013	2012
Development Financing Programs	30,334	-	-17,098	13,236	41,518
Production Financing Programs	655,450	79,500	25,000	759,950	726,662
Jump Start Program	-	-	-	-	-
Emerging Talent Matching Funds	3,237	4,200	-	7,437	6,450
Feature Film Marketing Program	600	-	500	1,100	1,100
Portfolio Investment Envelope	-	-	-	-	-
Access to Markets/Festivals	5,000	-	-	5,000	5,000
Industry Support	17,250	1,200	-	18,450	12,700
	711,871	**84,900**	**8,403**	**805,173**	**793,430**
Sound Recording Production Fund Level 1	3,300	300	-	3,600	4,865
Sound Recording Production Fund Level 2	73,625	6,450	-	80,075	70,434
Sound Recording Production Fund Level 3	6,375	1,000	-	7,375	40,664
Music Video Fund	6,383	-	-	6,383	2,074
Record Product Marketing Fund	29,556	-	-	29,556	23,116
Recording Artist Touring Fund	26,237	-	-	26,237	17,564
Portfolio Investment Envelope	-	-	-	-	-
Market Access Fund	5,000	-	-	5,000	-
	150,476	**7,750**	**-**	**158,226**	**158,716**
	862,347	**92,650**	**8,403**	**963,399**	**952,146**

7. Deferred recoupment revenue

The Organization has $nil (2012 - $136,835) of deferred recoupment from recoupments received through the Jump Start program that took place in 2010. Funds received as recoupments from this program must be reinvested in the Organization's Market Driven Television Production and Market Driven Feature Film Production financing programs within the fiscal year that the recoupment occurs.

8. Industry support

The Organization indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and music recording professionals by providing funding for specific programming administered by organizations such as Manitoba Music, On Screen Manitoba, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include Access to Markets, Aboriginal Music Program, Features First, Drama Prize, Totally Television, New Voices and WFG First Film, Post-Production and Marketing funds.

9. Lease commitments

The Organization occupies leased premises subject to minimum monthly rent payments until August 2018, plus various equipment leases with quarterly payments until December 2017. Future minimum annual payments are as follows:

2014	69,740
2015	70,564
2016	75,710
2017	70,162
2018	73,426
	359,602

10. Program delivery

Program delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program ("MTC"). While the value of the MTC does not flow through the Organization, the management of it does and is therefore determined to be worth noting. A total of 128 applications were received for processing during the 2013 fiscal year (2012 - 115). This represents production activity for projects which took place in the current and prior years, in excess of $149 million worth of production activity (2012 - $129 million). The tax credits are subject to approval by the Province of Manitoba. The cost to administer the Program in the fiscal year was approximately $73,292 (2012 - $67,300).

11. Economic dependence

The Organization's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

12. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide financial and other assistance to applicants.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may decrease expenses or seek other sources of funding.

The Organization manages the following as capital:

	2013	*2012*
Invested in capital assets	**99,248**	106,359
Unrestricted net assets	**365,200**	483,756
	464,448	590,115

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take. There have been no significant changes in the Organization's capital management objectives, policies and processes during the year.

13. Pension obligations

The Organization measures its accrued enhanced pension benefit obligation as of December 31 each year. The most recent actuarial report was December 31, 2011. Information about the Organization's enhanced pension benefit plan is as follows:

	2013	*2012*
Enhanced pension obligation		
Balance, beginning of year	**-**	-
Past service costs	**36,324**	-
Balance, end of year	**36,324**	-
The Organization's enhanced pension expense consists of the following:		
Past service cost	**36,324**	-
Balance, end of year	**36,324**	-
Significant actuarial assumptions:		
Discount rate	**6.00%**	-
Rate of compensation increase	**2.00%**	-

Manitoba Film & Sound Recording Development Corporation
Schedule 1 - Schedule of Expenses
For the year ended March 31, 2013

	2013	*2012*
Expenses		
Program Delivery - Film and Television and Music Programs		
Salaries	**489,141**	454,446
Operating	**212,860**	209,497
	702,001	663,943
Film Commission/Location Services		
	344,465	354,084
Industry Support		
Film industry associations	**140,000**	112,000
Film sponsorships/partnerships	**42,825**	37,170
Music industry associations	**125,000**	130,000
Music sponsorships/partnerships	**20,125**	19,550
	327,950	298,720
Corporate Administration		
Salaries	**137,193**	128,285
Operating	**76,102**	77,700
	213,295	205,985
Music Programs		
Music Recording Production Level III	**27,241**	55,321
Music Recording Production Level II	**145,375**	143,455
Music Recording Production Level I	**22,200**	31,126
Music Video	**30,220**	14,108
Music Recording Production Level - Out of Province	**-**	8,500
Record Product Marketing Support	**90,110**	78,290
Recording Artist Touring Support	**255,716**	237,899
	570,862	568,699
Film and Television Programs		
Development Funding	**106,347**	160,800
Production Financing	**1,930,165**	1,706,625
Emerging Talent Matching Funds	**12,686**	21,500
Feature Film Marketing	**10,659**	9,000
Jump Start	**136,835**	-
	2,196,692	1,897,925
Total expenses	**4,355,265**	3,989,356

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and Directors of the
Manitoba Floodway and East Side Road Authority

We have audited the accompanying financial statements of the **Manitoba Floodway and East Side Road Authority**, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Manitoba Floodway and East Side Road Authority** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Winnipeg, Canada,
October 18, 2013.

Chartered Accountants

Manitoba Floodway and East Side Road Authority

STATEMENT OF FINANCIAL POSITION

As at March 31

	2013	2012
	$	$
ASSETS		
Funds on deposit with Minister of Finance	**8,894,350**	16,174,076
LIABILITIES		
Accounts payable and accrued liabilities	**5,593,024**	7,126,092
Interest payable	**1,838,092**	2,229,596
Due to the Province of Manitoba *[note 4]*	**1,463,234**	6,818,388
Total liabilities	**8,894,350**	16,174,076
Contractual obligations and contingencies *[notes 6 and 9]*		
Net financial assets and accumulated surplus	—	—

See accompanying notes

On behalf of the Board:

Director

Director

Manitoba Floodway and East Side Road Authority

STATEMENT OF OPERATIONS

Year ended March 31

	Budget [unaudited] $ *[note 11]*	**2013** $	**2012** $
REVENUE			
Floodway expansion	2,112,547	**1,409,909**	1,931,693
East Side transportation initiative	8,071,457	**6,326,771**	5,795,824
Operating grants	1,651,000	**1,271,823**	1,374,461
	11,835,004	**9,008,503**	9,101,978
EXPENSES			
Salaries and benefits	7,582,864	**5,409,756**	5,094,075
Other operating expenses			
Transportation	766,200	**861,159**	849,379
Communications	202,120	**206,335**	237,181
Supplies and services	1,550,000	**1,465,649**	1,145,354
Minor capital	400,000	**15,145**	224,375
Other operating	1,333,820	**1,050,459**	1,551,614
	4,252,140	**3,598,747**	4,007,903
	11,835,004	**9,008,503**	9,101,978
Annual operating surplus for the year	—	**—**	—

See accompanying notes

Manitoba Floodway and East Side Road Authority

STATEMENT OF CASH FLOWS

Year ended March 31

	2013 $	2012 $
OPERATING ACTIVITIES		
Annual operating surplus for the year	**—**	—
Net change in non-cash working capital balances related to operations		
Accounts payable and accrued liabilities	**488,059**	18,796
Cash provided by operating activities	**488,059**	18,796
INVESTING ACTIVITIES		
Capital assets constructed on behalf of the Province of Manitoba	**(80,877,350)**	(88,565,201)
Net changes in non-cash working capital balances related to capital		
Accounts payable and accrued liabilities	**(2,202,658)**	(1,317,773)
Interest payable	**(391,504)**	939,193
Contributions related to capital assets	**80,877,350**	88,565,201
Cash used in investing activities	**(2,594,162)**	(378,580)
FINANCING ACTIVITIES		
Due to the Province of Manitoba	**(5,173,623)**	(5,202,817)
Cash used in financing activities	**(5,173,623)**	(5,202,817)
Net decrease in funds on deposit with the Minister of Finance during the year	**(7,279,726)**	(5,562,601)
Funds on deposit with the Minister of Finance, beginning of year	**16,174,109**	21,736,710
Funds on deposit with the Minister of Finance, end of year	**8,894,383**	16,174,109

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority ["MFA"] and dissolved the Manitoba Floodway Expansion Authority Inc. ["MFEA"] which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

On December 1, 2009, Bill 31, the Manitoba Floodway Authority Amendment Act was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority [the "Authority"]. The expanded mandate includes constructing and maintaining an all-season road on the east side of Lake Winnipeg, ensuring that the expansion of the floodway and east side road construction are carried out in a manner that provides increased benefits, and maximizes the benefits provided.

The Manitoba Floodway and East Side Road Authority is exempt from income taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as established by the Canadian Public Sector Accounting Board.

Tangible capital assets

Tangible capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Employee future benefits

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund ["Fund"] at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $229,915 [2012 - $194,649].

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Authority determines the classification of its financial instruments at initial recognition.

The Authority's financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, account payable and accrued liabilities and interest payable. These financial instruments are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value due to the short-term nature of the balances.

Revenue

Revenue from government grants from the Province of Manitoba are recognized in the period in which the transactions or events occurred that gave rise to the revenue. Revenue from government transfers are recognized when the transfer is authorized and any eligibility criteria are met.

Expenses

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

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingencies as at the date of the financial statements and reported amounts of revenue and expenditures recorded in the period. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING POLICIES

The Public Sector Accounting Board ["PSAB"] approved the following new public sector accounting standards which were adopted by the Authority effective April 1, 2012:

PS 1201 – *Financial Statement Presentation* [replacing PS 1200, *Financial Statement Presentation*]
PS 2601 – *Foreign Currency Translation* [replacing PS 2600, *Foreign Currency Translation*]
PS 3041 – *Portfolio Investments* [replacing PS 3040, *Portfolio Investments*]
PS 3450 – *Financial Instruments*

Adoption of these standards was required to take place in the same fiscal period. In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. Accordingly, financial statements of prior periods, including comparative information, have not been restated.

The adoption of these standards did not have an impact on the Authority's financial statements.

4. DUE TO THE PROVINCE OF MANITOBA

The Authority receives interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2013, $1,463,234 was payable to the Province of Manitoba [2012 - $6,818,388].

5. TRANSACTIONS RELATED TO OPERATIONS AND CAPITAL

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of $5,510,754 [2012 - $7,613,015] are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $1,271,823 [2012 - $1,374,461] related to operating expenses were reflected in the operations of the Authority. The Authority also received funding from the Province of Manitoba for operating expenses related to the floodway expansion project of

$1,409,909 [2012 - $1,931,693] and $6,326,771 [2012 - $5,795,824] related to the east side road transportation initiative.

6. TANGIBLE CAPITAL ASSETS CONSTRUCTED ON BEHALF OF THE PROVINCE OF MANITOBA

During the year, the Authority received $80,877,350 [2012 - $83,032,265] of funding from the Province of Manitoba for the construction of tangible capital assets on behalf of the Province of Manitoba. The funding was utilized for the construction of the floodway expansion and the east side road transportation initiative as outlined below.

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2013 and 2012 for the floodway expansion are as follows:

	2013 $	**2012** $
Administration	**1,409,909**	1,931,693
Contract administration and final design	**2,684,192**	2,273,262
Environmental mitigation	**328,928**	761,888
Floodway channel	**1,258,214**	4,130,993
Inlet structure	**5,769,592**	10,265,073
Insurance	**100,276**	772,885
Interest	**572,005**	581,356
Land	**62,541**	399,537
Pedestrian bridge	**94,383**	386,799
Railway bridge	**—**	34,467
Roadway bridge	**99,207**	786,862
West dike	**—**	286,092
	12,379,247	22,610,907

Capital expenditures incurred and transferred to the Province of Manitoba during 2013 and 2012 for the east side road transportation initiative are as follows:

	2013 $	**2012** $
Administration	**6,326,771**	5,795,824
Contract administration	**5,271,262**	2,597,767
Environmental assessment and licensing	**1,533,169**	3,266,169
Engineering design	**3,985,210**	4,115,023
Interest	**1,266,087**	1,648,240
Preconstruction activities	**7,037,671**	26,898,958
Preliminary design and studies	**—**	107,444
Roads	**21,880,318**	4,714,892
Bridges	**21,097,615**	16,809,977
	68,398,103	65,954,294

Since the inception of the Authority on November 1, 2004, the cost of tangible capital assets constructed on behalf of the Province of Manitoba total $622,578,865 [2012 - $610,199,616] for the floodway expansion and $171,488,506 [2012 - $103,090,403] for the east side road transportation initiative.

During the year ended March 31, 2012, the Authority entered into a cost sharing agreement with the Government of Canada and the Bloodvein First Nation to construct the Bloodvein Community Access Road. The construction of this project was completed by the Authority on behalf of the Province of Manitoba in 2013 at a total cost of $3,551,938. These amounts are not included in the balance above as the road was not constructed on Provincial Crown Lands and are considered an operating expenditure of the Province of Manitoba. Under the cost sharing agreement, $2,585,580 of funding received from the Government of Canada, $377,286 from Bloodvein First Nation and $589,072 was funded by the Province of Manitoba. The net impact of the Authority for this project was nil.

7. CONTRACTUAL OBLIGATIONS

As an agent of the Province of Manitoba, the Authority has entered into various contracts in all phases of the projects. Contractual obligations relating to the projects totaled $98,960,529 at March 31, 2013 [2012 - $121,817,605].

Contractual obligations for the lease of office space from the Province of Manitoba Department of Transportation and Government Services for the next year are as follows:

	$
2014	282,332

8. ECONOMIC DEPENDENCE

The Authority is economically dependent on funding received from the Province of Manitoba.

9. PUBLIC SECTOR COMPENSATION DISCLOSURE

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

10. CONTINGENCIES

Various individual accident claims are pending filing against the Authority. As the outcomes of these matters are not determinable and amounts cannot be reasonably estimated at this time, liabilities have not been recorded in the financial statements.

11. BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Treasury Board and the Legislature.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the accompanying financial statements of the Manitoba Gaming Control Commission, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2013, and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 2, 2013

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA GAMING CONTROL COMMISSION
Statement of Financial Position

For the year ended March 31	Actual 2013	Actual 2012
Financial assets		
Cash and cash equivalents	$ 3,118,244	$ 2,648,801
Accounts receivable (Note 4)	39,739	36,357
Long term investment (Note 5)	146,079	146,079
	3,304,062	2,831,237
Liabilities		
Accounts payable and accrued liabilities (Note 6)	593,905	572,333
Employee future benefits – severance (Note 7)	781,037	729,505
Employee future benefits – sick leave (Note 7)	62,811	69,968
Employee future benefits – pension (Note 7)	53,060	39,125
Total employee future benefits	896,908	838,598
	1,490,813	1,410,931
Net financial assets	1,813,249	1,420,306
Non-financial assets		
Tangible capital assets (Note 8)	300,145	299,063
Prepaid expenses	35,809	35,533
	335,954	334,596
Accumulated surplus	$ 2,149,203	$ 1,754,902

On behalf of the Board:

Director

Director

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

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Accumulated Surplus

For the year ended March 31	Budget 2013	**Actual 2013**	Actual 2012
Revenue			
Registration fees	$ 4,604,300	**$ 4,537,263**	$ 4,443,822
Licence fees	1,124,600	**1,163,073**	1,045,376
Interest earned	37,500	**42,087**	37,670
Other revenue	34,200	**37,939**	21,408
	5,800,600	**5,780,362**	5,548,276
Expenses			
Salaries and benefits	4,205,100	**3,936,951**	3,824,700
Rent	368,100	**375,862**	355,129
Amalgamation expenses (Note 9)	0	**222,628**	0
Legal and professional fees	210,700	**157,917**	230,487
Transportation	180,300	**145,075**	122,363
Communications	105,900	**108,938**	110,082
Education, training, conferences	129,100	**108,208**	117,557
Supplies and services	108,700	**104,899**	122,483
Amortization	84,200	**66,556**	63,411
Accommodations	62,600	**44,175**	40,911
Commission Board	89,200	**41,050**	59,915
HR/Systems support	46,900	**30,998**	19,018
Other expenses	35,800	**17,447**	43,767
First Nations legal and professional	0	**9,170**	10,832
Public education	162,500	**8,109**	33,269
Loss on disposal of tangible capital assets	0	**8,078**	1,391
	5,789,100	**5,386,061**	5,155,315
Annual surplus	11,500	**394,301**	392,961
Accumulated surplus, beginning of year	1,749,400	**1,754,902**	1,361,941
Accumulated surplus, end of year	$ 1,760,900	**$ 2,149,203**	$ 1,754,902

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

MANITOBA GAMING CONTROL COMMISSION
Statement of Change in Net Financial Assets

For the year ended March 31	Budget 2013	**Actual 2013**	Actual 2012
Annual surplus (deficit)	$ 11,500	**$ 394,301**	$ 392,961
Acquisition of tangible capital assets	(100,250)	**(75,716)**	(47,823)
Amortization of tangible capital assets	84,200	**66,556**	63,411
Loss on disposal of tangible capital assets	0	**8,078**	1,391
	(16,050)	**(1,082)**	16,979
Increase in prepaid expenses	0	**(276)**	(1,817)
Increase in net financial assets	(4,550)	**392,943**	408,123
Net financial assets, beginning of year	1,022,300	**1,420,306**	1,012,183
Net financial assets, end of year	$ 1,017,750	**$ 1,813,249**	$ 1,420,306

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

MANITOBA GAMING CONTROL COMMISSION
Statement of Cash Flows

For the year ended March 31	2013	2012
Operating transactions		
Annual surplus	$ **394,301**	$ 392,961
Loss on disposal of tangible capital assets	**8,078**	1,391
Changes in non-cash items		
Accounts receivable	**(3,382)**	(506)
Prepaid expenses	**(276)**	(1,817)
Accounts payable and accrued liabilities	**21,572**	34,889
Provision for employee severance benefits	**51,532**	91,693
Provision for employee sick leave benefits	**(7,157)**	0
Provision for employee pension benefits	**13,935**	10,614
Amortization	**66,556**	63,411
Cash provided by operating transactions	**545,159**	592,636
Capital transactions		
Cash used to acquire tangible capital assets	**(75,716)**	(47,823)
Investing transactions		
	0	0
Financing transactions		
	0	0
Increase (decrease) in cash and cash equivalents	**469,443**	544,813
Cash and cash equivalents, beginning of year	**2,648,801**	2,103,988
Cash and cash equivalents, end of year	$ **3,118,244**	$ 2,648,801
Supplemental Cash Flow Information		
Interest received	**41,812**	36,843

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

1. Nature of Operations

The Manitoba Gaming Control Commission (MGCC) was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB). As of April 1, 2012 the Commission adopted PS 3450 Financial Instruments, PS 3041 Portfolio Investments, and PS 1201 Financial Statement Presentation. There was no effect on the prior year's financial statement results.

b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

c. Employee Future Benefits

(i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2013. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

(ii) The employees of the MGCC belong to the Province of Manitoba's Superannuation Fund (the Fund), which is a multi-employer joint trustee plan. The Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Fund determines the required contribution rates.

The contribution of MGCC to the Fund is recorded as an expense for the year.

(iii) The cost of non-vested sick leave benefits are determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

d. Tangible Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (45 months)

e. Prepaid Expenses

Prepaid expenses include rent, insurance and supplies and are charged to expense over the periods expected to benefit from it.

f. Revenues

Revenues are recorded on an accrual basis except for licence and supplier registration fees, which are recognized on a cash receipt basis.

g. Expenses

Expenses are recorded on an accrual basis.

h. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Financial Instruments and Financial Risk Management

Measurement

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

The MGCC records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The MGCC also records its financial liabilities at cost. Financial liabilities are accounts payable.

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 statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.
The MGCC did not incur any re-measurement gains and losses during the year ended March 31, 2013 (2012 - $nil).

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

Credit risk

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

The maximum exposure of the MGCC to credit risk at March 31, 2013 is:

		2013		2012
Cash and cash equivalents	$	**3,118,244**	$	2,648,801
Accounts receivable		**39,739**		36,357
	$	**3,157,983**	$	2,685,158

Cash and cash equivalents: The MGCC is not exposed to significant credit risk as the deposits are primarily held by the Minister of Finance.

Accounts receivable: The MGCC is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The MGCC does not use an allowance for doubtful accounts. The policy is to write off any accounts deemed uncollectible during the year.

The aging of accounts receivable as at March 31, 2013 was:

Current	$	22,607
30-60 days past billing date		4,670
61-90 days past the billing date		718
Greater than 90 days past the billing date		11,744
	$	39,739

Liquidity risk

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

The MGCC manages liquidity risk by maintaining adequate cash balances. The MGCC prepares and monitors forecasts of cash flows from operations and anticipated investing and financing activities. The MGCC continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

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

Interest rate risk

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

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The MGCCis not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Accounts Receivable

		2013		2012
Charitable licence holders	**$**	**5,256**	$	6,321
Manitoba Lotteries Corporation		**9,250**		8,200
First Nations casinos		**7,100**		3,400
Employee advances		**8,993**		9,819
Supplier investigations		**1,489**		574
Interest on short term investments		**4,741**		4,466
Other trades		**2,910**		3,577
	$	**39,739**	$	36,357

5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of $146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2012 the Province of Manitoba placed the amount of $146,079 into an interest bearing trust account to be held on the MGCC's behalf until the cash is required to discharge the related liabilities.

6. Accounts Payable and Accrued Liabilities

		2013		2012
Accounts payable and accrued liabilities	**$**	**65,115**	$	51,418
Salaries and benefits payable		**74,118**		73,738
Accrued vacation pay		**425,998**		410,576
Other		**28,674**		36,601
	$	**593,905**	$	572,333

7. Employee Future Benefits

a. Severance Benefits

Effective April 1, 1998, the MGCC commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2013.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

An actuarial report was completed for the severance pay liability as of March 31, 2013. The MGCCs' actuarially determined net liability for accounting purposes as at March 31, 2013 was $698,854 (2012 - $683,396). An actuarial gain of $41,582 will be amortized over the expected average remaining service life of the employee group. This gain will begin to be amortized at the beginning of the next fiscal year.

Significant long-term actuarial assumptions used in the March 31, 2013 Valuation and in the determination of the March 31, 2013 present value of the accrued severance benefit obligation were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	4.00%
	6.00%
Annual salary escalation rates	
(i) general increases	
a) salary increase	2.00%
b) real rate	0.75%
	2.75%

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%

The severance benefit liability at March 31, 2013 includes the following components:

	2013	2012
Accrued benefit liability	**$ 698,854**	$ 683,396
Unamortized actuarial gains (losses)	**82,183**	46,109
Severance benefit liability	**$ 781,037**	$ 729,505

11

The total expenses related to severance benefits at March 31, 2013 include the following components:

	2013	2012
Interest on obligation	$ 44,421	$ 39,434
Current period benefit cost	(16,884)	17,573
	27,537	57,007
Cost of change to allowable service payout	0	38,146
Effect of change in assumptions	29,503	0
Amortization of actuarial gain over expected average remaining service lifetime (EARSL)	(5,508)	(3,460)
Total expense related to severance benefit	$ 51,532	$ 91,693

b. Retirement Benefits

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund (the Fund).

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the MGCC are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The MGCC is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the MGCC has no further pension liability.

The MGCC's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $193,016. Contributions for the 2012 year were $174,975.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2013, a reserve of $53,060 (2012 - $39,125) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were $13,935 (2012 - $10,614). Significant long-term actuarial assumptions used in the March 31, 2013 Valuation and in the determination of the March 31, 2013 present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	4.00%
	6.00%

Annual salary escalation rates

(i) general increases

a) salary increase	2.00%
b) productivity component	0.75%
	2.75%

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%

c. Non-Vested Sick Leave Benefits

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The Valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits are determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 5.00% annual return and a 3.00% annual salary increase.

8. **Tangible Capital Assets**

March 31, 2013

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	$68,796	$425,112	$1,020,754	$57,318	$1,571,980
Additions	2,985	7,024	65,707		75,716
Disposals	(17,339)	(1,306)	(45,666)		(64,311)
Closing balance	$54,442	$430,830	$1,040,795	$57,318	$1,583,385
Accumulated amortization					
Opening balance	$58,019	$277,780	$914,557	$22,561	$1,272,917
Amortization	2,265	15,144	41,830	7,317	66,556
Disposals	(15,923)	(1,032)	(39,278)		(56,233)
Closing balance	$44,361	$291,892	$917,109	$29,878	$1,283,240
				Net Book Value	**$300,145**

March 31, 2012

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	$65,169	$420,596	$996,692	$57,318	$1,539,775
Additions	3,627	4,516	39,680		47,823
Disposals			(15,618)		(15,618)
Closing balance	$68,796	$425,112	$1,020,754	$57,318	$1,571,980
Accumulated amortization					
Opening balance	$55,854	$261,723	$890,912	$15,244	$1,223,733
Amortization	2,165	16,057	37,872	7,317	63,411
Disposals			(14,227)		(14,227)
Closing balance	$58,019	$277,780	$914,557	$22,561	$1,272,917
				Net Book Value	$299,063

9. Amalgamation Expenses

In the April 17, 2012 provincial budget, the Province of Manitoba announced the amalgamation of the Manitoba Liquor Control Commission's regulatory responsibilities with those of the MGCC. As a result, the MGCC will be taking over the responsibilities of the Manitoba Liquor Control Commission's regulatory responsibilities. In preparation for the pending amalgamation, the MGCC has incurred significant amalgamation related expenses.

10. Commitments

The MGCC has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next four years is:

2014	$ 291,497
2015	296,581
2016	311,834
2017	233,876

11. Budgeted Figures

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

12. Working Capital Advance

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the MGCC. The aggregate of the outstanding advances is not to exceed $2,000,000 (2012 - $2,000,000). As at March 31, 2013, $2,000,000 (2012 - $2,000,000) of these advances were unused and available.

13. Related Party Transactions

The MGCC is related in terms of common ownership to all Province of Manitoba created departments, agencies, and Crown corporations. The MGCC enters into transactions with these entities in the normal course of business.

14. Reclassification of Comparative Financial Statements

Certain amounts in the financial statements for the year ended March 31, 2012, presented for comparative purposes, have been reclassified to conform to the presentation adopted in the financial statements for the year ended March 31, 2013.

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and out of necessity, include some amounts based upon management's best estimate and judgments up to September 19, 2013.

The responsibility of the Auditor General and staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The independent auditor's report outlines the scope of the auditor's examination and provides the audit opinion.

Chief Executive Officer

Business Manager

September 19, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the accompanying financial statements of Manitoba Habitat Heritage Corporation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Habitat Heritage Corporation as at March 31, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that Manitoba Habitat Heritage Corporation adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
September 19, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

STATEMENT OF FINANCIAL POSITION

	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
Current Assets			
Cash	$739,791	$396,126	$134,237
Funds on deposit with Province of Manitoba (Note 4)	120,260	536,488	504,232
Accounts receivable			
Government of Canada	616,870	565,789	653,457
Province of Manitoba	48	759	260,959
U.S. Governments	60,140	96,944	161,715
Other	160,812	64,652	21,446
Prepaid expenses	37,707	40,541	35,033
	1,735,628	1,701,299	1,771,079
Capital Assets (Note 7)	11,520,503	10,951,808	10,042,274
Trust Assets (Note 14)	833,280	819,466	939,665
TOTAL ASSETS	**$14,089,411**	**$13,472,573**	**$12,753,018**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$272,132	$223,478	$172,793
Deferred contributions related to operations (Note 5)	308,789	450,948	655,552
Deferred contributions related to capital assets (Note 6a)	249,476	167,846	236,789
Deferred contributions related to capital assets acquired (Note 6b)	27,910		
	858,307	842,272	1,065,134
FUND BALANCES			
Invested in Capital Assets	11,554,593	10,989,567	10,049,605
Unrestricted	565,610	632,032	589,875
Internally Restricted (Note 11)	277,621	189,236	108,739
	12,397,824	11,810,835	10,748,219
Trust Liabilities (Note 14)	833,280	819,466	939,665
TOTAL LIABILITIES & FUND BALANCES	**$14,089,411**	**$13,472,573**	**$12,753,018**

On Behalf of the Board:

Director

Director

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the period ended March 31, 2013
(with comparative figures for 2012)

	North American Waterfowl Management Plan	Riparian Program	Wetland Restoration Incentive Program	Capital Assets	Inter Plan / Program Eliminations	2013	2012
REVENUE							
Government of Canada	$371,363	$36,395				$407,758	$461,097
Province of Manitoba	709,501	52,484	$105,302			867,287	1,025,539
U.S. Governments	12,418					12,418	55,772
Wildlife Habitat Canada	165,000					165,000	100,000
Royal Bank of Canada		75,000				75,000	75,000
Conservation Districts	5,000	125				5,125	14,211
Donations	394					394	656
Interest Income	1,830	426				2,256	7,890
Land Use Revenue	75,581					75,581	46,499
Mitigation for Property Damages	10,580					10,580	26,762
Amortization of deferred contributions (Note 6b)				$13,747		13,747	
Management Fees	103,993	39,973			$(107,700)	36,266	26,770
	1,455,660	204,403	105,302	13,747	(107,700)	1,671,412	1,840,196
EXPENSES							
Gain on disposal of Capital Asstes							(2,693)
Amortization of capital assets				24,314		24,314	19,866
Service delivery - Schedule 1 (NAWMP)	1,397,961				(28,689)	1,369,272	1,325,400
- Schedule 2 (RP)		210,023			(52,215)	157,808	142,887
- Schedule 3 (WRIP)			115,973		(26,796)	89,177	230,792
	1,397,961	210,023	115,973	24,314	(107,700)	1,640,571	1,716,252
Excess (deficiency) of revenue over expenses	57,699	(5,620)	(10,671)	(10,567)		30,841	123,944
FUND BALANCES							
Fund balances, beginning of year	817,995	(15,380)	18,653	10,989,567		11,810,835	10,748,219
Investment in capital assets				495,248		495,248	871,972
Donated land and land use rights				60,900		60,900	66,700
Interfund transfers (Note 8)	(16,740)	(2,705)		19,445			
TOTAL LIABILITIES & FUND BALANCES	$858,954	$(23,705)	$7,982	$11,554,593		$12,397,824	$11,810,835

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the period ended March 31, 2012

	North American Waterfowl Management Plan	Riparian Program	Wetland Restoration Incentive Program	Capital Assets	Inter Plan / Program Eliminations	2012
REVENUE						
Government of Canada	$457,233	$3,864				$461,097
Province of Manitoba	679,433	100,312	$245,794			1,025,539
U.S. Governments	55,772					55,772
Wildlife Habitat Canada	100,000					100,000
Royal Bank of Canada		75,000				75,000
Conservation Districts	13,122	1,089				14,211
Donations	656					656
Interest Income	7,003	887				7,890
Land Use Revenue	46,499					46,499
Mitigation for Property Damages	26,762					26,762
Management Fees	60,480				$(33,710)	26,770
	1,446,960	181,152	245,794		(33,710)	1,840,196
EXPENSES						
Gain on disposal of Capital Assets				$(2,693)		(2,693)
Amortization of capital assets				19,866		19,866
Service delivery - Schedule 1 (NAWMP)	1,325,400					1,325,400
- Schedule 2 (RP)		169,300			(26,413)	142,887
- Schedule 3 (WRIP)			238,089		(7,297)	230,792
	1,325,400	169,300	238,089	17,173	(33,710)	1,716,252
Excess (deficiency) of revenue over expenses	121,560	11,852	7,705	(17,173)		123,944
FUND BALANCES						
Fund balances, beginning of year	711,602	(23,936)	10,948	10,049,605		10,748,219
Investment in capital assets				871,972		871,972
Donated land and land use rights				66,700		66,700
Interfund transfers (Note 8)	(15,167)	(3,296)		18,463		
TOTAL LIABILITIES & FUND BALANCES	$817,995	$(15,380)	$18,653	$10,989,567		$11,810,835

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

STATEMENT OF CASH FLOWS

as at March 31, 2013
(with comparative figures for 2012)

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$30,841	$123,944
Items not affecting cash		
Amortization of deferred contributions	(13,747)	
Amortization of capital assets	24,314	19,866
Gain on disposal of capital assets		(2,693)
Net change in non-cash working capital	108,865	180,797
Net cash used in operating activities	150,273	321,914
INVESTING AND FINANCING ACTIVITIES		
CAPITAL ACTIVITIES		
Purchase of capital assets net of disposals	(61,102)	(18,463)
Net change in accounts receivable for acquisition of land rights	(308,622)	86,042
Received restricted grants for purchase of land rights	495,248	874,665
Acquisition of land rights with restricted grants	(471,008)	(844,240)
Net change in accounts payable for acquisition of land rights	(640)	(56,830)
Increase in deferred contributions related to capital assets	123,288	(68,943)
Received donation of land and land rights	60,900	66,700
Acquisition of donated land and land rights	(60,900)	(66,700)
Net cash used in capital activities	(222,836)	(27,769)
Net increase (decrease) in cash	(72,563)	294,145
Cash and cash equivalents, beginning of year	932,614	638,469
Cash and cash equivalents, end of year	860,051	932,614
Cash and cash equivalents consist of :		
Cash	$739,791	$396,126
Funds on deposit with Province of Manitoba	120,260	536,488
	$860,051	$932,614
Supplementary Information		
Interest received	$2,967	$7,870

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (hereinafter called "the Corporation") was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006/07 it was changed to the Riparian Program to reflect the broadening of the program activities.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) Wetland Restoration Incentive Program (WRIP)

In 2008/09 Manitoba Water Stewardship created the Wetland Restoration Incentive Program as a means to sequester carbon to help the Province meet its carbon reduction commitments under the Kyoto Agreement. Core funding is provided by Manitoba's Budgeting for Outcomes. This program is a partnership with the Corporation and Ducks Unlimited Canada as delivery agents for the Province. The Corporation administers all funds on behalf of the Province. Funding for this program ended during the fiscal year 2011/12 with programming winding up in 2012/13.

d) Wetland Inventory Project (WLI)

In 2012/13 Manitoba Conservation and Water Stewardship provided funds to the Corporation to set-up the Wetland Inventory Project.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations (GNPO).

b) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Management fees are recognized as revenue in the year the service is provided.

c) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses, if applicable. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and funds on deposit with the Province of Manitoba.

e) Capital Assets

The Capital Assets Fund reports the Corporation's capital assets and related amortization expenses.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair market value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	-	20%
Computer software	-	33%
Equipment	-	10%
Furniture and fixtures	-	10%
Leasehold improvements	-	10%

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

2. Significant Accounting Policies (continued)

f) Use of Estimates

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

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

3. First-time Adoption

Effective April 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations (PSAB for GNPOs). These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting polies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for GNPOs statement of financial position at the date of transition of April 1, 2011.

The Corporation issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards ("pre-changeover Canadian GAAP"). The adoption of PSAB for GNPOs resulted in adjustments to the previously reported liabilities, fund balances, excess of revenue over expenses for the year and cash flows of the Corporation. No exemptions or elections were applied at the date of transition to PSAB for GNPOs.

The changes to the fund balances at the date of transition of April 1, 2011 were as follows:

	April 1, 2011
Fund balances, pre-changeover Canadian GAAP	$10,754,626
Increase in accounts payable and accrued liabilities due to recognition of sick leave liability	(6,407)
Fund balances, PSAB for GNPOs	$10,748,219

A reconciliation of the excess of revenue over expenses for the year ended March 31, 2012 reported in the Corporation's most recent and previously issued financial statements to its excess of revenue over expenses under PSAB for GNPOs is as follows:

	2012
Excess of revenue over expenses, pre-changeover Canadian GAAP	$122,855
Net change in sick leave liability	137
Other	952
Excess of revenue over expenses, PSAB for GNPOs	$123,944

Financial Instruments

On April 1, 2012, the Corporation adopted the Public Sector Accounting Handbook Sections 3450 – Financial Instruments, 2601 – Foreign Currency Translation and 1201 – Financial Statement Presentation. The new standards address the classification, recognition and remeasurement of financial instruments and are effective for years beginning on April 1, 2012, however, earlier adoption is permitted. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the GNPO immediately preceding its adoption of PSAB for GNPOs.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

4. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature no later than June 12, 2013, yielding 0.86%.

5. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received that is related to expenses of future periods. Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	RP	WRIP	WLI	2013
Balance, beginning of year	$131,843	$163,983	$155,122		$450,948
Less: Revenue recognized in the year	(5,000)	(89,005)	(105,302)		(199,307)
Add: Amounts transferred from/(to) Capital Fund			(49,820)	$(41,657)	(91,477)
Add: Revenue received related to the following year		18,625		130,000	148,625
Balance, end of year	$126,843	$93,603		$88,343	$308,789

	NAWMP	RP	WRIP	WLI	2012
Balance, beginning of year	$261,843	$159,085	$234,624		$655,552
Less: Revenue recognized in the year	(135,713)	(69,307)	(279,502)		(484,522)
Add: Amounts transferred from/(to) Capital Fund	713	71,420			72,133
Add: Revenue received related to the following year	5,000	2,785	200,000		207,785
Balance, end of year	$131,843	$163,983	$155,122		$450,948

NAWMP

At March 31, 2013, Manitoba Infrastructure and Transportation's contribution of $76,843 remained deferred as mitigation for Highway 110 construction, and Manitoba Water Stewardship contributed $50,000 for Carp removal at Delta Marsh. At March 31, 2012, Upper Assiniboine Conservation District had contributed $5,000 for a wetland restoration project, Manitoba Infrastructure and Transportation had contributed $76,843 as mitigation for Highway 110 construction, and Manitoba Water Stewardship had contributed $50,000 for Carp removal at Delta Marsh.

RP

At March 31, 2013, the Whitemud Conservation District contributed $18,500 for riparian conservation and enhancement activities, the Pembina Valley Conservation District had a remaining balance of $2,500 for the appraisal of a conservation agreement donation, and $72,603 from Water Stewardship remained restricted for the delivery of riparian easements. At March 31, 2012, the balance of $163,983, originated with $36,395 from the Manitoba Rural Adaptation Council for riparian conservation and enhancement activities, the Pembina Valley Conservation District contributed $2,500 for the appraisal of a conservation agreement donation and the remainder of $125,088 was restricted for the delivery of riparian easements.

WRIP

The deferred contributions balance of $155,122 at March 31, 2012, originating from the Province of Manitoba, was recognized as revenue when the program was completed.

WLI

The deferred contributions balance of $88,343 originated from the Province of Manitoba.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

6. Deferred Contributions Related to Capital Assets

a) Deferred Contributions Related to Future Capital Asset Acquisitions

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased in future years. When the land and land use rights are purchased, the related restricted contributions will be transferred from deferred contributions related to capital assets to the Capital Assets Fund balance.

Changes in the deferred contributions balance in the Capital Assets Fund are as follows:

	NAWMP	RP	WRIP	2013
Balance, beginning of year	$36,296	$131,550		$167,846
Add: Contributions received	67,970	58,500		126,470
Add: Amounts transferred from/(to) Capital Fund	40,590	(85,305)	$(49,820)	(94,535)
Add: Amounts transferred from/(to) Operations Fund		(125)	49,820	49,695
Balance, end of year	$144,856	$104,620		$249,476

	NAWMP	RP	WRIP	2012
Balance, beginning of year	$84,369	$152,420		$236,789
Add: Contributions received	37,485	85,135		122,620
Add: Amounts transferred from/(to) Capital Fund	(84,845)	(34,585)		(119,430)
Add: Amounts transferred from/(to) Operations Fund	(713)	(71,420)		(72,133)
Balance, end of year	$36,296	$131,550		$167,846

The balance of $249,476 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The deferred contributions at March 31, 2013 consist of $30,990 from Manitoba Conservation and Water Stewardship, $29,673 from the R.M. of Riverside, $6,623 for Manitoba Infrastructure and Transportation, $20,000 from the Turtle Mountain Conservation District, $40,000 from East Interlake Conservation District, $12,130 from Whitemud Conservation District, $40,590 from Wildlife Habitat Canada, $21,500 from the La Salle Redboine Conservation District and $47,970 from Potholes Plus. The deferred contributions at March 31, 2012 consisted of $44,068 from Manitoba Conservation and Water Stewardship, $29,673 from the R.M. of Riverside, $6,623 for Manitoba Infrastructure and Transportation, $41,175 from East Interlake Conservation District, $19,807 from Whitemud Conservation District, and $26,500 from the La Salle Redboine Conservation District.

b) Deferred Contributions Related to Capital Assets Acquired

Deferred contributions related to capital assets represent the unamortized amount of donated capital assets, or funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in fund balances at rates which match the amortization of the related capital asset purchased with the grant.

	2013	2012
Balance, beginning of year		
Add: contributions received		
Add: Amounts transferred from Operations Fund	41,657	
Less: Amounts amortized to revenue	(13,747)	
Balance, end of year	$27,910	

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

7. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2013
Land and land use rights	$11,381,507		$11,381,507
Computer hardware	274,356	$242,977	31,379
Computer software	134,744	80,278	54,466
Equipment	142,865	93,488	49,377
Furniture and fixtures	68,342	67,333	1,009
Leasehold Improvements	4,942	2,177	2,765
Total capital assets	$12,006,756	$486,253	$11,520,503

	Cost	Accumulated Amortization	Net Book Value 2012
Land and land use rights	$10,849,599		$10,849,599
Computer hardware	268,128	$234,526	33,602
Computer software	81,974	76,812	5,162
Equipment	142,389	86,032	56,357
Furniture and fixtures	67,947	65,213	2,734
Leasehold Improvements	5,442	1,088	4,354
Total capital assets	$11,415,479	$463,671	$10,951,808

Purchases of capital assets in the period are as follows:

	2013	2012
Land and Land Use Rights	$572,498	$910,940
Computer Hardware	7,961	22,621
Computer Software	52,771	4,542
Equipment	476	623
Furniture and Fixtures	394	
Leasehold Improvements	(500)	
	$633,600	$938,726

The sources of funding for land and land use rights are as follows:

	2013	2012
Environment Canada	$191,350	$389,045
U.S. Fish & Wildlife / Delta Waterfowl Foundation	183,323	355,160
Manitoba Conservation and Water Stewardship	49,820	3,000
Manitoba Infrastructure and Transportation	1,800	
Manitoba Conservation Districts	85,305	97,035
Donations	60,900	66,700
	$572,498	$910,940

8. Interfund Transfers

In 2013, $16,740 was transferred from the NAWMP Operating Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions. $2,705 was transferred from the RP operating funds for capital purchases. In 2012 a total of $15,167 was transferred from NAWMP and $3,296 from RP for the same purpose.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

9. Operational Commitments

The Corporation leases space under existing leases for six NAWMP and one RP offices. The minimum annual lease payments for the next three years are as follows:

2014	$61,505
2015	$43,421
2016	$32,979

The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next five years are as follows:

2014	$11,017
2015	$7,268
2016	$3,596
2017	$2,372
2018	$2,372

10. Capital Commitments

At March 31, 2013, the NAWMP and RP had signed several commitments to purchase Conservation Agreements (CAs). These CAs are to be paid out upon filing of the caveats associated with each CA in the 2013 fiscal year. These commitments at March 31, 2013 totaled approximately $151,625 (2012 - $192,040).

11. Internally Restricted Fund Balances for Land Management and Legal Fund

In 2011, the Corporation established an internally restricted fund, funded by non-government revenues, to fund future cash outlays for legal fees required to defend its land and land use rights interests, as well as future management costs associated with these lands and interests. Funds of this nature are a common practice within environmental non-government organizations, such as the Nature Conservancy of Canada and Ducks Unlimited Canada, which have considerable habitat assets protected in perpetuity. The industry standard set by the Canadian Land Trust Alliance is to set aside 15% of total historical asset acquisition costs for this purpose, which would be estimated at $1,707,000 at March 31, 2013 (2012 - $1,627,000) for the Corporation.

The changes in the internally restricted fund balances during the year are as follows:

	NAWMP	RP	2013
Balance, beginning of year	$187,279	$1,957	$189,236
Less: Approved costs during the year			
Add: Non-governement operating revenue	87,991		87,991
Add: Donations	394		394
Balance, end of year	$275,664	$1,957	$277,621

	NAWMP	RP	2012
Balance, beginning of year	$106,782	$1,957	$108,739
Less: Approved costs during the year			
Add: Non-governement operating revenue	79,841		79,841
Add: Donations	656		656
Balance, end of year	$187,279	$1,957	$189,236

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

12. Employment Termination Notice Requirement

Under the terms of the Corporation's employment agreements with its full-time employees, the Corporation has an obligation to provide paid notice of contract termination based on years of service. If the Corporation had ceased operations at March 31, 2013, it would have been required to pay $322,645 (2012 - $316,257) in obligations to its employees, funded by unrestricted fund balances.

13. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees, the plan is accounted for as a defined contribution plan. The amounts paid by the Corporation in 2013 were $35,954 (2012 - $32,276). All funds contributed to the RPP are paid to and administered by Manulife Financial.

14. Trust Assets and Liabilities

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the Critical Wildlife Habitat Program (CWHP).

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by the Corporation on behalf of this program include:

	2013	2012
Cash and Funds on Deposit with Province of Manitoba	$240,000	$226,186
Land Portfolio	593,280	593,280
	$833,280	$819,466

15. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2013	2012
RP	$ 52,215	$ 26,413
WRIP	15,512	7,297
Miscellaneous		7
CWHP	36,266	26,763
	$ 103,993	$ 60,480

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

16. Economic Dependence

The Corporation is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

17. Related Party Transactions

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

18. Contingencies

The Corporation is subject to possible legal claims arising in the normal course of operations, none of which are expected to materially affect the financial condition of the Corporation.

19. Financial Instrument Risk Management

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Corporation's financial instrument risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's Chief Executive Officer and Business Manager. The Board of Directors receives regular reports from the Corporation's Chief Executive Officer and Business Manager and through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Credit Risk

The Corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable and funds on deposit with Province of Manitoba. The majority of the Corporation's receivables are from government entities which minimizes the risk of non-collection. The Corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

With respect to credit risk, the Board of Directors receives details of accounts receivable and monitors them regularly. The Corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the statement of financial position for accounts receivable and funds on deposit with the Province of Manitoba.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

19. Financial Instrument Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Interest Rate Risk

The Corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its funds on deposit with Province of Manitoba. The Corporation's interest rate risk is mitigated by following the Corporation's investment policy established by the Manitoba Habitat Heritage Act, S.M. 1985-86, c.15-Cap. H3.

20. Capital Disclosures

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations and to draw on the maximum funds available for environmental projects which fall under its mandate. Capital consists of the unrestricted fund balances in the amount of $565,610 (2012 - $632,032), $277,621 (2012 - $189,236) internally restricted for land management/legal costs (see note 11), and externally restricted funds recorded as Deferred Contributions (see notes 5 and 6). All externally restricted capital must be disbursed on predetermined expenses outlined by the funder or returned to the funder within a specified time period. There were no changes in the Corporation's approach to capital management during the period.

21. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2013
(with comparative figures for 2012)

SCHEDULE 1

	2013	2012
EXPENSES		
Habitat Activities		
Salaries and Benefits	$403,668	$389,499
Field Office Operations	58,938	61,273
Staff Support Costs	78,207	67,049
Habitat Development	21,890	8,886
Nest Basket Program	34,967	48,485
Land Securement	714	714
Mitigation Banks	38,072	
Habitat Management Fees	28,688	
Property Taxes	16,547	10,644
	681,691	586,550
Evaluation	65,411	83,218
Communications		
Salaries and Benefits	16,994	4,800
Program Delivery	29,394	26,680
	46,388	31,480
Program Coordination		
Salaries and Benefits	409,312	417,847
Rent	42,978	41,842
Office Expenses	53,787	53,610
Staff Support	15,871	16,259
Board Remunerations	9,545	11,860
Professional Fees	43,139	51,974
Other	29,839	30,760
	604,471	624,152
TOTAL EXPENSES	$1,397,961	$1,325,400

RIPARIAN PROGRAM

Schedule of Expenses for the year ended March 31, 2013
(with comparative figures for 2012)

SCHEDULE 2

	2013	2012
EXPENSES		
Habitat Activities		
Salaries and Benefits	$67,452	$60,584
Field Office Operations	4,312	4,585
Staff Support Costs	11,636	8,590
Workshops		194
Habitat Management Fees	868	
	84,268	73,953
Evaluation	5,609	3,512
Communications		
Program Delivery	1,140	
	1,140	
Program Coordination		
Salaries and Benefits	51,473	53,997
Rent	6,876	7,094
Office Expenses	2,626	3,077
Staff Support	3,455	3,772
Board Remunerations	4,772	4,026
Professional Fees	4,066	2,272
Program Coordination Management Fees	45,738	17,597
	119,006	91,835
TOTAL EXPENSES	$210,023	$169,300

WETLAND RESTORATION INCENTIVE PROGRAM

Schedule of Expenses for the year ended March 31, 2013
(with comparative figures for 2012)

SCHEDULE 3

	2013	2012
EXPENSES		
Habitat Activities		
Salaries and Benefits	$9,469	$5,885
Staff Support Costs	4,444	490
Project Delivery		
- MHHC	42,824	14,658
- DUC	20,396	145,196
E.G.&S. Payments		
- MHHC	31,780	19,600
- DUC	7,060	50,260
	115,973	236,089
Evaluation		2,000
TOTAL EXPENSES	$115,973	$238,089

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the accompanying financial statements of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION**, which comprise the balance sheet as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and deficit, and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the year ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
August 13, 2013

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Balance Sheet

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash and bank	**$**	**502,663**	$	443,063	$	382,654
Long-term investment - Miller Environmental Corporation (Note 5)		**1,509,486**		1,509,486		1,509,486
Capital assets - land, at cost		**170,305**		170,305		170,305
	$	**2,182,454**	$	2,122,854	$	2,062,445
Liabilities and Equity						
Current Liabilities						
Accounts payable and accrued liabilities	**$**	**10,025**	$	10,655	$	11,117
Contingencies (Note 7)						
Equity						
Share capital (Note 4)		**7,500,000**		7,500,000		7,500,000
Deficit		**(5,327,571)**		(5,387,801)		(5,448,672)
		2,172,429		2,112,199		2,051,328
	$	**2,182,454**	$	2,122,854	$	2,062,445

On behalf of the Board:

____________________ Director

____________________ Director

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the years ended March 31	2013	2012
Revenue		
Rent - Miller Environmental Corporation (Note 6)	**$ 90,000**	$ 90,000
Pattern Energy Wind Rent	**800**	1,035
	90,800	91,035
Expenses		
General and administrative expenses	**30,570**	30,164
Net income and comprehensive income for the year	**60,230**	60,871
Deficit, beginning of year	**(5,387,801)**	(5,448,672)
Deficit, end of year	**$ (5,327,571)**	$ (5,387,801)

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	**$ 60,230**	$ 60,871
Changes in non-cash working capital balances		
Accounts payable and accrued liabilities	**(630)**	(462)
Increase in cash and cash equivalents for the year	**59,600**	60,409
Cash and cash equivalents, beginning of year	**443,063**	382,654
Cash and cash equivalents, end of year	**$ 502,663**	$ 443,063

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

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

(b) Management's Responsibility for the Financial Statements and Basis of Accounting

The financial statements of the corporation are the responsibility of management. The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(c) Revenue Recognition

Rental revenue is recognized over the term which it applies and when collectibility is reasonably assured.

(d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. First-time Adoption

Effective January 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1, with the exception of financial instruments, have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of January 1, 2011. As described below, the accounting policies for financial instruments have only been applied in preparing the financial statements for the year ended December 31, 2012.

The organization issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the organization.

3. Financial Instruments and Financial Risk Management

The corporation is exposed to different types of risk in the normal course of operations. There have been no changes in risk exposure since the prior year.

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 corporation to credit risk consist principally of cash and bank and long-term investments.

The maximum exposure of the corporation to credit risk at March 31, 2013 is:

Cash and bank	$ 502,663
Long-term investments	1,509,486
	$ 2,012,149

3. Financial Instruments and Financial Risk Management (continued)

Credit Risk (continued)

Cash and bank: The corporation is not exposed to significant credit risk as the cash and bank deposits are primarily held by a Canadian chartered bank.

Long-term investment: The corporation is not exposed to significant credit risk as the long-term investment is in another reliable organization that had positive cash flows and net earnings for the past year. The long-term investment represents an investment in Miller and was written down to $1,000,000 in 2003 due to it being impaired. Since 2003, the shareholders' equity of Miller has increased, which has resulted in the investment not being a significant credit risk to the corporation. During the 2011 yearend, an additional $509,486 was invested in Miller in settlement of rent arrears owing to the corporation.

Liquidity Risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the corporation's management of working capital. The corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Market Risk

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

Interest Rate Risk

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

The interest rate risk on cash and bank is considered to be low because of the short-term nature of these financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Share Capital

The authorized capital of the corporation is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2013	2012
75,000 common shares	**$ 7,500,000**	$ 7,500,000

5. Long-Term Investment - Miller Environmental Corporation

The investment in Miller is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value at that time. In addition, on August 12, 2010 the outstanding rent receivable of $509,486 (net of a $45,000 payment received) from Miller was converted into an additional 1,242,648 Class A Special Preferred Shares in Miller Environmental Corporation for a total of 4,242,648 Shares.

6. Rent - Miller Environmental Corporation

On March 1, 2008, a rental agreement was entered into with Miller requiring fixed monthly rent payments of $7,500. The agreement was renewed for the period March 1, 2013 to February 28, 2018 with no change to the rent payments.

7. Contingencies

Under the terms of the agreements with Miller, the corporation would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

8. Economic Dependence

The corporation is economically dependent on Miller. The corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

9. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $8,116 ($6,961- 2012). No employee's compensation exceeded $50,000 per year.

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of the Council of the MANITOBA HEALTH RESEARCH COUNCIL

We have audited the accompanying financial statements of **MANITOBA HEALTH RESEARCH COUNCIL**, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statement of operations and fund balances and statement of cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **MANITOBA HEALTH RESEARCH COUNCIL** as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2013

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash and bank	**$ 209,546**	$ 253,321	$ 74,020
Short-term investments (Note 3)	**6,053,319**	6,438,086	6,870,416
Accounts receivable (Note 6)	**17,692**	9,930	9,665
Accrued interest receivable	**36,695**	46,829	32,745
Prepaid expenses	**2,129**	11,629	2,158
Deposits	**500**	500	500
	6,319,881	6,760,295	6,989,504
Capital assets (Note 5)	**31,038**	37,501	14,955
	$ 6,350,919	$ 6,797,796	$ 7,004,459
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities	**$ 52,129**	$ 21,103	$ 46,968
Deferred revenue (Note 4)	**4,823,679**	5,000,000	5,000,000
Research grants payable	**393,195**	289,227	52,263
	5,269,003	5,310,330	5,099,231
Commitments (Note 8)			
Fund Balances			
General Research Fund (Page 4)	**1,081,916**	1,487,466	1,905,228
	$ 6,350,919	$ 6,797,796	$ 7,004,459

Approved on behalf of the Board:

Director

Director

The notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the years ended March 31	2013 General Research Fund	2013 Regional Partnership Fund	2013 Total	2012 General Research Fund	2012 Regional Partnership Fund	2012 Total
Revenue						
Province of Manitoba grants	**$ 5,002,600**	**$ 1,000,000**	**$ 6,002,600**	$ 5,002,600	$ 1,000,000	$ 6,002,600
Regional Health Authorities of Manitoba	**-**	**-**	**-**	50,000	-	50,000
Grants returned/rescinded	**163,759**	**-**	**163,759**	96,305	-	96,305
Investment income	**155,219**	**-**	**155,219**	164,241	-	164,241
	5,321,578	**1,000,000**	**6,321,578**	5,313,146	1,000,000	6,313,146
Add deferred revenue, beginning of year	**5,000,000**	**-**	**5,000,000**	5,000,000	-	5,000,000
Less deferred revenue, end the year	**4,823,679**	**-**	**4,823,679**	5,000,000	-	5,000,000
	5,497,899	**1,000,000**	**6,497,899**	5,313,146	1,000,000	6,313,146
Expenditures						
Administration (Page 12)	**946,859**	**-**	**946,859**	804,193	-	804,193
Personnel awards	**1,466,458**	**32,100**	**1,498,558**	1,512,349	20,188	1,532,537
Research grants	**3,326,566**	**955,145**	**4,281,711**	3,428,687	965,491	4,394,178
MS grants and awards	**176,321**	**-**	**176,321**	-	-	-
	5,916,204	**987,245**	**6,903,449**	5,745,229	985,679	6,730,908
Excess (deficiency) of revenue over expenditures for the year	**(418,305)**	**12,755**	**(405,550)**	(432,083)	14,321	(417,762)
Fund balances, beginning of year	**1,487,466**	**-**	**1,487,466**	1,905,228	-	1,905,228
Transfer Regional Partnership Fund to General Research Fund	**12,755**	**(12,755)**	**-**	14,321	(14,321)	-
Fund balances, end of year (Page 3)	**$ 1,081,916**	**$ -**	**$ 1,081,916**	$ 1,487,466	$ -	$ 1,487,466

The notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the years ended March 31		2013		2012
Cash Flows from Operating Activities				
Deficiency of revenue over expenditures for the year	$	(405,550)	$	(417,762)
Adjustments for				
Amortization of capital assets		6,048		10,432
		(399,502)		(407,330)
Changes in non-cash working capital balances				
Short-term investments		384,767		432,330
Accounts receivable		(7,762)		(265)
Accrued interest receivable		10,134		(14,084)
Prepaid expenses		9,500		(9,471)
Accounts payable and accrued liabilities		31,026		(25,865)
Deferred revenue		(176,321)		-
Research grants payable		103,968		236,964
		(44,190)		212,279
Cash Flows from Investing Activities				
Purchase of capital assets		(1,985)		(32,978)
Lease revenue from computers		2,400		-
		415		(32,978)
Increase (decrease) in cash and cash equivalents during the year		(43,775)		179,301
Cash, beginning of year		253,321		74,020
Cash, end of year	$	209,546	$	253,321

The notes are an integral part of these financial statements.

For the years ended March 31, 2013 and 2012

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

b. Basis of Accounting

The financial statements have been prepared using the Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

c. Revenue Recognition

Grant revenue is reflected in income in the period in which the grant is received or becomes receivable. Interest income is recognized as revenue when earned and is allocated to the General Fund.

d. Fund Accounting

The Manitoba Health Research Council ("MHRC") follows the restricted fund method of accounting for contributions.

The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by the Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.

e. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Office equipment	20% diminishing balance basis
Computer equipment	20% diminishing balance basis
Computer equipment for review committees	33.3% diminishing balance basis

For the years ended March 31, 2013 and 2012

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Cash has been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by Manitoba Health Research Council, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses are not required for these financial statements.

g. Grants and Awards

All grants and awards and their renewals are charged to expenditures when funding is approved by Council.

h. Administrative Expenditures

Administration expenses are allocated 100% to the General Research Fund.

i. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

For the years ended March 31, 2013 and 2012

2. First Time Adoption

Effective April 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for Profit Organizations (PSAB for NPOs). These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies, with the exception of financial instruments, have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012, and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

No exemptions were used at the date of transition to PSAB for NPOs.

The organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards.

Financial Instruments

On April 1, 2012, the Council early adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after January 1, 2012, however, early adoption is permitted. The accounting change did not result in any adjustments. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding its adoption of PSAB for NPOs.

3. Short-term Investments

	2013	2012
Steinbach Credit Union, charity regular savings account, 1.90%, no maturity date.	**$ 6,053,319**	$ 6,339,363
National Bank Financial, Manitoba Savings Bond, 4.65%, matures on June 15, 2012.	**-**	98,723
	$ 6,053,319	$ 6,438,086

The fair value of the short-term investment approximates the carrying value.

For the years ended March 31, 2013 and 2012

4. Accounts Receivable

	2013	2012
Trade receivables	$ **9,122**	$ -
Goods and Services Tax receivable	**8,570**	9,930
	$ **17,692**	$ 9,930

5. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	$ **21,059**	$ **17,007**	$ 21,059	$ 10,285
Computer equipment	**47,824**	**20,838**	45,839	19,112
	$ **68,883**	$ **37,845**	$ 66,898	$ 29,397
Cost less accumulated amortization		$ **31,038**		$ 37,501

6. Deferred Revenue

Deferred revenue of $5,000,000, received from the Province of Manitoba, Department of Health at the end of March 2011, is intended to fund clinical research into whether the chronic cerebrospinal venous insufficiency treatment is a safe, effective treatment for Multiple Sclerosis patients. A research team in Manitoba to undertake clinical trials in partnership with the Canadian Institutes of Health Research will utilize up to $740,000 of this funding. Further use of this funding is being explored. During 2013, $176,321 of these funds were used.

7. Pension Benefits

Employees of the MHRC are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF). Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2012, the MHRC was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2013 was $20,303 (2012 - $-). Under this agreement, the organization has no further pension liability.

For the years ended March 31, 2013 and 2012

8. Commitments

The MHRC has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2014	**$ 2,611,111**	**$ 663,020**	**$ 3,274,131**
2015	**1,190,144**	**248,753**	**1,438,897**
2016	**575,000**	**-**	**575,000**
2017	**325,000**	**-**	**325,000**
	$ 4,701,255	**$ 911,773**	**$ 5,613,028**

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	$ 1,081,916
Future Province of Manitoba grants	4,531,112
	$ 5,613,028

9. Related Party Transactions

The MHRC is related to all Province of Manitoba departments and agencies. During the year, the MHRC had the following transactions with related organizations:

	2013	2012
Grant revenue	**$ 6,002,600**	$ 6,002,600

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Economic Dependence

The MHRC relies almost entirely on grants from the Province of Manitoba.

11. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's Executive Director. The Board of Directors receives quarterly reports from the organization's Executive Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible.

At March 31, 2013, a 1% move in interest rates, with all other variables held constant, could impact the interest revenue of the investments by $60,000 (2012 - $63,000). These changes would be recognized in the statement of operations.

Credit Risk

The organization is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the organization's receivables are from government entities which minimizes the risk of non-collection. The organization also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they fall due. The organization has a planning and budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the years ended March 31	**2013**	2012
Accounting and audit	**$ 5,315**	$ 4,787
Amortization	**6,048**	10,432
Bank charges and interest	**1,190**	1,253
Communications and information technology	**112,095**	37,583
Conferences, meetings and travel	**33,032**	18,921
Consulting and professional fees	**11,353**	17,000
Council and committee expenses	**3,459**	4,502
Delivery	**1,440**	1,411
Insurance	**4,586**	4,529
Marketing	**75,982**	65,196
Office space	**42,372**	51,427
Parking	**2,690**	3,462
Printing, stationery and office supplies	**9,647**	16,206
Repairs and maintenance	**2,850**	5,807
Reviewer's expenses	**19,312**	31,166
Salaries and benefits	**612,005**	515,724
Workshops and training	**3,483**	14,787
	$ 946,859	$ 804,193

MANAGEMENT REPORT

Management of Manitoba Health is responsible to the Minister of Health for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2013 have been prepared in accordance with accounting principles consistent with prior years.
Manitoba Health maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system included written policies and procedures, an internal audit program, and an organizational structure which provides for appropriate delegation and segregation of responsibilities.

The Office of the Auditor General is responsible to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee meets to review audit, financial reporting and related matters.

On behalf of the management,

Original signed by

____
Karen Herd, CA
Deputy Minister of Health

Original signed by

____
Nardia Maharaj,
A/Assistant Deputy Minister and
Chief Financial Officer

Winnipeg, Manitoba
September 18, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the accompanying financial statements of the Manitoba Health Services Insurance Plan, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and accumulated surplus and net debt and cash flow for the years ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Health Services Insurance Plan as at March 31, 2013 and the results of its operations and its cash flow for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 26, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Financial Position
As At March 31, 2013
(in thousands of dollars)

	2013	2012
Financial Assets		
Cash	$ 32,067	$ 55,710
Funds on deposit with the Province of Manitoba	312,792	337,800
Due from:		
Province of Manitoba - vacation pay (Note 5)	121,663	121,663
Province of Manitoba - post employment benefits (Note 5)	128,177	128,177
Other Provinces and Territories	23,261	31,785
Other	15,408	16,981
	633,368	692,116
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	308,099	384,037
Due to:		
Province of Manitoba	75,429	58,239
Province of Manitoba - vacation pay (Note 5)	121,663	121,663
Province of Manitoba - post employment benefits (Note 5)	128,177	128,177
	633,368	692,116
Accumulated Surplus and Net Debt	$ -	$ -

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Operations and Accumulated Surplus and Net Debt
For the Year Ended March 31, 2013
(in thousands of dollars)

	Budget 2013	Actual 2013	Actual 2012
Revenue			
Province of Manitoba - Grants	$ 4,782,405	$ 4,703,871	$ 4,550,889
Inter-provincial reciprocal recoveries - Hospital	65,741	49,291	55,915
Inter-provincial reciprocal recoveries - Medical	15,216	14,971	15,439
Third party recoveries	27,300	25,436	23,707
Miscellaneous	2,000	2,109	2,018
	4,892,662	4,795,678	4,647,968
Expenses			
Health Authorities and Facilities	3,414,213	3,365,971	3,278,694
Medical	1,093,999	1,057,690	996,924
Provincial programs	134,595	127,669	123,127
Pharmacare	249,855	244,348	249,223
	4,892,662	4,795,678	4,647,968
Annual Surplus and Net Debt	-	-	-
Accumulated Surplus and Net Debt, Beginning of Year	-	-	-
Accumulated Surplus and Net Debt, End of Year	$ -	$ -	$ -

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Cash Flow
For the Year Ended March 31, 2013
(in thousands of dollars)

	2013	2012
Operating Activities		
Annual Surplus (Deficit)	$ -	$ -
Changes in Working Capital:		
Due from:		
Province of Manitoba	-	-
Other Provinces and Territories	8,524	(7,064)
Other	1,573	39,416
Accounts Payable and Accrued Liabilities (Note 6)	(75,938)	(112,941)
Due to:		
Province of Manitoba	17,190	36,284
	(48,651)	(44,305)
Financing Activities		
Funds advanced from the Province of Manitoba	-	-
Increase (Decrease) in Cash and Funds on Deposit	(48,651)	(44,305)
Cash and Funds on Deposit with the Province, Beginning of year	393,510	437,815
Cash and Funds on Deposit with the Province, End of year	$ 344,859	$ 393,510
Consists of:		
Cash	32,067	55,710
Funds on Deposit with Province of Manitoba	312,792	337,800
	344,859	393,510

Manitoba Health Services Insurance Plan
Notes to the Financial Statements
For the Year ending March 31, 2013
(amounts in thousands of dollars)

1. Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of *The Health Services Insurance Act*. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

b. Revenue Recognition

Grants from the Province of Manitoba are recognized in the period in which the funds are drawn from Provincial Appropriations.

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Revenue related to reciprocal recoveries is recognized in the period that the services are provided.

Manitoba Health recovers amounts for hospital and medical services provided to individuals who are covered under other insurance plans, primarily Manitoba Public Insurance. Revenue related to third party recoveries is recognized in the period that the services are provided.

All other revenues are recognized at a gross amount on an accrual basis.

c. Financial Instruments

The financial instruments of the Plan consist of cash, funds on deposit, accounts receivable, accounts payable and accrued liabilities, and amounts due to the Province of Manitoba. All of the Plan's financial instruments are carried at cost. Transaction costs related to all financial instruments are expensed as incurred.

Impaired financial assets are written down to their net recoverable value with the write-down being recognized in the statement of operations.

d. Net Debt

Net Debt is equivalent to accumulated surplus as there are no non-financial assets.

e. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include any allowance for doubtful accounts related to accounts receivable, and the estimation of accrued liabilities related to Health Authorities, Medical Service Claims, Pharmacare Claims, and General.

Actual results could differ from these estimates.

f. Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

3. Change in Accounting Policy

Effective April 1, 2012, the Plan adopted the new accounting standards noted below. The adoption of the standards did not have a significant impact on the financial statements.

- PS 2601 Foreign Currency Translation
- PS 3410 Government Transfers
- PS 3450 Financial Instruments

4. Financial Instrument Risk Management

The Plan has exposure to the following risks from its use of financial instruments: credit; interest rate, and liquidity risk. Based on the Plan's small amount of foreign currency denominated assets, a change in exchange rates would not have a material effect on its Statement of Operations. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

a. 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 Plan to credit risk include cash, funds on deposit, and accounts receivable.

Cash and funds on deposit are not exposed to significant credit risk. Cash is held with a large reputable financial institution and funds on deposit are held by the Province of Manitoba.

Accounts receivable are not exposed to significant credit risk. The majority of the amounts are due from the Province of Manitoba and other provinces and territories; both typically pay in full. No allowance for doubtful accounts is required.

b. Liquidity risk

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

The Plan manages liquidity risk by maintaining adequate cash balances and by review from the Department of Health to ensure adequate funding will be received to meet its obligations.

5. Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post employment liabilities.

6. Accounts Payable and Accrued Liabilities

	2013	2012
Health Authorities and Facilities	**$144,895**	$241,631
Medical Service Claims	**131,196**	114,982
Pharmacare Claims	**12,992**	13,103
General	**19,016**	14,321
	$308,099	$384,037

7. Expenditures for Hospital, Medical, and Other Health Services

The following table summarizes cash payments excluding accrual impact during the fiscal year.

Hospital service payments include services that an insured person is entitled under the Plan to receive at any hospital, surgical facility or personal care home without payment except for any authorized charges that he or she may be liable to pay are:

- in-patient services and out-patient services in a hospital and out-patient services in a surgical facility;
- such services in a hospital as may be specified in the regulations as being additional hospital services that an insured person is entitled to receive under the Plan; and
- subject to any special waiting period in respect of personal care prescribed in the regulations, and subject to meeting the admission requirements for the personal care home personal care provided in premises designated as personal care homes.

Medical service payments include all services rendered by a medical practitioner that are medically required but does not include services excepted by the regulations.

Other health service payments include chiropractic, optometric, or midwifery services, or to services provided in hospitals by certified oral surgeons, or to the provision of prosthetic or orthotic devices, or to any or all of those services.

	2013	2012
Hospital Services	**$2,766,160**	$2,761,227
Medical Services	**996,711**	985,080
Other Health Services	**36,688**	35,477

8. Economic Dependence

The Plan is economically dependent on the Province of Manitoba for its funding.

9. Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

10. The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act is included as part of the Annual Report of Manitoba Health.

11. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance as to the reliability and accuracy of the financial information and to ensure that the assets of the Commission are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly, in all material respects.

Larry Huber
Executive Director

Date: June 23, 2013

Rapport de la direction

Les états financiers ci-joints sont la responsabilité de la direction et ont été préparés conformément aux principles comptables canadiens généralement reconnus. À notre avis, les états financiers on été convenablement préparés à l'intérieur des limites de l'importance relative des renseignements, en y incorporant le meilleur jugement de la direction en ce qui a trait aux estimations requises ainsi que toutes autres données disponibles. L'information financière présentée ailleurs dans ce rapport annuel est conforme à ce que l'on retrouve dans les états financiers.

La direction maintient des contrôles internes afin d'assurer, et ce dans la mesure du possible, que l'information financière est precise et fiable et aussi que les actifs de la commission soient bien protégés.

La responsabilité du vérificateur général du Manitoba est d'exprimer une opinion professionelle indépendante à savoir que les états financiers ont été présentés d'une manière équitable dans tous leurs aspects importants.

Larry Huber
Directeur général

Date: le 23 juin 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Commissioners of Manitoba Horse Racing Commission

We have audited the accompanying financial statements of the Manitoba Horse Racing Commission, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operating revenue and expenses and fund balances, and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Basis of Presentation

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes that the Manitoba Horse Racing Commission adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
June 23, 2013
Winnipeg, Manitoba

Manitoba Horse Racing Commission

Statement of Financial Position

As at March 31, 2013

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total As at March 31 2013
ASSETS							
Current							
Cash	110,676	-	-	2,256	847	176,228	**290,007**
Receivable from Province of Manitoba - Pension	10,818	-	-	-	-	-	**10,818**
	121,494	-	-	2,256	847	176,228	**300,825**
Long term investment (Note 4)	264,228	-	-	-	-	-	**264,228**
Capital assets (Note 5)	-	14,975	-	-	-	-	**14,975**
	385,722	**14,975**	**-**	**2,256**	**847**	**176,228**	**580,028**
LIABILITIES AND FUND BALANCES							
Current							
Accounts payable and accrued liabilities	40,287	-	-	2,256	847	176,228	**219,618**
	40,287	-	-	2,256	847	176,228	**219,618**
Provision for employee pension benefits (Note 6)	275,046	-	-	-	-	-	**275,046**
	315,333	-	-	2,256	847	176,228	**494,664**
Fund Balances							
Unrestricted	70,389	-	-	-	-	-	**70,389**
Invested in Capital Assets	-	14,975	-	-	-	-	**14,975**
	70,389	14,975	-	-	-	-	**85,364**
	385,722	**14,975**	**-**	**2,256**	**847**	**176,228**	**580,028**

APPROVED BY THE COMMISSION

Chairman

Comptroller

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission
Statement of Financial Position
As at March 31, 2012

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Total As at March 31 2012
ASSETS							
Current							
Cash	122,156	-	-	2,322	27,787	172,869	**325,134**
Receivable from Province of Manitoba - Pension	13,499	-	-	-	-	-	**13,499**
	135,655	-	-	2,322	27,787	172,869	**338,633**
Long term investment (Note 4)	261,967	-	-	-	-	-	**261,967**
Capital assets (Note 5)	-	18,045	-	-	-	-	**18,045**
	397,622	**18,045**	**-**	**2,322**	**27,787**	**172,869**	**618,645**
LIABILITIES AND FUND BALANCES							
Current							
Accounts payable and accrued liabilities	39,555	-	-	2,322	27,787	172,869	**242,533**
	39,555	-	-	2,322	27,787	172,869	**242,533**
Provision for employee pension benefits (Note 6)	275,466	-	-	-	-	-	**275,466**
	315,021	-	-	2,322	27,787	172,869	**517,999**
Fund Balances							
Unrestricted	82,601	-	-	-	-	-	**82,601**
Invested in Capital Assets	-	18,045	-	-	-	-	**18,045**
	82,601	18,045	-	-	-	-	**100,646**
	397,622	**18,045**	**-**	**2,322**	**27,787**	**172,869**	**618,645**

APPROVED BY THE COMMISSION

Chairman

Comptroller

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission
Statement of Financial Position
As at April 1, 2011

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total As at April 1 2011
ASSETS							
Current							
Cash	72,412	-	-	15,694	8,491	199,091	**295,688**
Accounts receivable	6,000	-	-	-	-	-	**6,000**
Receivable from Province of Manitoba - Pension	10,589	-	-	-	-	-	**10,589**
	89,001	-	-	15,694	8,491	199,091	**312,277**
Long term investment	259,811	-	-	-	-	-	**259,811**
Capital assets	-	10,145	-	-	-	-	**10,145**
	348,812	**10,145**	**-**	**15,694**	**8,491**	**199,091**	**582,233**
LIABILITIES AND FUND BALANCES							
Current							
Accounts payable and accrued liabilities	32,811	-	-	15,694	8,491	199,091	**256,087**
	32,811	-	-	15,694	8,491	199,091	**256,087**
Provision for employee pension benefits	270,400	-	-	-	-	-	**270,400**
	303,211	-	-	15,694	8,491	199,091	**526,487**
Fund Balances							
Unrestricted	45,601	-	-	-	-	-	**45,601**
Invested in Capital Assets	-	10,145	-	-	-	-	**10,145**
	45,601	10,145	-	-	-	-	**55,746**
	348,812	**10,145**	**-**	**15,694**	**8,491**	**199,091**	**582,233**

APPROVED BY THE COMMISSION

Chairman

Comptroller

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission

Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31, 2013

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total Year ended March 31 2013
Revenue							
Fees, licenses and fines (Note 7)	153,307	-	-	-	-	-	**153,307**
Grant revenue	62,500	-	-	387,500	-	-	**450,000**
Interest	2,201	-	-	-	-	-	**2,201**
Pari-mutuel levy	-	-	2,573,760	-	-	-	**2,573,760**
	218,008	-	2,573,760	387,500	-	-	**3,179,268**
Expenses							
General Fund operating expenses (Schedule 1)	486,914	-	-	-	-	-	**486,914**
Overnight purse support thoroughbred	-	-	-	-	1,818,995	-	**1,818,995**
Owners/breeders incentive thoroughbred	-	-	-	-	-	488,708	**488,708**
Quarter Horse support	-	-	-	-	-	-	**-**
Amortization of capital assets	-	3,070	-	-	-	-	**3,070**
Standardbred rural	-	-	-	387,500	-	-	**387,500**
Other expenses	9,363	-	-	-	-	-	**9,363**
	496,277	3,070	-	387,500	1,818,995	488,708	**3,194,550**
Excess (deficiency) of revenue over expenses	(278,269)	(3,070)	2,573,760	-	(1,818,995)	(488,708)	**(15,282)**
Pari-mutuel levy fund transfer	266,057	-	(2,573,760)	-	1,818,995	488,708	**-**
Fund balances, beginning of year	82,601	18,045	-	-	-	-	**100,646**
Fund balances, end of year	70,389	14,975	-	-	-	-	**85,364**

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission

Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31, 2012

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Total Year ended March 31 2012
Revenue							
Fees, licenses and fines (Note 7)	141,088	-	-	-	-	-	**141,088**
Grant revenue	38,000	-	-	487,000	-	-	**525,000**
Interest	959	-	-	-	-	-	**959**
Pari-mutuel levy	-	-	2,579,203	-	-	-	**2,579,203**
Other income	38,048	-	-	-	-	-	**38,048**
	218,095	-	2,579,203	487,000	-	-	**3,284,298**
Expenses							
General Fund operating expenses (Schedule 1)	434,260	-	-	-	-	-	**434,260**
Overnight purse support thoroughbred	-	-	-	-	1,822,911	-	**1,822,911**
Owners/breeders incentive thoroughbred	-	-	-	-	-	491,041	**491,041**
Quarter Horse support	-	-	-	37,500	-	-	**37,500**
Amortization of capital assets	-	3,204	-	-	-	-	**3,204**
Standardbred rural	-	-	-	449,500	-	-	**449,500**
Other expenses	982	-	-	-	-	-	**982**
	435,242	3,204	-	487,000	1,822,911	491,041	**3,239,398**
Excess (deficiency) of revenues over expenses	(217,147)	(3,204)	2,579,203	-	(1,822,911)	(491,041)	**44,900**
Capital asset fund transfer	(11,104)	11,104	-	-	-	-	**-**
Pari-mutuel levy fund transfer	265,251	-	(2,579,203)	-	1,822,911	491,041	**-**
Fund balances, beginning of year	45,601	10,145	-	-	-	-	**55,746**
Fund balances, end of year	82,601	18,045	-	-	-	-	**100,646**

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission
Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012
Cash and cash equivalents provided by (used for) the following activities		
Operating activities:		
Excess (deficiency) of revenues over expenses	**(15,282)**	44,900
Employee pension benefits (Note 6)	**28,423**	28,665
Amortization of capital assets	**3,070**	3,204
	16,211	76,769
Changes in working capital accounts		
Accounts receivable	**-**	6,000
Receivable from Province of Manitoba - Pension	**2,681**	(2,910)
Accounts payable and accrued liabilities	**(22,915)**	(13,554)
Provision for employee pension benefits (Note 6)	**(28,843)**	(23,599)
	(32,866)	42,706
Capital activity:		
Purchase of capital assets	**-**	(11,104)
Investing activity:		
Net change in long-term investment	**(2,261)**	(2,156)
Increase (decrease) in cash resources	**(35,127)**	29,446
Cash resources, beginning of year	**325,134**	295,688
Cash resources, end of year	**290,007**	325,134
Supplementary cash flow information		
Interest received	**2,201**	959

The accompanying notes are an integral part of these financial statements

1. Nature of the operations

Manitoba Horse Racing Commission (the “Organization”) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba. The Commission's sustainability is dependant upon on-going financial resources realized through The Horse Racing Commission Act.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from the Department of Agriculture, Food and Rural Initiatives, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The levy is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Department of Agriculture, Food and Rural Initiatives.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

2. Impact of adopting Canadian public sector accounting standards

These are the Commission's first financial statements prepared in accordance with Canadian public sector accounting standards (PSAS) including the 4200 series of standards. The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 30, 2012, and the opening PSAB balance sheet as at April 1, 2011 (the Commission's date of transition to public sector accounting standards). In preparing these financial statements, the Commission has elected to apply the following transitional provision permitted by PS 2125 First-time Adoption by Government Organizations at the date of transition to PSAS:

Retirement and Post-Employment Benefits

PS 3250 requires a government organization to amortize actuarial gains and losses to the liability or asset and the related expense in a systemic and rational manner over the expected average remaining service life of the employee group. A first-time adopter may elect to recognize all cumulative actuarial gains and losses as of the date of transition to public sector standards directly in net assets.

Reconciliation of Fund Balances and Operating Revenues and Expenses

The Commission's previous financial statements used Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAS resulted in adjustments to the previously reported assets, liabilities, fund balances and excess of expenses over revenues. Details of these changes are as follows.

Statement of Financial Position as at March 31, 2012

	Pre-changeover Canadian GAAP	Transitional adjustment	PSAS
Provision for employee pension benefits	261,609	13,857	275,466
Receivable from Province of Manitoba - Pension	-	13,499	13,499
Unrestricted fund balances	82,959	(358)	82,601

Statement of Operating Revenue and Expenses for the year ended March 31, 2012

General fund operating expenses	433,902	358	434,260
Excess (deficiency) of revenues over expenses	45,258	(358)	44,900

Statement of Cash Flow

The transition to PSAS resulted in the purchase of capital assets previously shown as Investing activity now being shown as a Capital activity. Changes to excess of revenues over expenses for the year-end March 31, 2012 were offset by adjustments to operating activities.

Explanation of Adjustments to PSAS

Prior to transition to PSAS the Commission immediately expensed actuarial gains or losses. Subsequent to transition to PSAS the Commission is required to amortize actuarial gains or losses over the average remaining service life of the employees.

As a result, the actuarial gain of $13,857 as of March 31, 2012 which was previously expensed was reversed and amortization of this amount commenced in 2013 over its average remaining service life. Pension expense for the year ended March 31, 2012 increased by $358 and the Provision for employee pension benefits increased by $13,857. As a result, the receivable from the Province of Manitoba increased by $13,499.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not for profit organizations, including the 4200 series of standards and include the following significant accounting policies:

Fund accounting

The Commission follows the restricted fund method of accounting for contributions, and maintains 6 funds: General Fund, Capital Asset Fund, Pari-Mutuel Levy Fund, Rural Fund, H.B.P.A. Fund, and C.T.H.S. Fund.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission’s share of provisions recorded for unfunded pension liabilities.

Pension costs

Employees of the Commission are pensionable under the Civil Service Superannuation Act. Pension costs consist of the employer’s share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2011. Actuarial gains and losses are amortized over the average remaining service life of employees, commencing in the year following when the actuarial gain or loss arises.

Measurement uncertainty (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 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Fund transfers

i) Capital asset fund transfer

Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer

A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows

Security equipment	10 years
Computer equipment	5 years
Furniture and fixtures	10 - 20 years

Financial instruments

The financial instruments of the Commission consist of cash, accounts receivable, receivable from the Province of Manitoba - Pension, long term investment, and accounts payable and accrued liabilities.

All of the Commission's financial instruments are carried at cost or amortized cost.

If an impairment loss is determined by The Commission and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operating revenue and expenses and fund balances.

4. Long term investment

In 2009 the Province of Manitoba made a payment of the March 31, 2008 receivable balance related to the prior years' funding for the pension liability. This payment has been placed in a trust account (bearing interest at 0.87%, 2012 - 0.82%) maturing April 4, 2013 on behalf of the Commission, and held until the cash is required to discharge the related liabilities. As this is expected to occur in a future year and the amounts are re-invested annually, this amount has been classified as a long term asset.

5. Capital assets

	Cost	Accumulated amortization	2013 Net book value
Security equipment	**13,117**	**4,252**	**8,865**
Computer equipment	**12,300**	**7,286**	**5,014**
Furniture and fixtures	**7,572**	**6,476**	**1,096**
	32,989	**18,014**	**14,975**

	Cost	Accumulated amortization	2012 Net book value
Security equipment	13,117	2,922	10,195
Computer equipment	12,300	6,089	6,211
Furniture and fixtures	7,572	5,933	1,639
	32,989	14,944	18,045

6. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

An actuarial valuation of the employee pension benefit liability as at December 31, 2011 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 6.00% (2012 - 6.50%), 2.00% inflation (2012 – 2.00%), salary rate increases of 3.75% (2012 - 3.75%), discount rate of 6.00% (2012 - 6.00%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2013 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

The average remaining service life of employees is 4.56 years. During 2013 amortization of the net actuarial loss was $3,039.

Provision for employer's share of employees' pension plan:

	2013	2012
Accrued benefit obligation, beginning of the year	**261,609**	270,400
Benefits accrued	**11,211**	9,795
Interest accrued on benefits	**20,251**	18,870
Benefits paid	**(28,843)**	(23,599)
Actuarial loss (gain)	**41,716**	(13,857)
Accrued benefit obligation, end of year	**305,944**	261,609
Unamortized actuarial gain (loss)	**(30,898)**	13,857
Provision, end of year	**275,046**	275,466

***The Commission's pension plan costs consist of the following*:**

	2013	2012
Benefits accrued	**11,211**	9,795
Interest accrued on benefits	**20,251**	18,870
Amortization of actuarial (gain) loss	**(3,039)**	-
Pension cost	**28,423**	28,665

7. Fees, licenses and fines

	2013	2012
Assiniboia Downs		
Daily licenses	**108,840**	91,880
Fees and licenses	**31,242**	36,709
Fines	**12,225**	11,209
	152,307	139,798
Rural Circuit		
Fees and licenses	**1,000**	1,290
	153,307	141,088

8. Financial instruments

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature and the long term investment is reinvested annually.

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 Commission to credit risk consist principally of cash, long tem investment, accounts receivable and receivable from Province of Manitoba - pension.

Cash is not exposed to significant credit risk as cash is held with a large reputable financial institution.

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Accounts receivable is not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

9. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Commission is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Commission enters into transactions with these entities in the normal course of business. These transactions are recorded in the exchange amount.

	2013	2012
Expenses		
Commissioners' per diem and honoraria	**12,498**	11,985
Bad debt expense		700
Drug, alcohol and security	**27,339**	28,772
Employee benefits	**24,518**	25,747
Equipment and office furniture	**2,823**	1,960
Equipment rentals	**2,646**	2,730
Insurance	**2,053**	1,097
Memberships and dues	**10,126**	5,250
Office	**21,829**	8,089
Pension cost	**28,423**	28,665
Professional fees	**21,182**	23,345
Salaries		
Administration	**151,546**	118,068
Security	**8,894**	5,939
Stewards and judges	**90,157**	82,476
Veterinarian services	**52,555**	50,007
Support grant	**11,374**	20,396
Telephone	**8,547**	9,276
Travel	**10,404**	9,758
	486,914	434,260

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Independent Auditor's Report

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the accompanying financial statements of The Manitoba Housing and Renewal Corporation, which comprise of the statement of financial position as at March 31, 2013, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Manitoba Housing and Renewal Corporation as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 30, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Financial Position

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 96,138,540	$ 107,318,656
Accounts receivable (note 4)	26,140,005	23,642,617
Prepaid expenses	12,552,144	8,529,215
Current portion of loans and mortgages receivable (note 5)	7,396,182	7,478,104
	142,226,871	146,968,592
Other long-term receivables (note 4)	10,670,742	10,974,996
Loans and mortgages receivable (note 5)	120,121,980	121,331,605
Land inventory (note 6)	67,422,765	60,099,348
Capital assets (note 8)	412,538,760	288,336,156
	$ 752,981,118	$ 627,710,697
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 70,214,730	$ 63,707,942
Current portion of long-term debt (note 9)	30,836,936	23,005,547
	101,051,666	86,713,489
Long-term debt (note 9)	728,754,307	627,727,155
Other long-term liabilities (note 10)	19,785,195	17,317,557
Deferred revenue (note 11)	17,882,018	10,798,526
Deferred contributions: (note 12)		
Expenses of future periods	9,432,144	9,118,064
Capital assets	15,625,772	16,474,112
Funds held for third party expenses	18,855,695	9,312,620
Housing Development and Rehabilitation Fund	5,763,994	7,070,662
	49,677,605	41,975,458
Net assets:		
Unrestricted	(164,169,673)	(156,821,488)
Commitments (note 25)		
Contingencies (note 24)		
Guarantees (note 26)		
	$ 752,981,118	$ 627,710,697

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Operations

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Revenue:		
Grants from the Province of Manitoba (note 13)	$ 66,219,630	$ 67,046,063
Contributed services (note 14)	2,292,200	2,269,700
Rental revenue (note 15)	73,126,445	74,179,002
Other government contributions (note 16)	63,707,048	86,313,646
Housing Development and Rehabilitation Fund recovery (note 12)	3,362,314	6,091,154
Recoveries related to advance agreement (note 17)	4,300,000	-
Amortization of deferred contributions (note 12)	224,449	339,771
	213,232,086	236,239,336
Interest:		
Loans and mortgages	11,090,661	11,933,067
Bank and other	183,041	241,147
	11,273,702	12,174,214
Sales of land:		
Joint venture (note 7)	(58,595)	79,689
Waverley West (note 12)	46,209,751	40,028,159
Other land holdings	-	9,177,816
	46,151,156	49,285,664
Gain (loss) on disposal of capital assets	2,355,534	(1,495)
Other	929,911	3,178,826
Total revenue	273,942,389	300,876,545
Expenses:		
Housing operations - excluding amortization and interest (note 15)	119,595,206	131,918,356
Housing operations amortization (note 15)	14,762,645	11,711,671
Housing operations interest (note 15)	21,680,701	20,805,657
Rental subsidies (note 18)	36,785,153	37,345,641
Grants and subsidies (note 19)	4,168,687	4,188,964
Interest expense	13,897,559	14,060,417
Administrative services	3,630,400	3,807,800
Provision for loss and write downs	149,134	782,727
Cost of land sales - joint venture (note 7)	(58,595)	79,689
Cost of land sales - Waverley West (note 12)	46,209,751	40,028,159
Cost of land sales - other land holdings	-	812,950
Housing program supports (note 20)	15,728,637	32,271,521
Pension (note 21)	(304,254)	393,376
Expenses related to advance agreement (note 17)	4,300,000	-
Other amortization	29,893	-
Other	715,657	1,013,303
	281,290,574	299,220,231
Excess (deficiency) of revenue over expenses	$ (7,348,185)	$ 1,656,314

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Changes in Net Assets

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Net assets, beginning of year	$ (156,821,488)	$ (158,477,802)
Excess (deficiency) of revenue over expenses	(7,348,185)	1,656,314
Net assets, end of year	$ (164,169,673)	$ (156,821,488)

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (7,348,185)	$ 1,656,314
Non-cash changes in operations:		
Amortization of capital assets	14,762,645	11,711,671
Amortization of other capital assets	29,893	-
Amortization of deferred contributions related to capital assets	(224,449)	(339,771)
Provision for loss and write downs	149,134	782,727
Loss (gain) on disposal of capital assets	(2,355,534)	1,495
Change in non-cash working capital:		
Accounts receivable	(2,497,388)	7,435,958
Prepaid expenses	(4,022,929)	2,390,415
Other long-term receivables	304,254	(393,376)
Land inventory	(7,323,417)	(11,583,199)
Accounts payable and accrued liabilities	6,506,788	6,517,410
Other long-term liabilities	2,467,638	4,549,441
Net increase/(decrease) in deferred revenue	7,083,492	(731,597)
Net increase/(decrease) in deferred contributions related to expenses of future periods	314,080	(36,402,456)
Net decrease in deferred contributions related to Housing Development and Rehabilitation Fund	(1,306,668)	(912,554)
Net increase/(decrease) in deferred contributions related to funds held for third party expenses	9,543,075	(1,388,855)
	16,082,429	(16,706,377)
Capital activities:		
Net increase/(decrease) in deferred contributions related to capital assets	(623,891)	13,561,664
Proceeds from disposal of land	7,974	2,975
Proceeds from disposal of capital assets	2,475,913	-
Purchase of capital assets	(139,123,495)	(110,949,979)
	(137,263,499)	(97,385,340)
Investing activities:		
Additions to loans and mortgages receivable	(10,797,170)	(4,644,230)
Proceeds from repayment of loans and mortgages receivable	11,939,583	8,441,771
	1,142,413	3,797,541
Financing activities:		
Repayment of long-term debt	(210,113,482)	(72,972,948)
Repayment of long-term debt - on retirement	-	(6,806,772)
Proceeds from long-term debt	318,972,023	160,487,351
	108,858,541	80,707,631
Net decrease in cash	(11,180,116)	(29,586,544)
Cash, beginning of year	107,318,656	136,905,200
Cash, end of year	$ 96,138,540	$ 107,318,656

See accompanying notes to financial statements

1. General

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objectives of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;
b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
c) to maintain and improve the condition of existing housing stock; and
d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

MHRC is economically dependent on the Government of the Province of Manitoba.

2. Significant accounting policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian public accounting standards including PS 4200 series for government not-for-profit organizations.

b) Revenue recognition

MHRC follows the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized in the fiscal period during which the service is provided.

Land sales are recognized in the period in which the ownership is transferred, except for the profit component associated with land development revenue. Land development profits are restricted in use by Legislation and therefore revenue recognition is deferred until the profits are used to support eligible expenditures (note 12).

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid trust deposits with the Province of Manitoba that are convertible to cash within three months or less.

d) Financial instruments

Financial instruments are recorded at cost or amortized cost on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost using the effective interest method, unless management has elected to carry a group of financial instruments at fair value in accordance with its risk management or investment strategy. MHRC has not elected to carry any such group of financial instruments at fair value.

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

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

2. Significant accounting policies continued

e) Loans and mortgages receivable

MHRC maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to MHRC's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. MHRC does not provide an additional non-specific, general provision for loan impairment. MHRC's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. MHRC records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, MHRC records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance. Any Federal contributions towards forgivable loans are recorded as revenue as loans are disbursed.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Construction in progress is transferred to the appropriate capital asset category when the project is completed and the asset is placed in service at which time, amortization commences. Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction. Repairs and maintenance costs are charged to expense. Betterments which extend or improve the life of an asset are capitalized. When a capital asset no longer contributes to the MHRC's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	25 and 40 years
Building improvements	15 years
Leasehold improvements	Over the lease term
Computer - major application	15 years
Computer software - other	4 years
Computer system - hardware	4 years
Furniture and equipment	8 years

g) Land inventory

Land under development includes the value of land and all costs directly related to the land improvement. Development costs include but are not limited to site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposition costs. Cost includes the original purchase price and related acquisition costs.

h) Interest in joint ventures

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's pro-rata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

2. Significant accounting policies continued

i) Employee future benefits

MHRC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, severance, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2013, and the next required valuation will be as of March 31, 2014.

Actuarial gains/(losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets, if applicable, for that period. Actuarial gains/(losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains/(losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 12 years (2012 - 14 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Current service contributions for Direct Managed employees are recognized as operating expenses.

j) Contributed services

Under an agreement entered into between MHRC and the Province of Manitoba in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accounts receivable, loans and mortgages receivable, accrued liabilities, and other long-term liabilities. Actual results could differ from those estimates.

3. Cash and cash equivalents

	2013	2012
On deposit with the Minister of Finance:		
Trust deposits	$ 20,476,998	$ 15,802,413
Risk Reserve related to Social Housing Agreement	9,139,017	9,038,532
	29,616,015	24,840,945
Bank	66,514,475	82,469,586
Petty cash	8,050	8,125
	$ 96,138,540	$ 107,318,656

4. Accounts receivable

	2013	2012
Current accounts receivable:		
Canada Mortgage and Housing Corporation	$ 6,692,244	$ 9,017,434
Government of the Province of Manitoba and its agencies	3,471,002	1,727,830
Rent receivables - net of allowance of $6,296,072 (2012 - $6,716,083)	4,233,820	4,186,497
Accrued interest on loans and mortgages receivable	841,500	741,956
City of Winnipeg	218,101	57,771
Other - net of allowance of $590,145 (2012 - $437,568)	10,683,338	7,911,129
	26,140,005	23,642,617
Other long-term receivables		
Government of the Province of Manitoba:		
Pension recoverable (note 21)	9,224,637	9,528,891
Severance benefits (note 22)	1,446,105	1,446,105
	10,670,742	10,974,996
	$ 36,810,747	$ 34,617,613

5. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2013	2012
Federal/Provincial Housing Programs:		
Private Non-Profit Housing	$ 81,649,125	$ 85,225,008
Rural and Native Housing	636,235	841,998
Urban Native Housing	14,888,718	17,500,607
	97,174,078	103,567,613
Market Rental Programs:		
Co-operative HomeStart	7,164,698	7,414,740
Co-operative Index Linked	4,005,166	4,642,074
Manitoba Rural RentalStart	192,246	222,356
Manitoba Senior RentalStart	-	4,197,174
	11,362,110	16,476,344
Other Programs:		
Community Residences	1,791,706	1,946,843
Market Homeowner	-	1,894
Homeowner Rehabilitation	72,090	93,455
Affordable Rental Housing	13,986,668	4,055,081
Other	6,778,804	6,348,570
	22,629,268	12,445,843
	131,165,456	132,489,800
Less - allowance for loan impairment	(3,647,294)	(3,680,091)
Subtotal repayable loans and mortgages receivable	127,518,162	128,809,709
Forgivable loans	216,851,812	204,293,643
	344,369,974	333,103,352
Less - forgivable loans asset valuation allowance	(216,851,812)	(204,293,643)
Loans and mortgages receivable	$ 127,518,162	$ 128,809,709
Current portion of loans and mortgages receivable	$ 7,396,182	$ 7,478,104
Long-term portion of loans and mortgages receivable	120,121,980	121,331,605
Loans and mortgages receivable	$ 127,518,162	$ 128,809,709

Loans and mortgages receivable bear interest at various rates between 0% and 14.25% with maturities at various dates to 2035.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2014	$ 7,396,182
2015	7,298,768
2016	7,718,829
2017	7,971,384
2018	8,150,057
Thereafter	92,630,236
	$ 131,165,456

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2013	2012
Market rental programs	$ 705,810	$ 705,810
Other programs	2,941,484	2,974,281
	$ 3,647,294	$ 3,680,091

6. Land inventory

	2013	2012
Land under development	$ 64,669,195	$ 57,343,945
Future development or sale	2,753,570	2,755,403
	$ 67,422,765	$ 60,099,348

7. Joint venture

MHRC contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba.

Joint venture profits are recorded under deferred revenue - Housing Development and Rehabilitation Fund until such time as the profits are required for expenditures. The amount reduced in 2013 from the sales of land for deferred revenue was $58,595 (2012 - $712,731).

The following is a summary of MHRC's pro rata share at 37.6% of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2013	2012
Current assets:		
Cash	$ 1,741,958	$ 1,608,961
Prepaid expenses	12,870	16,231
Accounts receivable from land sales	203,180	329,766
	1,958,008	1,954,958
Long-term assets:		
Development costs to complete	(72,695)	(88,354)
	$ 1,885,313	$ 1,866,604
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,727	$ 42,613
Net assets	1,882,586	1,823,991
	$ 1,885,313	$ 1,866,604

	2013	2012
Sales of land	$ -	$ 792,420
Cost of land sales - recovery	(50,381)	45,473
Gross margin	50,381	746,947
Expenses	(8,214)	34,216
Excess of revenue over expenses	$ 58,595	$ 712,731

8. Capital assets

	2013	2012
Land	$ 28,251,571	$ 27,758,115
Buildings and improvements	618,139,574	491,665,278
Less - accumulated amortization	(398,653,285)	(384,376,005)
Buildings - net book value	219,486,289	107,289,273
Under construction	162,684,179	152,979,749
Total land and buildings	410,422,039	288,027,137
Other assets	3,609,021	1,748,938
Less - accumulated amortization	(1,492,300)	(1,439,919)
Other assets - net book value	2,116,721	309,019
Net book value	$ 412,538,760	$ 288,336,156

MHRC has capitalized $1,231,671 (2012 - $683,759) of interest during fiscal 2013 to construction in progress.

9. Long-term debt

	2013	2012
Government of the Province of Manitoba:		
Advances, interest only payments until construction is complete, at which point it is converted into long-term advances. The interest rate as at March 31, 2013 was 2.25% (2012 - 2.25%).	$ 268,853,120	$ 270,114,874
Long-term advances, at interest rates from 3.050% to 13.375% maturing at various dates to 2029 and requiring annual principal and interest payments of $48,116,334 (2012 - $41,352,871).	363,716,199	247,009,059
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.675% to 8.0% maturing at various dates to 2030 and requiring annual principal and interest payments of $14,449,688 (2012 - $14,449,688).	126,553,408	133,106,566
Mortgages payable (assumed on property acquisitions), at an interest rate of 10.5% maturing at various dates to 2028 and requiring annual principal and interest payments of $70,819 (2012 - $70,819).	468,516	502,203
	$ 759,591,243	$ 650,732,702
Current portion of long-term debt	$ 30,836,936	$ 23,005,547
Long-term debt	728,754,307	627,727,155
	$ 759,591,243	$ 650,732,702

Principal repayments on the long-term debt, excluding unfixed term advances of $268,853,120, are estimated as follows:

2014	$ 30,836,936
2015	32,430,036
2016	33,696,461
2017	34,788,486
2018	33,915,544
Thereafter	325,070,660
	$ 490,738,123

10. Other long-term liabilities

	2013	2012
Pension liability (note 21)	$ 9,224,637	$ 9,528,891
Severance liability (note 22)	4,112,925	3,674,483
Sick leave liability	727,956	657,241
Other accrued long-term liabilities related to land development	5,719,677	3,456,942
	$ 19,785,195	$ 17,317,557

11. Deferred revenue

	2013	2012
Tenant prepaid rent	$ 2,125,210	$ 2,356,949
Prepaid land lease	40,898	42,435
Lot options - land under development	11,906,860	8,394,701
Deposit for future sales	3,809,050	4,441
	$ 17,882,018	$ 10,798,526

12. Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent restricted funding received under various agreements primarily to mitigate future operating risks.

	2013	2012
Balance, beginning of year	$ 9,118,064	$ 45,520,520
Adjustment to third party equity accounts	13,040	(14,851)
Amount reclassified from accounts payable and accrued liabilities	5,705	56,407
Amount reclassified to deferred contributions - capital assets	-	(12,833,995)
Amount reclassified to funds held for third party expenses	-	(53,777)
Amount recognized as revenue in the year	-	(23,556,240)
Amount recovered from loans and mortgages receivable	295,335	-
Balance, end of year	$ 9,432,144	$ 9,118,064

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the construction and rehabilitation of capital assets.

	2013	2012
Balance, beginning of year	$ 16,474,112	$ 3,252,219
Contributions received	50,001	-
Amount reclassified from deferred contributions - expenses of future periods	-	12,833,995
Amount reclassified from funds held for third party expenses	53,777	-
Amount reclassified from/(to) funds held for third party expenses	(727,669)	727,669
Amount amortized to revenue in the year	(224,449)	(339,771)
Balance, end of year	$ 15,625,772	$ 16,474,112

12. Deferred contributions continued

c) Funds held for third party expenses

Deferred contributions related to funds held for third party expenses represents restricted funding received under two agreements with the Federal government. They consist of the Investment in Affordable Housing (IAH) and Affordable Housing Initiative (AHI) agreements. The balances as of March 31, 2013 for IAH was $15,256,374 (2012 - $758,906) and AHI was $3,599,321 (2012 - $8,553,714).

	2013	2012
Balance, beginning of year	$ 9,312,620	$ 10,701,475
Contributions received	17,883,648	5,881,524
Interest earned	120,774	86,386
Amount reclassified from/(to) deferred contributions - capital assets	727,669	(727,669)
Amount reclassified from/(to) deferred contributions - expenses of future periods	(53,777)	53,777
Commitment paid	(9,135,239)	(6,682,873)
Balance, end of year	$ 18,855,695	$ 9,312,620

d) Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by MHRC in respect of land owned or developed by it or by a partnership or joint venture in which MHRC is or was a participant. The gross proceeds from land development was $48,077,250 (2012 - $45,221,320) and the cost of land sales was $46,151,156 (2012 - $40,107,848) during the year ended March 31, 2013. Interest earned on the amounts is to be credited to the fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which MHRC realized profits, including the development of new housing or the rehabilitation of existing housing.

All costs allocated to the portions of land sold in a land development project are deducted from the gross proceeds realized from sale of those portions of land in order to determine land development profits. MHRC uses the net yield method to allocate costs to the individual portions which are sold as part of a land development project. Common costs for the development project are allocated to portions which are sold based on acreage, and the cost allocation includes both an allocation of actual land development costs incurred as well as an allocation of costs which are required to complete those portions of the land which are reported as sold.

	2013	2012
Balance, beginning of year	$ 7,070,662	$ 7,983,216
Land development profits	1,926,094	5,113,472
Interest earned	129,552	65,128
Current year disbursements	(3,362,314)	(6,091,154)
Balance, end of year	$ 5,763,994	$ 7,070,662

13. Grants from the Province of Manitoba

	2013	2012
Department of Housing and Community Development:		
MHRC operating programs	$ 49,399,222	$ 49,983,910
MHRC administration	14,069,778	13,601,090
Grants and subsidies	2,886,828	2,867,928
	66,355,828	66,452,928
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	168,056	199,759
Pension recovery (note 21)	(304,254)	393,376
	(136,198)	593,135
	$ 66,219,630	$ 67,046,063

14. Contributed services

	2013	2012
Administrative services provided by Departments of the Province of Manitoba were allocated as follows:		
Included in Statement of Operations, administrative services	$ 785,600	$ 940,500
Included in administrative expenses in note 15, direct managed housing operations	1,134,400	896,200
Included in administrative expenses in note 15, sponsor managed housing operations	29,600	24,600
Included in rental subsidies, note 18	185,200	228,600
Included in Statement of Operations, housing program supports, note 20	157,400	179,800
	$ 2,292,200	$ 2,269,700

15. Housing operations

The management and operation of all MHRC owned social housing projects are direct managed and sponsor managed. The operating results are as follows:

	2013			2012		
	Direct Managed	Sponsor Managed	Total	Direct Managed	Sponsor Managed	Total
Revenue						
Rental revenue	$ 57,175,527	$ 15,950,918	$ 73,126,445	$ 57,016,226	$ 17,162,776	$ 74,179,002
Expenses						
Administrative (note 14)	34,406,786	3,150,985	37,557,771	30,726,562	3,315,748	34,042,310
Property operating	51,374,751	15,059,140	66,433,891	65,029,504	19,167,774	84,197,278
Grants in lieu of taxes	13,278,732	2,324,812	15,603,544	11,219,937	2,458,831	13,678,768
Amortization	12,639,648	2,122,997	14,762,645	9,004,360	2,707,311	11,711,671
Interest	18,371,098	3,309,603	21,680,701	17,419,243	3,386,414	20,805,657
	130,071,015	25,967,537	156,038,552	133,399,606	31,036,078	164,435,684
Operating loss	$ 72,895,488	$ 10,016,619	$ 82,912,107	$ 76,383,380	$ 13,873,302	$ 90,256,682

16. Other government contributions

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031.

	2013	2012
Federal contributions	$ 63,431,498	$ 86,149,168
Municipal contributions	275,550	164,478
	$ 63,707,048	$ 86,313,646

17. Advance agreement

In December 2012, MHRC along with the Province of Manitoba entered into an advance agreement with Little Saskatchewan First Nation to transfer 34 homes to the First Nation and provide up to $4,300,000 in site relocation costs to be used for the purposes of paying the costs of preparation, transportation and reinstallation of the homes and other site settlement costs. As a condition of the agreement, the Federal government agreed to pay 50% of the costs associated with 1) the costs of the homes and 2) the site relocation costs, with the Province assuming responsibility for the remaining 50%. As of March 31, 2013, there was no expense or recovery recorded in the financial statements for the cost of the homes as the transfer of the homes did not occur in fiscal 2013.

As of March 31, 2013, MHRC has transferred $4,300,000 for site relocation costs to the First Nation's trustee to be used to discharge site settlement costs and has reflected this as an expense in the Statement of Operations. MHRC has recognized the recovery for both the Provincial and Federal portions of these costs as revenue and receivable in the financial statements.

18. Rental subsidies

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. The net rental subsidies required by these organizations are as follows:

	2013	2012
Not-for-Profit Housing	$ 26,487,296	$ 27,480,957
Co-operative Housing	4,153,989	4,141,299
Private Landlords	6,143,868	5,723,385
	$ 36,785,153	$ 37,345,641

19. Grants and subsidies

	2013	2012
Portable Housing Benefit	$ 1,655,328	$ 1,533,441
Emergency Shelter Assistance	1,231,500	1,334,488
School Tax Assistance for Tenants 55 Plus	168,056	199,759
Elderly & Infirm Persons Housing	145,099	181,315
Co-op HomeStart	85,848	72,689
Homeless Strategy	882,856	867,272
	$ 4,168,687	$ 4,188,964

20. Housing program supports

	2013	2012
Forgivable loans (note 5)	$ 12,863,691	$ 29,533,915
Administration and delivery agent fees	2,864,946	2,737,606
	$ 15,728,637	$ 32,271,521

21. Pension obligations

Employees of MHRC and Direct Managed employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHRC to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by Direct Managed employees at this time. Pension expense recorded for Direct Managed employees for the year ended March 31, 2013 was $1,172,949 (2012 - $993,422).

MHRC has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. This liability consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation each year based on data provided by MHRC with the balances for the intervening year being estimated by a formula provided by the actuary. The most recent valuation was completed at March 31, 2013.

	2013	2012
Balance at beginning of year	$ 9,528,891	$ 9,135,515
Experience (gain)/loss	(317,640)	(274,065)
Benefits accrued	1,135,744	799,204
Interest accrued on benefits	600,303	596,126
Benefits paid/retired and terminations released	(1,722,661)	(727,889)
Balance at end of year	$ 9,224,637	$ 9,528,891

The above liability is in respect of active employees only and does not reflect any liability with respect to retired or former employees. The key actuarial assumptions were a rate of return of 6.0% (2012 - 6.0%), 2.0% inflation (2012 - 2.0%), general salary rate increases of 2.75%, excluding the 1.0% service and merit increases (2012 - 2.75%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been calculated as at March 31, 2013 by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore, MHRC has recorded a receivable from the Provincial of Manitoba equal to the estimated value of its actuarially determined pension liability of $9,224,637 as of March 31, 2013 (2012 - $9,528,891) and has recorded a decrease in revenue for fiscal 2013 equal to the related pension expense decrease of $304,254 (2012 - $393,376 increase). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

22. Severance

a) Severance pay liability

Effective April 1, 1998, MHRC commenced recording the estimated liability for accumulated severance pay benefits for its Direct Managed employees. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from MHRC.

An actuarial report was completed for the severance pay liability as at March 31, 2013. MHRC's actuarially determined liability relating to the Direct Managed employees as at March 31, 2013 was $2,895,595 (2012 - $2,438,148). The report provides a formula to update the liability on an annual basis.

MHRC recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba.

An actuarial report was completed for the severance pay liability as at March 31, 2013. MHRC's actuarially determined liability relating to the former Department of Family Services and Housing employees as at March 31, 2013 was $1,217,330 (2012 - $1,236,335). The report provides a formula to update the liability on an annual basis.

The key actuarial assumptions were a rate of return of 6.0% (2012 - 6.0%), 2.0% inflation (2012 - 2.0%), and general salary rate increases of 2.75%, excluding the 1.0% service and merit increases (2012 - 2.75%). The projected benefit method was used and the liability has been calculated as at March 31, 2013 by the actuary.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by MHRC's employees. Accordingly, MHRC recorded effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of $569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

23. Financial instruments and financial risk management

Financial instruments comprise the majority of MHRC assets and liabilities. MHRC risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by MHRC.

MHRC is exposed to credit, interest, and liquidity risks in respect of its use of financial instruments.

a) 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. The financial instruments that potentially subject MHRC to credit risk consist principally of accounts receivable, loans and mortgages receivable and guarantees on loans. MHRC's deposits are held by the Province of Manitoba who guarantees the associated payments of principal and interest.

MHRC's maximum possible exposure to credit risk is as follows:

	2013	2012
On deposit with the Minister of Finance (note 3)	$ 29,616,015	$ 24,840,945
Accounts receivable (note 4)	36,810,747	34,617,613
Loans and mortgage receivable (note 5)	127,518,162	128,809,709
Loan guarantees (note 26)	9,605,948	14,292,198
	$ 203,550,872	$ 202,560,465

MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on MHRC's estimates and assumptions regarding customer analysis, historical payment trends and statutes of limitations. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

	2013	2012
Balance, beginning of the year	$ 7,153,651	$ 6,474,898
Provision for receivable impairment	711,131	980,018
Amounts written off	(978,565)	(301,265)
Balance, end of the year	$ 6,886,217	$ 7,153,651

As at March 31, 2013, $4,501,960 (2012 - $4,571,944) of accounts receivable and $200,322 (2012 - $100,606) of loans and mortgages receivable were past due, but not impaired.

On deposit with the Minister of Finance

MHRC is not exposed to significant credit risk as its investments are held by the Province of Manitoba and the Province of Manitoba guarantees the associated payments of principal and interest.

Accounts receivable

The accounts receivable partially consists of $6,692,244 (2012 - $9,017,434) due from Canada Mortgage and Housing Corporation and $14,141,744 (2012 - $12,702,826) from the Province of Manitoba.

Loans and mortgage receivable

Impairment provisions are provided for losses that have been estimated as of the Statement of Financial Position date. Management of credit risk is an integral part of MHRC's activities with careful monitoring and appropriate remedial actions being taken.

23. Financial instruments and financial risk management continued

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to on deposit with the Minister of Finance, loans and mortgages receivable, and long-term debt.

On deposit with the Minister of Finance

MHRC's cash equivalents on deposit with the Minister of Finance consists mainly of short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments.

Loans and mortgage receivable/loans from the Province of Manitoba

MHRC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at reasonable percentage above the associated borrowing rate. For long-term advances that have fixed interest rates for the full term of the advance and MHRC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MHRC does not incur significant interest rate risk. However, some interest rate risk may result due to MHRC's lending policy of allowing prepayment of loans without penalty, given that MHRC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MHRC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

In addition, MHRC's advance from the Province of Manitoba have variable interest rates which expose MHRC to cash flow interest rate risk. At March 31, 2013, had prevailing interest rates increased or decreased by 1%, the estimated impact on interest expense would be approximately $2,688,531 (2012 - $2,701,149).

c) Liquidity risk

Liquidity risk relates to MHRC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MHRC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MHRC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

24. Contingencies

MHRC is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of MHRC. Any settlement will be recognized in the year the settlement occurs.

25. Commitments

MHRC has the following commitments as at March 31, 2013:

Capital assets:

a)	Housing project enhancements and new construction	$ 163,029,362
b)	Third party repair, renovation and new construction	$ 17,920,828

Public housing operations:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2014	$ 80,756,000
2015	94,217,800
2016	102,879,700
2017	111,594,800
2018	116,813,400

26. Guarantees

MHRC has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The total authorized for MHRC is $20,000,000. The outstanding guarantees are as follows:

	2013	2012
Waverley West Letters of Credit	$ 9,517,096	$ 9,690,746
River Point Centre	35,400	-
Oddy at Westland Letter of Credit	31,200	31,200
Mobile Home Loan Guarantee Program	22,252	22,252
Joint Venture Investment Guarantee (note 7)	-	2,400,000
Bridgepark Loan Guarantee	-	2,148,000
	$ 9,605,948	$ 14,292,198

27. Related party transactions

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

28. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **THE MANITOBA OPPORTUNITIES FUND LTD.** and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 27, 2013.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **THE MANITOBA OPPORTUNITIES FUND LTD.** are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
THE MANITOBA OPPORTUNITIES FUND LTD.

Jim Kilgour, General Manager

June 27, 2013

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of THE MANITOBA OPPORTUNITIES FUND LTD.

We have audited the accompanying financial statements of **THE MANITOBA OPPORTUNITIES FUND LTD.**, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, changes in net financial assets (debt), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE MANITOBA OPPORTUNITIES FUND LTD.** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 27, 2013

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Financial Position

March 31	2013	2012
Financial Assets		
Cash equivalents (Note 4)	**$ 1,441,927**	$ 4,892,289
Portfolio investments (Note 5)	**277,315,821**	296,805,999
Accrued interest receivable	**106,209**	111,350
	278,863,957	301,809,638
Liabilities		
Accounts payable and accrued liabilities	**765,500**	2,974,500
Borrowings (Note 6)	**275,214,333**	299,247,472
	275,979,833	302,221,972
Net financial assets (debt)	**2,884,124**	(412,334)
Non-financial Assets		
Deferred charges	**8,342,972**	10,177,214
Prepaid expenses	**84,981**	-
Accumulated surplus	**$ 11,312,077**	$ 9,764,880

Approved on behalf of the Board:

Director

Director

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

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Operations and Accumulated Surplus

For the year ended March 31	2013 Budget	2013 Actual	2012 Actual
Investment income	**$ 7,657,100**	**$ 7,964,182**	$ 8,433,245
Expenses			
Amortization of deferred charges	**4,047,500**	**4,049,205**	3,965,699
Program administration	**110,800**	**64,780**	124,506
	4,158,300	**4,113,985**	4,090,205
Operating income for the year	**3,498,800**	**3,850,197**	4,343,040
Growing Through Immigration Strategy Support and Economic Development (Note 7)	**3,000,000**	**2,303,000**	2,969,900
Annual surplus	**498,800**	**1,547,197**	1,373,140
Accumulated surplus, beginning of year	**9,764,880**	**9,764,880**	8,391,740
Accumulated surplus, end of year	**$ 10,263,680**	**$ 11,312,077**	$ 9,764,880

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

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31	2013	2012
Annual surplus	**$ 1,547,197**	$ 1,373,140
Deferred Charges		
Additions of deferred charges	**(2,120,861)**	(3,456,433)
Amortization of deferred charges	**3,955,103**	3,871,339
Increase in prepaid expenses	**(84,981)**	-
	1,749,261	414,906
Decrease in net financial debt	**3,296,458**	1,788,046
Net financial debt, beginning of year	**(412,334)**	(2,200,380)
Net financial assets (debt), end of year	**$ 2,884,124**	$ (412,334)

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

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash provided by (applied to):		
Operating		
Annual surplus	**$ 1,547,197**	$ 1,373,140
Amortization of deferred charges	**3,955,103**	3,871,339
Increase in present value of portfolio investments	**(7,362,898)**	(7,818,092)
	(1,860,598)	(2,573,613)
Changes in:		
Accrued interest receivable	**5,141**	(550)
Accounts payable and accrued liabilities	**(2,209,000)**	1,035,910
Prepaid expenses	**(84,981)**	-
Cash applied to operating activities	**(4,149,438)**	(1,538,253)
Investing		
Purchase of portfolio investments	**(31,464,769)**	(49,781,095)
Redemption of portfolio investments	**58,130,641**	22,753,284
Cash provided by (applied to) investing activities	**26,665,872**	(27,027,811)
Financing		
Repayment of borrowings	**(49,732,968)**	(22,753,284)
Advances on borrowings	**23,766,172**	51,402,167
Cash provided by (applied to) financing activities	**(25,966,796)**	28,648,883
Increase (decrease) in cash equivalents during the year	**(3,450,362)**	82,819
Cash equivalents, beginning of year	**4,892,289**	4,809,470
Cash equivalents, end of year	**$ 1,441,927**	$ 4,892,289

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

1. Nature of Operations and Economic Dependence

The Manitoba Opportunities Fund Ltd. (the "organization") was incorporated under the laws of Manitoba on April 3, 2003. The organization was formed due to the requirements of the Fund Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Immigrant Investor Program. The Minister of Finance holds the one class A common share issued as a designated representative of Her Majesty the Queen in right of the Province of Manitoba with a value of $Nil. The organization considers itself to be an Other Government Organization as defined by the PSAB of the CICA.

The objective of the organization is to hold and invest the Provincial allocation of immigrant's investments made through the Federal Department of Citizenship and Immigration Canada's ("CIC") Immigrant Investor Program. The Federal Immigrant Investor Program ("FIIP") seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. CIC has made changes to the FIIP in 2010. Effective December 1, 2010, applicants must meet a minimum Personal Net Worth requirement of $1.6 million, and make an investment deposit of $800,000. The funds invested are distributed among participating Provinces. After five years, the organization returns the Provincial allocation, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the organization repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the organization invests the Provincial allocation funds for a period of five years and uses the interest income generated on the funds to create jobs and help the Manitoba economy grow.

The organization is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the borrowings payable to the Federal Government.

2. Basis of Accounting

The organization's financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

3. Summary of Significant Account Policies

a) Revenue Recognition

Interest revenue on temporary investments is recorded on an accrual basis. Investment income on portfolio investments is determined by the difference in the present value of the term note and the cost of the term note.

b) Expenses

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

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

c) Contributed Services

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

d) Deferred Charges

Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.

e) Cash equivalents

Cash equivalents includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

f) Portfolio Investments

Portfolio investments are recorded at cost which represents the discounted value of the term notes. Over time, the value of the portfolio investments increase equal to the effective interest rates on the term notes. The increase in the present value of the portfolio investments during the year is recorded as an increase in the portfolio investments and as investment income.

g) Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of the assets or other form settlement. Liabilities are recorded at the estimated amount ultimately payable.

3. Summary of Significant Account Policies (continued)

h) Use of Estimates

The preparation of financial statements in accordance with Public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

4. Cash Equivalents

The cash equivalents consist of 30 - 90 day deposit certificates held by the Province of Manitoba.

5. Portfolio Investments

The portfolio investments are made up of several 5-year zero coupon term notes which Manitoba Opportunities Fund Ltd. purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from April 2013 to March 2018. The effective interest rates range from 1.55% to 3.43% payable at the end of the 5-year term.

The discount on the bonds are amortized over the 5-year term. The present value of the bond less the face value is recorded each year as investment income.

6. Borrowings

The borrowings represents the Provincial allocation of immigrant's investments repayable to the Federal Government five years after the Federal Government has distributed these funds to the Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being distributed to the Manitoba Opportunities Fund Ltd.

Principal repayments for the next five years are as follows:

2014	$ 58,335,840
2015	61,400,323
2016	66,448,481
2017	54,799,628
2018	34,230,061
	$ 275,214,333

7. Growing Through Immigration Strategy Support and Economic Development

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

	2013	2012
Immigration and Multiculturalism	**$ 570,000**	$ 1,593,000
Entrepreneurship, Training and Trade	**1,733,000**	1,376,900
	$ 2,303,000	$ 2,969,900

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Manitoba Trade and Investment Corporation and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 26, 2013.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Trade and Investment Corporation are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Don Callis, President and Chief Executive Officer
June 26, 2013

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the accompanying financial statements of Manitoba Trade and Investment Corporation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in net assets, and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Trade and Investment Corporation as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 26, 2013

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash and bank	**$**	**421,835**	$	140,441	$	384,140
Investment (Note 2)		**500,000**		500,000		500,000
Accounts receivable		**79,879**		252,380		21,488
	$	**1,001,714**	$	892,821	$	905,628
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued liabilities	**$**	**8,082**	$	8,248	$	7,895
Deferred revenue (Note 3)		**4,500**		7,697		41,149
Operating advance payable (Note 4)		**500,000**		500,000		500,000
		512,582		515,945		549,044
Net Assets						
Unrestricted		**489,132**		376,876		356,584
	$	**1,001,714**	$	892,821	$	905,628

Approved by:

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

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Operations and Changes in Net Assets

For the year ended March 31	2013	2012
Revenue		
Participation fees	$ 531,891	$ 312,826
Interest	5,470	6,250
	537,361	319,076
Expenses		
Professional fees	7,792	8,287
Program	417,313	290,497
	425,105	298,784
Excess of revenue over expenses for the year	112,256	20,292
Net assets, beginning of year	376,876	356,584
Net assets, end of year	$ 489,132	$ 376,876

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

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	$ 112,256	$ 20,292
Changes in non-cash working capital		
Accounts receivable	172,501	(230,892)
Accounts payable and accrued liabilities	(166)	353
Deferred revenue	(3,197)	(33,452)
	281,394	(243,699)
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
Cash Flows from Capital Activities	-	-
Net increase (decrease) in cash and bank	281,394	(243,699)
Cash and bank, beginning of year	140,441	384,140
Cash and bank, end of year	$ 421,835	$ 140,441

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

1. Nature of the Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of the Legislature in 1974. The objectives of the Corporation, as set out in the Act, are to:

- encourage, promote, develop and increase Manitoba exports and trade;
- promote investment in Manitoba; and
- promote international business opportunities for Manitoba businesses and assist Manitoba businesses in promoting those business opportunities.

The Corporation is economically dependent on the Province of Manitoba as all project deficits incurred by the Corporation are recovered from the Province.

(b) Basis of Accounting

The financial statements of the Corporation have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(c) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Participation fees are recognized as revenue in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

(d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

2. Investment

Funds available for investment are invested with the Province of Manitoba. A term deposit for the principal amount of $500,000 will mature on March 31, 2014 with an interest rate of 1.06%.

3. Deferred Revenue

Deferred revenue represents fees received in advance of event days for specific trade projects. Changes in the deferred balance are as follows:

	2013	2012
Balance, beginning of year	**$ 7,697**	$ 41,149
Less amounts recognized as revenue in the year	**7,697**	41,149
Add amounts received during the year and deferred at year end	**4,500**	7,697
Balance, end of year	**$ 4,500**	$ 7,697

4. Operating Advance Payable

The Corporation has $500,000 in non-interest bearing working capital advance from the Province of Manitoba. The advances are payable on demand.

5. Contributed Services

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

6. Related Party Transactions

The Corporation is related in terms of common ownership to all departments, Crown organizations and government enterprises created by the Province of Manitoba. The Corporation enters into transactions with these entities in the normal course of business. The Corporation records these transactions at the exchange amount which is the amount agreed upon by both parties.

During the year, the Corporation received interest revenue in the amount of $5,470 from funds invested with the Province of Manitoba.

7. Financial Instrument Risk Management

The Corporation is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Corporation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Corporation's activities.

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 Corporation to credit risk consist principally of cash and bank, accounts receivable and investment. In case of an outstanding payment the Trade Officer responsible for the project deals directly with the company representative. Companies participation in future trade shows and Manitoba Trade and Investment events are suspended until payment is made.

All the outstanding accounts are reviewed by the Board of Directors (Board) during each Board meeting. The Board is notified if there is any issue that arise due to a payment not being received. In case of an issue arising due to the non-collection of a payment, it is brought to the attention of the Board and they will discuss and recommend the next course of action.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the Corporation's management of working capital. The Corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is not exposed to significant interest rate risk as its cash and investment are held in short-term or variable rate products. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency. The Corporation is not exposed to other price risk since it does not hold any financial instruments traded on a market.

8. Public Sector Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Corporation's Board members and of individual compensation paid to Board members or staff, where such compensation is $50,000 or more per year.

During the current and prior year, there was no compensation paid to Board members. The Corporation no longer has employees as of January 19, 2008.

9. First-time Adoption

Effective April 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations (PSAB for NPOs). These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1, with the exception of financial instruments, have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011. As described below, the accounting policies for financial instruments have only been applied in preparing the financial statements for the year ended March 31, 2013.

No exemptions were used at the date of transition to PSAB for NPOs.

The Corporation issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Corporation.

Financial Instruments

On April 1, 2012, the Corporation adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after January 1, 2012. The accounting change did not result in any adjustments. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the Corporation immediately preceding its adoption of PSAB for NPOs.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

David Shwaluk, P.Eng.
A/General Manager

C. Brigden
Chief Financial Officer

July 24, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the accompanying financial statements of Manitoba Water Services Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Water Services Board as at March 31, 2013, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 24, 2013
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE MANITOBA WATER SERVICES BOARD

Statement of Financial Position

As at March 31, 2013

		March 31, 2013		March 31, 2012
Financial assets				
Cash	$	-	$	2,214,663
Accounts Receivable		3,380,439		4,250,527
Accrued Interest		4,172		3,074
		3,384,611		6,468,264
Liabilities				
Bank Indebtedness (note 15)		563,774		
Accounts payable and accrued charges		3,597,957		6,205,561
Advances from The Province of Manitoba payable on demand (note 13)		4,500,000		7,800,000
		8,661,731		14,005,561
Net Debt		(5,277,120)		(7,537,297)
Non-financial assets				
Construction in progress (note 4)		4,707,276		7,888,321
Tangible capital assets (note 5)		10,494		10,494
Prepaid supplies		77,552		62,770
		4,795,322		7,961,585
Accumulated surplus (deficit) (note 6)	$	(481,798)	$	424,288

Commitments (note 9)
Contingencies (note 10)

See accompanying notes to financial statements.

On behalf of Board:

______________________ Chair

THE MANITOBA WATER SERVICES BOARD

Statement of Operations

For the year ended March 31, 2013

	Budget (note 14)	2013	2012
Revenues:			
Sale of Water	$ 4,026,000	$ 3,850,141	$ 3,940,076
Administrative expenses paid by the Province of Manitoba (note 8)	2,661,000	2,463,129	2,263,000
Interest	3,000	4,038	1,304
	6,690,000	6,317,308	6,204,380
Expenses:			
Direct expenses for water supply plants:			
Interest expense	160,000	172,554	192,000
Interest allocated to new construction	(250,000)	(204,081)	(267,941)
	(90,000)	(31,527)	(75,941)
Chemicals	314,822	317,228	316,784
Heat, telephone, light and power	749,712	852,274	780,340
Professional services	633,500	628,729	745,062
Salaries and benefits	715,509	1,035,342	806,952
Repairs and maintenance	746,187	474,156	717,203
Administrative (note 8)	2,661,000	2,463,129	2,263,000
	5,730,730	5,739,331	5,553,400
Annual surplus	959,270	577,977	650,980
Accumulated surplus, beginning of year	424,288	424,288	56,396
Disposition of surplus (note 6)	(1,375,000)	(1,484,063)	(283,088)
Accumulated surplus, (deficit) end of year	$ 8,558	$ (481,798)	$ 424,288

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statement of Change in Net Debt

For the year ended March 31, 2013

	Budget (note 14)	2013	2012
Annual Surplus	$ 959,270	$ 577,977	$ 650,980
New construction costs	(45,100,000)	(30,040,049)	(48,619,630)
Funds recovered from:			
Province of Manitoba	10,813,000	10,547,777	10,634,908
Municipalities	34,287,000	22,673,317	37,415,937
	-	3,181,045	(568,785)
Decrease (increase) in prepaid supplies	1,000	(14,782)	4,537
Disposition of surplus	(1,375,000)	(1,484,063)	(283,088)
Increase in net debt	(414,730)	2,260,177	(196,356)
Net debt, beginning of year	(7,537,297)	(7,537,297)	(7,340,941)
Net debt, end of year	$ (7,952,027)	$ (5,277,120)	$ (7,537,297)

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 577,977	$ 650,980
Change in non-cash operating working capital:		
Accounts receivable	870,088	6,166,777
Prepaid supplies	(14,782)	4,537
Accounts payable and accrued charges	(2,607,604)	(1,623,825)
Accrued Interest	(1,098)	(1,304)
Cash provided by (used in) operating activities	(1,175,419)	5,197,165
Financing activities:		
Advances received	5,100,000	8,800,000
Advances repaid	(8,400,000)	(11,900,000)
Cash provided by (used in) financing activities	(3,300,000)	(3,100,000)
Capital activities:		
New construction costs	(30,040,049)	(48,619,630)
Funding recovered from:		
Province of Manitoba	10,547,777	10,634,908
Municipalities	22,673,317	37,415,937
Increase in construction in progress	3,181,045	(568,785)
Net plant surplus transferred to municipalities	(1,484,063)	(283,088)
Cash used in capital activities	1,696,982	(851,873)
Increase (decrease) in cash	(2,778,437)	1,245,292
Cash, beginning of year	2,214,663	969,371
Cash, end of year	$ (563,774)	$ 2,214,663

Supplementary Financial Information

Interest paid $172,554 ($192,000)
Interest received $204,081 ($267,941)

1. Nature of operations:

The Manitoba Water Services Board (the Board) was established in July 1972 under The *Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board assists municipalities with the development of sustainable water and wastewater works, including; water supply, treatment, storage and distribution; collection and treatment of sewage; the disposal of treated effluent and waste sludge in an environmentally sustainable manner and the provision of drought resistant, safe water supplies to rural residents for domestic and livestock needs.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared using Canadian public sector accounting standards established by the Public Sector Accounting Board.

(b) Tangible capital assets and construction in progress:

Tangible capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Asset	Term
Plants constructed prior to January 1, 1972:	
Equipment	18 years
Buildings	35 years
Plants constructed after January 1, 1972:	
Equipment	20 years
Buildings	20 years

Tangible capital assets which are constructed by the Board are recorded as construction in progress until the capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the construction in progress amounts.

2. Significant accounting policies (continued):

(c) Revenue recognition:

Revenue from the sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba:

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(e) Pension costs and obligations:

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and tangible capital assets. Actual results could differ from those estimates.

3. Financial instruments and financial risk management:

The Manitoba Water Services Board adopted PS 3450 Financial Instruments and PS 1201 Financial Statements Presentation for the year ended March 31, 2013. There was no impact from this adoption.

(a) Classification and measurement of financial instruments:

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

The Board records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and accrued interest. The Board also records its financial liabilities at cost or amortized cost, which include accounts payable and accrued charges and advances from the Province of Manitoba.

Amortized cost is determined using the effective interest method.

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

The Board did not incur any remeasurement gains and losses during the year (2012 - nil).

3. Financial instruments and financial risk management (continued):

(b) Financial risk management - overview:

The Board has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk, and
- Foreign currency risk

The Board manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Board's Directors have the overall responsibility for the establishment and oversight of the Board's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Board has exposure to the following risks associated with its financial instruments:

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 Board to credit risk consist principally of accounts receivable and accrued interest.

The maximum exposure of the Board's credit risk is as follows:

	March 31, 2013	March 31, 2012
Cash	$ -	$ 2,214,663
Accounts receivable	3,380,439	4,250,527
Accrued interest	4,172	3,074
	$ 3,384,611	$ 6,468,264

Cash: The Board is not exposed to significant credit risk as the cash is primarily held with a large reputable financial institution.

3. Financial instruments and financial risk management (continued):

Accounts receivable: The Board is not exposed to significant credit risk as the receivables are with Municipal and other government entities and payment in full is typically collected when it is due. Credit evaluations are done for each Rural Municipality.

The aging of accounts receivable are as follows:

	March 31, 2013	March 31, 2012
Current	$ 2,312,013	$ 2,084,236
30-60 days past billing date	865,832	1,043,050
60-90 days past billing date	15,153	760,603
90-120 days past billing date	187,441	362,638
	$ 3,380,439	$ 4,250,527

Accrued Interest: The Board is not exposed to significant credit risk as the accrued interest relates to one receivable with a municipality for ongoing construction and payment is anticipated at the completion of the work.

Liquidity risk:

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due. The Board manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances as required. The Board prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified capital supply requirements are reviewed and approved by the Minister of Finance to ensure adequate funding will be available to meet the Board's obligations utilizing bridge financing through The *Loan Act*. The Board continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

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 accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba.

The interest rate risk on the above exposures is considered to be low because of their short-term nature.

4. **Construction in progress:**

		March 31, 2013		March 31, 2012
Balance, beginning of year	$	7,888,321	$	7,319,536
New construction costs		30,040,049		48,619,631
		37,928,370		55,939,167
Funding recovered from:				
Municipalities		22,673,317		37,415,937
Province of Manitoba		10,547,777		10,634,909
		33,221,094		48,050,846
Construction in progress	$	4,707,276	$	7,888,321

5. **Tangible capital assets:**

March 31, 2013		Cost		Accumulated amortization		Net book value
Land and easements	$	10,494	$	—	$	10,494
Buildings		522,722		522,722		—
Equipment		132,628		132,628		—
	$	665,844	$	655,350	$	10,494

March 31, 2012		Cost		Accumulated amortization		Net book value
Land and easements	$	10,494	$	—	$	10,494
Buildings		526,032		526,032		—
Equipment		132,628		132,628		—
	$	669,154	$	658,660	$	10,494

6. Accumulated surplus:

Accumulated surplus/(deficit) consist of accumulated excess revenues over expenses pertaining to the water supply plants operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities. Net plant surplus transferred to municipalities during the year amount to $1,484,063 (2012 - $283,088).

	No.	March 31, 2013	No.	March 31, 2012
Plants operated by the Board:				
Plants with a deficit	6	$ (3,486,885)	5	$ (2,728,289)
Plants with a surplus	4	2,905,087	5	3,052,577
Total funds retained (deficit), water supply plants	10	(581,798)	10	324,288
Interest and adjustment fund account (note 7)		100,000		100,000
		$ (481,798)		$ 424,288

Net plant surplus (deficit) transactions during 2012/2013 include capital works approved by the Board for the Baldur water treatment plant and regional systems operated by the Board including, Cartier Regional, and the Southwest Regional Water Co-operatives.

7. Interest and adjustment fund account:

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest costs incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

8. Administrative expenses paid by the Province of Manitoba:

Administrative expenses paid by the Province of Manitoba and included in expenses are as follows:

	2013	2012
Professional services	$ 30,744	$ 13,088
Salaries and benefits	2,021,067	1,982,644
Telephone and utilities	17,310	14,884
Travel	444	981
Rental for office premises	149,865	149,908
Other administrative	243,699	101,495
	$ 2,463,129	$ 2,263,000

9. Commitments:

	March 31, 2013	March 31, 2012
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives	$ 32,139,763	$ 46,198,000
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 12,728,300	$ 18,807,200
Recovery of construction costs - municipalities and cooperatives	19,411,463	27,390,800
	$ 32,193,763	$ 46,198,000

10. Contingencies:

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

11. Related party transactions:

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Economic dependency:

The Board is economically dependent on the Province of Manitoba.

13. Unfixed advances from the Province of Manitoba:

The Board finances construction in progress by borrowing advances from the Province through The *Loan Act*. The Board pays interest on these unfixed advances. Interest payable is set at Prime less 0.75 percent. During 2012/2013 the rate of interest charged was 2.50 percent on a quarterly basis. These advances are repaid once funding is received from the municipalities and cooperatives and the Province for their share of the eligible project costs.

As at March 31, 2013, the Province had unused authority of $72,829,000 under The *Loan Act* - 2012 to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

14. Budgeted figures:

The budgeted figures presented in these financial statements have been derived from the estimates approved by the Board.

15. Bank Indebtedness:

The Board does not have an overdraft in place on its bank account. However, funds could be borrowed from the Province of Manitoba as needed to fund cash deficits. The bank overdraft is the result of outstanding cheques that have not been cashed at March 31, 2013. The Board anticipates it will have sufficient funds in place to cover these outstanding disbursements.

BDO

Tel: 204 956 7200
Fax: 204 926 7206
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada Financial Services Inc.
800 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of the Metis Child and Family Services Authority

We have audited the accompanying financial statements of the Metis Child and Family Services Authority, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Metis Child and Family Services Authority as at March 31, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended in March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Our examination did not include a review of the the 2013 budget figures and, consequently, we do not express an opinion on these figures.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 16, 2013

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash and cash equivalents (Note 3)	$ 1,742,608	$ 1,283,945	$ 918,700
Accounts receivable (Note 4)	501,976	639,532	293,745
Prepaid expenses	20,339	9,744	11,012
	2,264,923	1,933,221	1,223,457
Advances Due from Agencies (Note 6)	4,567,500	4,567,500	2,967,500
Capital Assets (Note 5)	65,539	63,369	72,742
	$ 6,897,962	$ 6,564,090	$ 4,263,699
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities (Note 7)	$ 560,617	$ 447,434	$ 527,145
Deferred revenue (Note 8)	1,568,422	1,349,903	560,428
	2,129,039	1,797,337	1,087,573
Advance Due to Province of Manitoba (Note 6)	4,567,500	4,567,500	2,967,500
Deferred Contributions Related to Capital Assets (Note 9)	65,539	63,369	72,742
	6,762,078	6,428,206	4,127,815
Commitments (Note 12)			
Net Assets			
Unrestricted net assets (Page 4)	135,884	135,884	135,884
	$ 6,897,962	$ 6,564,090	$ 4,263,699

Approved on behalf of the Board of Directors:

Director

Director

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

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets

For the years ended March 31	2013	2013	2012
	Budget (Unaudited)	Actual	Actual
Revenue			
Province of Manitoba (Note 10)	$ 18,112,020	$ 17,897,266	$ 16,265,674
Amortization of deferred contributions (Note 9)	30,000	26,702	29,203
Policy analyst	30,000	25,332	30,543
Standing committee	25,000	25,000	-
Interest	2,000	5,248	2,243
	18,199,020	17,979,548	16,327,663
Expenses			
Agency operations (Schedules 3 and 4)	15,276,777	15,285,444	14,234,907
Salaries and benefits	1,747,337	1,758,145	1,382,636
Professional fees	493,086	280,343	176,337
Office	205,698	212,398	210,221
Agency education and training	127,000	154,733	117,594
Information technology	146,427	83,965	48,634
Board expenses	50,000	48,701	47,383
Communications	45,495	45,223	14,180
Staff expenses	30,000	36,023	30,279
Amortization of capital assets	30,000	26,702	29,203
Professional development	21,000	18,829	12,476
Annual general meeting	13,000	16,717	13,354
Insurance	11,800	11,081	9,708
Bank charges	1,400	1,244	751
	18,199,020	17,979,548	16,327,663
Excess (deficiency) of revenue over expenses	-	-	-
Net assets, beginning of year		135,884	135,884
Net assets, end of year		$ 135,884	$ 135,884

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

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	$ -	$ -
Adjustments for non-cash items		
Amortization of capital assets	26,702	29,203
Amortization of deferred contributions related to capital assets	(26,702)	(29,203)
	-	-
Changes in non-cash working capital items		
Accounts receivable	137,556	(345,787)
Due to agencies	52,404	5,993
Prepaid expenses	(10,595)	1,268
Accounts payable and accrued liabilities	60,779	(85,704)
Deferred revenue	218,519	789,475
	458,663	365,245
Cash Flows from Investing Activities		
Purchase of capital assets	(28,872)	(19,829)
Contributions received for purchase of capital assets	28,872	19,829
	-	-
Increase in cash and cash equivalents for the year	458,663	365,245
Cash and cash equivalents, beginning of year	1,283,945	918,700
Cash and cash equivalents, end of year	$ 1,742,608	$ 1,283,945

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

1. Nature of the Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Metis Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Metis and Inuit people. In partnership with the Manitoba Metis Federation and the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of Metis and Inuit people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(b) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards for not-for-profit organizations.

(c) Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Capital Assets

Capital assets funded by the Province of Manitoba are recorded at cost less accumulated amortization and the related funding is recorded as deferred contributions.

Deferred contributions are amortized in accordance with the estimated useful lives of the assets to which they relate.

Other capital assets are recorded at cost less accumulated amortization.

Capital assets are amortized on a straight-line basis as follows:

Computer equipment	5 years
Office furniture and equipment	5 years

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

(f) Cash and cash equivalents

Cash and cash equivalent consist of cash on hand, bank balances and investments in cashable instruments.

(g) Pension Plan

The Authority maintains defined contribution pension plans for its personnel. Expenses for this plan are equal to the Authority's required contribution for the year.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. First-time Adoption

Effective April 1, 2012, the Authority adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Nature of the organization and summary of significant accounting policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

No exemptions were used at the date of transition to Canadian public sector accounting standards for not-profit-organizations.

The Authority issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Authority.

For the years ended March 31, 2013 and 2012

3. Cash and cash equivalents

Cash and cash equivalents contains guaranteed investment certificates in the amount of $10,000. The GICs bear interest at rates ranging from 0.75% to 0.90% and mature in August and November 2013.

4. Accounts Receivable

	2013	2012
Due from Province of Manitoba	$ 436,991	$ 523,285
GST receivable	16,702	5,096
Other	48,283	111,151
	$ 501,976	$ 639,532

5. Capital Assets

	2013			2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 166,649	$ 121,319	$ 45,330	$ 144,965	$ 105,790	$ 39,175
Furniture and fixtures	69,999	49,790	20,209	62,811	38,617	24,194
	$ 236,648	$ 171,109	$ 65,539	$ 207,776	$ 144,407	$ 63,369

6. Advances due from Agencies and Advance due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $4,567,500 ($4,567,500 in 2012), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2013	2012
Metis Child, Family and Community Services	$ 3,813,048	$ 3,813,048
Michif Child & Family Services	754,452	754,452
	$ 4,567,500	$ 4,567,500

7. Accounts Payable and Accrued Liabilities

	2013	2012
Due to agencies	$ 257,698	$ 205,294
Trade payables	130,310	84,442
Accrued expenses	172,609	157,698
	$ 560,617	$ 447,434

8. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

	2013	2012
Balance, beginning of year	$ 1,349,903	$ 560,428
Unspent contributions received:		
Province of Manitoba - Core operations	408,817	422,448
Province of Manitoba - Standing Committee	597,780	711,100
	1,006,597	1,133,548
Less amounts recognized as revenue in the year		
Core operations	(421,872)	(82,429)
Standing Committee	(366,206)	(261,644)
	(788,078)	(344,073)
Balance, end of year	$ 1,568,422	$ 1,349,903

Deferred contributions are restricted for the following programs as at March 31:

	2013	2012
Core operations	$ 408,817	$ 421,871
Standing committee operations	659,605	428,032
Standing committee - differential response	500,000	500,000
	$ 1,568,422	$ 1,349,903

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represents funds received during the year for the purpose of purchasing furniture, computers and other equipment. These contributions are deferred and subsequently amortized on the same basis as the related assets.

	2013	2012
Balance, beginning of year	$ 63,369	$ 72,742
Funds received:		
Province of Manitoba	28,872	19,830
Less amortization	(26,702)	(29,203)
Balance, end of year	$ 65,539	$ 63,369

10. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	$ 18,116,959
Add	
Deferred revenue amounts recognized as revenue in the year	788,077
Funding claims subsequent to confirmation	67,478
	855,555
Deduct	
Unspent contributions received	1,006,597
Grants related to capital assets	28,872
Funding of prior year accounts receivable	39,779
	1,075,248
Revenue from Province of Manitoba	$ 17,897,266

11. Related Party Disclosures

The Authority rents office space from the Manitoba Metis Federation Inc. as disclosed in Note 12. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

This transaction is in the normal course of operations and is measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for the leased premises.

12. Commitments

The Authority leases office space from the Manitoba Metis Federation Inc. The Authority expects the minimum annual lease payments of $120,146 until May 31 2022.

The Authority has also entered into various agreements to purchase and maintain computers and office equipment until March 31, 2016.

Minimum annual lease payments over the next five years are as follows:

2014	$	139,272
2015		136,118
2016		124,922
2017		120,146
2018		120,146

13. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk, market risk and liquidity risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

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 Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $501,976 ($639,532 at March 31, 2012).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies funded by the Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

13. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting financial obligations as they become due, and arises from the Authority's management of working capital. The Authority's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

14. Pension

During the year the Authority contributed $31,887 (2012 - $28,760) to a defined contribution pension plan. Contributions are made at 3% of employee salaries and invested in RRSPs held with Great-West Life.

15. Economic Dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

BDO

Tel: 204 956 7200
Fax: 204 926 7206
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada Financial Services Inc.
800 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Auditor's Comments on Supplementary Financial Information

To the Directors of METIS CHILD AND FAMILY SERVICES AUTHORITY

We have audited the financial statements of the **METIS CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated July 16, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedules 1, 2 and 3 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information is prepared to assist the **METIS CHILD AND FAMILY SERVICES AUTHORITY** to meet the requirements of the Province of Manitoba Department of Family Services and Housing, Child Protection Branch (the "Province"). As a result, the supplementary information is not presented in accordance with Canadian public sector accounting standards and may not be suitable for another purpose. Our report is intended solely for the **METIS CHILD AND FAMILY SERVICES AUTHORITY** and the Minister and should not be distributed to or used by parties other than the **METIS CHILD AND FAMILY SERVICES AUTHORITY** or the Province.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 16, 2013

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 1 - Statement of Program Operations: Core Operations

For the years ended March 31	2013	2013	2012
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba - Core	$ 1,804,082	$ 1,780,611	$ 1,576,928
Grant - Province of Manitoba - Other	310,275	310,272	74,602
Grant - Province of Manitoba - Education and training	127,000	154,733	117,594
Standing committee	25,000	25,000	-
Amortization of deferred contributions related to capital assets	20,000	19,798	18,707
Interest	2,000	5,248	2,243
	2,288,357	2,295,662	1,790,074
Expenses			
Salaries and benefits	1,602,337	1,618,219	1,255,236
Agency education and training	127,000	154,733	117,594
Office	137,198	141,602	134,545
Professional fees	125,000	137,397	125,837
Information technology	114,427	55,874	19,593
Board expenses	50,000	48,701	47,383
Communications	41,995	41,995	11,096
Staff expenses	28,000	33,965	28,836
Amortization of capital assets	20,000	19,798	18,707
Professional development	20,000	18,030	10,670
Annual general meeting	13,000	16,717	13,354
Insurance	8,000	7,387	6,472
Bank charges	1,400	1,244	751
	2,288,357	2,295,662	1,790,074
Excess (deficiency) of revenue over expenses	$ -	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 2 - Statement of Program Operations: Office of the Child and Family Services Standing Committee

For the years ended March 31	2013	2013	2012
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba	$ 593,886	$ 366,206	$ 261,643
Policy analyst	30,000	25,332	30,543
Amortization of deferred contributions related to capital assets	10,000	6,904	10,496
	633,886	398,442	302,682
Expenses			
Professional fees	368,086	142,946	50,500
Salaries and benefits	145,000	139,926	127,400
Office	68,500	70,796	75,676
Information technology	32,000	28,091	29,041
Amortization of capital assets	10,000	6,904	10,496
Insurance	3,800	3,694	3,236
Communications	3,500	3,228	3,084
Staff expenses	2,000	2,058	1,443
Professional development	1,000	799	1,806
	633,886	398,442	302,682
Excess of revenue over expenses	$ -	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 3 - Statement of Program Operations: Metis Child, Family and Community Services Agency Inc

For the years ended March 31	2013	2013	2012
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba			
Core and Operational	$ 10,056,621	$ 10,065,288	$ 10,319,765
Other	516,843	516,843	614,655
Differential Response	-	-	422,150
	10,573,464	10,582,131	11,356,570
Expenses			
Grant to Agency			
Core and Operational	10,056,621	10,065,288	10,319,765
Other	516,843	516,843	614,655
Differential Response	-	-	422,150
	10,573,464	10,582,131	11,356,570
Excess of revenue over expenses	$ -	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 4 - Statement of Program Operations: Michif Child and Family Services Inc.

For the years ended March 31	2013	2013	2012
	Budget (unaudited)	**Actual**	Actual
Revenue			
Grant - Province of Manitoba			
Core and Operational	$ 4,445,043	$ 4,445,043	$ 2,814,332
Other	258,270	258,270	64,005
	4,703,313	4,703,313	2,878,337
Expenses			
Grant to Agency			
Core and Operational	4,445,043	4,445,043	2,814,332
Other	258,270	258,270	64,005
	4,703,313	4,703,313	2,878,337
Excess of revenue over expenses	$ -	$ -	$ -

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the accompanying financial statements of Sport Manitoba Inc., which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sport Manitoba Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011 and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

Chartered Accountants

June 24, 2013

Winnipeg, Canada

SPORT MANITOBA INC.
Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash (note 12)	$ 2,155,905	$ 2,854,792	$ 715,717
Accounts receivable	632,438	355,343	1,605,258
Inventories	23,983	19,162	26,380
Prepaid expenses and deposits	102,549	107,662	98,490
	2,914,875	3,336,959	2,445,845
Marketable securities [note 2(f)]	100,007	100,000	101,420
Long-term accounts receivable	50,367	50,367	50,367
Capital assets (note 4)	15,791,750	16,199,114	16,469,881
	$ 18,856,999	$ 19,686,440	$ 19,067,513

	March 31, 2013	March 31, 2012	April 1, 2011

Liabilities, Deferred Contributions and Net Assets

	March 31, 2013	March 31, 2012	April 1, 2011
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,619,831	$ 1,708,335	$ 1,704,215
Current portion of loan payable (note 7)	236,933	223,549	210,921
	1,856,764	1,931,884	1,915,136
Loan payable (note 7)	14,826,812	15,063,745	15,287,294
Deferred contributions relating to (note 8):			
Expenses of future periods	419,932	811,248	917,483
Capital assets	1,371,600	1,620,375	537,167
	1,791,532	2,431,623	1,454,650
Net assets:			
Unrestricted	(630,116)	(812,852)	(597,081)
Internally restricted [note 2(e)]:			
Initiatives program	87,107	87,107	88,107
Coaching	26,875	26,875	26,875
Future major repairs and upgrades	150,000	75,000	–
Princess Royal Pan Am Scholarship endowment [note 2(f)]	100,007	100,000	101,420
Invested in capital assets (note 12)	648,018	783,058	791,112
	381,891	259,188	410,433
KidSport Canada trust assets (note 5)			
Commitments (note 9)			
	$ 18,856,999	$ 19,686,440	$ 19,067,513

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

SPORT MANITOBA INC.

Statements of Operations

Years ended March 31, 2013 and 2012

	Operating Fund	Restricted Funds	Capital Asset Fund	2013 Total	Operating Fund	Restricted Funds	Capital Asset Fund	2012 Total
Revenue:								
Province of Manitoba:								
Program support	$ 11,348,928	$ –	$ –	$11,348,928	$11,412,700	$ –	$ –	$11,412,700
Bingo allocation	382,400	–	–	382,400	341,170	–	–	341,170
Other grants	255,080	–	–	255,080	281,404	–	–	281,404
Government of Canada support	–	–	–	–	159,500	–	–	159,500
Sport Medicine Centre	352,718	–	–	352,718	232,710	–	–	232,710
Amortization of deferred contributions	–	–	308,775	308,775	–	–	51,792	51,792
Manitoba Games	415,474	–	–	415,474	53,474	–	–	53,474
Other income	373,629	–	–	373,629	249,125	–	–	249,125
Bilateral funding:								
Province of Manitoba	312,273	–	–	312,273	200,000	–	–	200,000
Federal Government	312,273	–	–	312,273	200,000	–	–	200,000
	13,752,775	–	308,775	14,061,550	13,130,083	–	51,792	13,181,875
Expenses:								
Grants								
Sport groups for sport development	7,972,158	–	–	7,972,158	7,635,859	–	–	7,635,859
Sport for Life Centre Phase 2	–	–	260,000	260,000	–	–	–	–
Bilateral sport development programs	340,236	–	–	340,236	400,000	–	–	400,000
Sport Medicine Centre	475,763	–	–	475,763	437,007	–	–	437,007
Administration and services provided to sport groups:								
Occupancy	1,696,025	–	–	1,696,025	1,818,937	–	–	1,818,937
Operating	398,883	–	–	398,883	370,739	–	–	370,739
Administration	1,594,351	–	–	1,594,351	1,534,939	–	–	1,534,939
Member services	1,642,004	–	–	1,642,004	1,567,547	1,000	–	1,568,547
Cost recovered from sport groups	(1,019,597)	–	–	(1,019,597)	(1,016,811)	–	–	(1,016,811)
Amortization	–	–	579,031	579,031	–	–	582,483	582,483
	13,099,823	–	839,031	13,938,854	12,748,217	1,000	582,483	13,331,700
Excess (deficiency) of revenue over expenses	$ 652,952	$ –	$ (530,256)	$ 122,696	$ 381,866	$ (1,000)	$ (530,691)	$ (149,825)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Internally restricted future major repairs and upgrades	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2013 Total
Net assets, beginning of year	$ (812,852)	$ 87,107	$ 26,875	$ 75,000	$ 100,000	$ 783,058	$ 259,188
Excess (deficiency) of revenue over expenses	652,952	–	–	–	–	(530,256)	122,696
Capital assets acquired	(171,667)	–	–	–	–	171,667	–
Principal payments on loan payable	(223,549)	–	–	–	–	223,549	–
Unrealized gain on endowment investments	–	–	–	–	7	–	7
Internally imposed restriction [note 2(e)]	(75,000)	–	–	75,000	–	–	–
Net assets, end of year	$ (630,116)	$ 87,107	$ 26,875	$ 150,000	$ 100,007	$ 648,018	$ 381,891

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Internally restricted future major repairs and upgrades	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2012 Total
Net assets, beginning of year	$ (597,081)	$ 88,107	$ 26,875	$ –	$ 101,420	$ 791,112	$ 410,433
Excess (deficiency) of revenue over expenses	381,866	(1,000)	–	–	–	(530,691)	(149,825)
Capital assets acquired	(311,716)	–	–	–	–	311,716	–
Principal payments on loan payable	(210,921)	–	–	–	–	210,921	–
Unrealized loss on endowment investments	–	–	–	–	(1,420)	–	(1,420)
Internally imposed restriction [note 2(e)]	(75,000)	–	–	75,000	–	–	–
Net assets, end of year	$ (812,852)	$ 87,107	$ 26,875	$ 75,000	$ 100,000	$ 783,058	$ 259,188

See accompanying notes to financial statements.

SPORT MANITOBA INC.
Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 122,696	$ (149,825)
Items not involving cash:		
Amortization of capital assets	579,031	582,483
Amortization of deferred contributions related to capital assets	(308,775)	(51,792)
Change in non-cash operating working capital	(756,623)	1,145,846
	(363,671)	1,526,712
Capital activities:		
Additions to capital assets	(171,667)	(311,716)
Increase in deferred contributions related to capital assets	60,000	1,135,000
	(111,667)	823,284
Financing activities:		
Principal repayments of loan payable	(223,549)	(210,921)
Increase (decrease) in cash	(698,887)	2,139,075
Cash, beginning of year	2,854,792	715,717
Cash, end of year	$ 2,155,905	$ 2,854,792

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires on March 31, 2015.

On April 1, 2012, the organization adopted Canadian public sector accounting standards. The organization has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

There were no adjustments to net assets as at March 31, 2012 and April 1, 2011 or to excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Canadian public sector accounting standards.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as an increase in net assets when received.

2. Significant accounting policies (continued):

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Operating fund:

The purpose of the Operating Fund is to record the operations of the organization which includes operations of The Sport for Life Sport Medicine Centre.

The Sport for Life Sport Medicine Centre is a multidisciplinary clinic that offers patient care for sport medicine and orthopedic injuries including sport medicine, physiotherapy, athletic therapy, massage, chiropractic and nutrition.

2. Significant accounting policies (continued):

(e) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures must be approved by the Board.

The Board of Directors has also internally restricted certain net assets to be used for coaching initiatives.

During the year, the Board of Directors internally restricted resources amounting to $75,000 (2012 - $75,000) to be used to fund future major repairs and upgrades required for 145 Pacific Avenue. This amount was transferred from the unrestricted net assets. These internally restricted amounts are not available for other purposes without prior approval of the Board of Directors.

(f) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(g) Capital fund:

The purpose of the Capital Fund is to record capital assets, related debt, and the net investment of the organization in such assets.

(h) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the year. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(i) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The organization did not incur any remeasurement gains and losses during the year ended March 31, 2013 (2012 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

2. Significant accounting policies (continued):

(j) Allocation of general administration expenses:

The organization classifies expenses on the statement of operations by function. The organization allocates certain costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Allocated expenses consist of salaries and benefits which are allocated 65 percent to member services expenses and 35 percent to administration expenses on the basis of the average of individual job positions responsibilities.

3. Change in accounting policy:

On April 1, 2012, the organization adopted Public Accounting Standards *PS 3450 - Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the organization's accounting policy choices.

There were no adjustments to net assets as at April 1, 2012 as a result of the adoption of PS 3450.

4. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000
Building	15,445,091	1,184,756	14,260,335
Computers	197,209	163,895	33,314
Furniture and equipment	719,897	466,402	253,495
Print shop equipment	218,799	183,990	34,809
Leasehold improvements	40,577	30,780	9,797
	$ 17,821,573	$ 2,029,823	$ 15,791,750

4. Capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000
Building	15,389,228	797,516	14,591,712
Computers	176,081	136,960	39,121
Furniture and equipment	641,152	344,944	296,208
Print shop equipment	218,799	164,639	54,160
Leasehold improvements	40,577	22,664	17,913
	$ 17,665,837	$ 1,466,723	$ 16,199,114

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000
Building	15,302,888	408,036	14,894,852
Computers	339,469	275,779	63,690
Furniture and equipment	676,220	439,789	236,431
Print shop equipment	356,874	303,786	53,088
Leasehold improvements	36,368	14,548	21,820
	$ 17,911,819	$ 1,441,938	$ 16,469,881

5. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding $843,403 of assets in trust for KidSport Canada as at March 31, 2013 (March 31, 2012 - $802,744; April 1, 2011 - $501,597). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

6. Sport For Life Centre:

In February 2009, the organization purchased land and building at 145 Pacific for $3,700,000 which has become home to the new Sport for Life Centre. The Phase 1 renovations have been completed. Sport Manitoba moved in to the new building on March 4, 2010. Phase 2, which will include the activity space, is anticipated to be complete by the fall of 2015.

7. Loan payable:

	March 31, 2013	March 31, 2012	April 1, 2011
Loan payable to Province of Manitoba bearing interest at 5.90%, unsecured, repayable in monthly installments of $92,392 including interest, maturing February 24, 2040	$ 15,063,745	$ 15,287,294	$ 15,498,215
Current portion of loan payable	236,933	223,549	210,921
	$ 14,826,812	$ 15,063,745	$ 15,287,294

Principal repayments over the next five years are as follows:

2014	$ 236,933
2015	251,118
2016	266,153
2017	282,087
2018	298,976

8. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2013	2012
Balance, beginning of year	$ 811,248	$ 917,483
Contributions in the current year	80,938	181,377
Amounts amortized to revenue	(472,254)	(287,612)
Balance, end of year	$ 419,932	$ 811,248

8. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Future bids, MB Games sponsorship, coaching and programming and storage of equipment	$ 142,749	$ 273,464	$ 119,643
Sport for Life Centre	26,638	37,239	47,840
High Performance Athlete Initiative	250,545	500,545	750,000
	$ 419,932	$ 811,248	$ 917,483

Deferred contributions related to capital assets represent unamortized and unspent amount of externally restricted contributions that have been received for the construction of the Sport for Life Centre.

	2013	2012
Balance, beginning of year	$ 1,620,375	$ 537,167
Contributions in the current year	60,000	1,135,000
Amounts amortized to revenue	(308,775)	(51,792)
Balance, end of year	$ 1,371,600	$ 1,620,375

Deferred contributions related to capital assets are comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Sport for Life Centre Phase 1	$ 106,600	$ 155,375	$ 207,167
Sport for Life Centre Phase 2	1,265,000	1,465,000	330,000
	$ 1,371,600	$ 1,620,375	$ 537,167

9. Commitments:

(a) The organization has made a commitment to fund a best ever project for the National Women Volleyball Centre in the amount of $47,500 for the year ending March 31, 2014, subject to the present levels of funding from the Province of Manitoba being maintained.

9. Commitments (continued):

(b) The organization has an agreement with Canadian Sport Centre Manitoba Inc. to provide funding for the implementation of programs and services in support of the pursuit of excellence by high performance athletes and coaches in Manitoba. The terms of this agreement have committed the organization to provide funding of $180,500 for the year ending March 31, 2014 subject to the present levels of funding from the Province of Manitoba being maintained.

10. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes and builders. The financial statements of the Hall of Fame have not been consolidated with those of the organization.

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of $65,000. In addition, the organization provided the Hall of Fame $328,000 (2012 - $170,000) towards the construction and fit-out of the Manitoba Sports Hall of Fame and Museum.

The accounts receivable from the Hall of Fame in the amount of $76,367 (2012 - $76,367), is non-interest bearing, and has no fixed terms of repayment.

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2013	2012	2011
Assets	$ 927,418	$ 427,579	$ 237,192
Liabilities	$ 904,905	$ 415,775	$ 240,453
Net assets (deficit)	22,513	11,804	(3,261)
	$ 927,418	$ 427,579	$ 237,192
Revenues	$ 296,576	$ 129,359	$ 121,415
Expenses	285,867	114,294	112,570
Excess of revenues over expenses	$ 10,709	$ 15,065	$ 8,845

11. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2013	2012	2011
Assets	$ 1,031,509	$ 1,028,778	$ 1,012,476
Liabilities	$ –	$ 1,000	$ 1,000
Deferred contributions	401,813	401,813	400,313
Unrestricted net assets	122,941	118,710	106,163
Pan Am Games Legacy fund	505,000	505,000	505,000
Restricted Bud Tinsley fund	1,755	2,255	–
	$ 1,031,509	$ 1,028,778	$ 1,012,476
Revenue	$ 32,379	$ 32,663	$ 51,929
Expenses	28,648	17,861	327,731
Excess (deficiency) of revenue over expenses	$ 3,731	$ 14,802	$ (275,802)

During the year, the Foundation provided $15,500 (2012 - $13,500) of scholarship grants to Manitoba athletes.

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	$ 15,791,750	$ 16,199,114	$ 16,469,881
Amounts financed by:			
Loan payable	(15,063,745)	(15,287,294)	(15,498,215)
Deferred contributions	(1,371,600)	(1,620,375)	(537,167)
Unspent cash proceeds	1,291,613	1,491,613	356,613
	$ 648,018	$ 783,058	$ 791,112

13. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2013 was $129,557 (2012 - $115,560).

14. Financial risks:

The organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

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

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at March 31, 2013 is the carrying value of these assets.

At March 31, 2013, an allowance for bad debt was set up for $33,500 (March 31, 2012 - $26,000; April 1, 2011 - $26,000). All other accounts receivable for March 31, 2013 are current.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2013.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2014.

There have been no significant changes to the liquidity risk exposure from 2012.

14. Financial risks (continued):

(c) 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 the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest risk. The organization is not exposed to this risk as its loans payable have fixed interest rates.

There has been no change to the risk exposures from 2012.

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sports Groups

Years ended March 31, 2013 and 2012

	2013	2012
Occupancy expenses:		
Interest on loan payable	$ 885,150	$ 897,778
Member services	147,283	145,267
Utilities	154,047	149,621
Security and janitorial services	143,954	135,566
Salaries	76,083	74,479
Property repairs and maintenance	62,109	57,427
Insurance and taxes	226,331	357,362
Sport for Life Centre	1,068	1,437
	$ 1,696,025	$ 1,818,937

	2013	2012
Operating expenses:		
Courier	$ 12,702	$ 11,965
Multi-sport games support	170,470	133,541
Postage	50,307	56,681
Repairs and maintenance	103,763	87,526
Service bureau fees	5,473	4,504
Stationery	9,981	21,593
Telephone	46,187	54,929
	$ 398,883	$ 370,739

	2013	2012
Administration expenses:		
Advertising, marketing and media programs	$ 186,246	$ 157,560
Coaching development	118,467	96,541
Community and regional development programs	121,845	123,965
Delivery and freight	1,288	1,675
Hall of Fame administration	6,700	11,682
Insurance	10,717	10,171
KidSport programs	25,682	30,297
Long-term athlete development	10,127	20,089
Meetings	18,404	26,710
Membership dues and subscriptions	3,474	3,665
Office supplies and stationery	6,397	6,924
Photocopying	5,424	6,379
Postage	4,426	7,114
Printing	8,290	10,255
Professional development	4,230	6,415
Professional fees	27,000	28,790
Respect in Sport	108,162	95,051
Salaries and benefits	882,541	844,064
Service bureau fees	4,052	4,739
Telephone	24,559	26,599
Travel	12,485	11,853
Volunteer and staff recognition	3,835	4,401
	$ 1,594,351	$ 1,534,939

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups (continued)

Years ended March 31, 2013 and 2012

	2013	2012
Member services expenses:		
Salaries and benefits	$ 1,642,004	$ 1,567,547
Amortization:		
Amortization of leasehold improvements	$ 8,116	$ 7,510
Amortization of other capital assets	570,915	574,973
	$ 579,031	$ 582,483

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Directors of Taking Charge! Inc./Se Prendre En Main! Inc.

We have audited the accompanying financial statements of Taking Charge! Inc./Se Prendre En Main! Inc., which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Taking Charge! Inc./Se Prendre En Main! Inc as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 27, 2013

Winnipeg, Canada

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Accounts receivable	$ 120,313	$ 170,617	$ 195,494
Goods and services tax receivable	4,924	6,094	10,580
Prepaid expenses	9,942	56,072	65,502
	135,179	232,783	271,576
Capital assets (note 4)	601,141	672,530	289,817
	$ 736,320	$ 905,313	$ 561,393
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Bank indebtedness (note 5)	$ 99,152	$ 157,235	$ 115,299
Accounts payable and accrued liabilities	109,980	103,543	255,461
Demand bank loan (note 6)	142,554	190,072	70,360
	351,686	450,850	441,120
Deferred contributions (note 7):			
Expenses of future periods	26,278	30,618	80,963
Capital assets	430,289	471,646	55,572
	456,567	502,264	136,535
Net assets:			
Unrestricted	(242,785)	(248,685)	(250,507)
Invested in capital assets (note 8(a))	170,852	200,884	234,245
	(71,933)	(47,801)	(16,262)
Commitment (note 10)			
	$ 736,320	$ 905,313	$ 561,393

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenues:		
Province of Manitoba:		
Entrepreneurship, Training and Trade	$ 1,015,619	$ 1,000,331
Advanced Education and Literacy	47,151	50,000
Labour and Immigration	55,000	50,000
Province of Manitoba - Family Services and Housing:		
Child Daycare:		
Parent fees	21,663	18,135
Parent subsidies	309,143	272,484
Operating grant	387,349	372,796
CCA wages top-up grant	4,107	8,237
Staff pension grant	14,951	12,636
Staff training grant	812	1,162
Inclusion grant	2,403	2,315
Other:		
Donations and fund raising	3,872	1,375
Amortization of deferred contributions related to capital assets [(note 7(b)]	62,645	51,657
	1,924,715	1,841,128
Expenses:		
Direct client services (schedule):		
Taking Charge - participant support	45,655	59,232
Taking Charge - participant training	50,506	32,054
Employment Assistance Services - on-site	822,683	812,889
English as an Additional Language	163,568	150,000
Taking Charge of Academics	35,359	46,156
Taking Care - Child Daycare (schedule)	739,390	687,710
Special events and grant expenses	4,735	1,430
Amortization	77,494	71,814
Interest on demand bank loan	9,457	11,382
	1,948,847	1,872,667
Deficiency of revenues over expenses	$ (24,132)	$ (31,539)

See accompanying notes to financial statements.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Unrestricted	Invested in capital	Total
Balance, beginning of year	$ (248,685)	$ 200,884	$ (47,801)
Deficiency of revenues over expenses	(9,283)	(14,849)	(24,132)
Transfer of funds related to purchase of capital assets [note 8(b)]	15,183	(15,183)	–
Balance, end of year	$ (242,785)	$ 170,852	$ (71,933)

March 31, 2012	Unrestricted	Invested in capital	Total
Balance, beginning of year	$ (250,507)	$ 234,245	$ (16,262)
Deficiency of revenues over expenses	(11,382)	(20,157)	(31,539)
Transfer of funds related to purchase of capital assets [note 8(b)]	13,204	(13,204)	–
Balance, end of year	$ (248,685)	$ 200,884	$ (47,801)

See accompanying notes to financial statements.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (24,132)	$ (31,539)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(62,645)	(51,657)
Amortization	77,494	71,814
Change in non-cash operating working capital:		
Accounts receivable	50,304	24,877
Goods and services tax receivable	1,170	4,486
Prepaid expenses	46,130	9,430
Accounts payable and accrued liabilities	6,437	(151,917)
Net change in deferred contributions related to expenses of future periods	(4,340)	(50,345)
	90,418	(174,851)
Capital activities:		
Additions to capital assets	(6,105)	(454,528)
Financing activities:		
Decrease (increase) in bank indebtedness	(58,083)	41,936
Repayment of demand bank loan	(47,518)	(43,101)
Demand bank loan funding for leasehold improvements	–	162,813
Additions to deferred contributions related to capital assets	21,288	467,731
	(84,313)	629,379
Cash, beginning and end of year	$ –	$ –

See accompanying notes to financial statements.

1. General:

Taking Charge! Inc./Se Prendre En Main! Inc. (the Organization) is a not-for-profit organization which was incorporated under the Manitoba Corporations Act on April 5, 1995. The Organization is funded by the Province of Manitoba Department of Entrepreneurship, Training and Trade, Province of Manitoba Department of Labour and Immigration, Province of Manitoba Advanced Education and Literacy and the Province of Manitoba Department of Family Services and Housing (together, the Government) to help single parents on social assistance to become self-sufficient.

Any funds received which are not expended in accordance with the funding agreement with the Government or any funds which are unexpended or uncommitted at the end of the Organization's fiscal year are repayable to the government. If a deficit exists in the Organization at the end of its fiscal year, this deficit will not be funded by the Government.

Under Section 149 (1) (l) of the *Income Tax Act*, the Organization is exempt from income taxes.

On April 1, 2012, the Organization adopted Canadian public sector accounting standards. The Organization has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

There were no adjustments to net assets as at March 31, 2012 and April 1, 2011 or deficiency of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Canadian public sector accounting standards.

2. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

2. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

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

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at date of contribution. Repairs and maintenance are charged to expense. Betterments, which extend the estimated useful life of an asset are capitalized. Capital assets are amortized using the declining balance method at the following rates which are sufficient to amortize the costs over the estimated useful lives of the assets:

Asset	Rate
Computers	30%
Furniture and equipment	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(d) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

3. Change in accounting policy:

On April 1, 2012, the Organization adopted Public Accounting Standards *PS 3450 - Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the organization's accounting policy choices (see note 2).

There were no adjustments to net assets as at April 1, 2012 as a result of the adoption of PS 3450.

4. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Computers	$ 307,431	$ 305,605	$ 1,826
Furniture and equipment	191,071	169,637	21,434
Leasehold improvements	714,410	136,529	577,881
	$ 1,212,912	$ 611,771	$ 601,141

March 31, 2012	Cost	Accumulated amortization	Net book value
Computers	$ 307,431	$ 304,822	$ 2,609
Furniture and equipment	189,928	164,422	25,506
Leasehold improvements	709,448	65,033	644,415
	$ 1,206,807	$ 534,277	$ 672,530

April 1, 2011	Cost	Accumulated amortization	Net book value
Computers	$ 307,430	$ 303,703	$ 3,727
Furniture and equipment	184,219	158,759	25,460
Leasehold improvements	260,630	–	260,630
	$ 752,279	$ 462,462	$ 289,817

5. Bank indebtedness:

The Organization has an operating line of credit to a maximum of $75,000 (March 31, 2012 - 165,000; April 1, 2011 - $75,000). The operating line of credit is due on demand, bears interest at bank prime plus 1.75 percent and is unsecured. At March 31, 2013, the Organization had utilized $84,519 (March 31, 2012 - $117,488; April 1, 2011 - $87,513) of the operating line of credit.

6. Demand bank loan:

The Organization has a demand bank loan which was utilized for funding of leasehold improvements. The demand bank loan is interest bearing at prime plus 2.75 percent and is secured by a general security agreement over all assets. Assuming payment of the demand bank loan is not demanded, principal payments required on the loan until maturity are as follows:

2014	$	47,518
2015		47,518
2016		47,518
	$	142,554

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions relate to expenses of future periods and represent unspent government funding. Deferred contributions will be recognized as income in the year when the related program expenditures are incurred.

		2013		2012
Balance, beginning of year	$	30,618	$	80,963
Add amount received related to future periods		4,255		16,145
Add amount received from Department of Advanced Education and Literacy		16,926		14,078
Amounts recognized as revenue in the year		(14,078)		(46,073)
Less amounts transferred to deferred - contributions capital assets		(11,443)		(34,495)
Balance, end of year	$	26,278	$	30,618

7. Deferred contributions (continued):

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2013	2012
Balance, beginning of year	$ 471,646	$ 55,572
Add contributions from:		
Winnipeg Foundation	–	52,000
Neighborhoods Alive	–	25,000
Manitoba Community Places	–	40,000
Manitoba Community Services Council	4,500	20,500
Province of Manitoba - Family Services and Housing- prior years' surplus	11,443	34,495
Province of Manitoba - Family Services and Housing - equipment grant	–	6,875
Longboat Properties LP - Landlord	–	286,562
Donations	5,345	2,299
	21,288	467,731
Less amount amortized to revenue	(62,645)	(51,657)
Balance, end of year	$ 430,289	$ 471,646

8. Invested in capital assets:

(a) Invested in capital assets is allocated as follows:

	2013	2012
Capital assets	$ 601,141	$ 672,530
Amounts financed by deferred contributions	(430,289)	(471,646)
	$ 170,852	$ 200,884

8. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2013	2012
Surplus of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 62,645	$ 51,657
Amortization of capital assets	(77,494)	(71,814)
	$ (14,849)	$ (20,157)

	2013	2012
Transfer of funds related to acquisition of capital assets:		
Purchase of capital assets	$ 6,105	$ 454,527
Amounts funded by deferred contributions in current year	(21,288)	(467,731)
	$ (15,183)	$ (13,204)

9. Employee pension plan:

The employees of the Organization are members of a defined contribution pension plan administered by Standard Life.

Employer contributions made to the plan during the year amounted to $44,551 (2012 - $42,332).

10. Commitment:

The Organization rents premises under long-term operating leases. The following is a schedule by year of rental payments required under operating leases outstanding at March 31, 2013:

2014	$ 184,851
2015	184,851
2016	184,851
2017	200,492
2018	201,914
Thereafter	622,569
	$ 1,579,528

11. Financial risks:

The Organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

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

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2013 is the carrying value of these assets.

At March 31, 2013 and 2012, all accounts receivable were current. There were no amounts past due.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2013 and the bank indebtedness and bank loan are due on demand.

There have been no significant changes to the liquidity risk exposure from 2012.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its floating interest rate financial instruments. The floating-rate instrument, being the demand bank loan, is subject to a cash flow risk due to fluctuations in the prime interest rate. There have been no significant changes to the interest rate risk exposure from 2012.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Schedule - Expenses

Years ended March 31, 2013 and 2012

		2013		2012
Taking Charge - participant support:				
Child care	$	32,521	$	36,195
Sundry		8,475		16,525
Transportation		4,659		6,512
	$	45,655	$	59,232
Taking Charge - participant training:				
Projects	$	7,871	$	295
Customized training		42,635		31,759
	$	50,506	$	32,054
Employment Assistance Services - on-site:				
Board	$	3,692	$	5,016
Communication		3,374		4,704
Employee benefits		94,101		105,380
Equipment lease		1,561		2,117
Janitorial and supplies		15,308		13,201
Office		12,168		16,024
Rent		83,114		78,370
Repairs and maintenance		6,391		8,895
Professional fees		39,737		17,350
Program materials recovery		–		(1,459)
Salaries		544,993		546,325
Staff development		2,445		3,719
Telephone		6,727		7,390
Travel mileage and parking		9,072		5,857
	$	822,683	$	812,889
English as an Additional Language:				
Board	$	902	$	1,029
Communication		560		144
Employee benefits		10,126		10,512
Equipment lease		737		408
Janitorial and supplies		3,169		2,972
Office		4,080		3,258
Rent		16,213		15,224
Repairs and maintenance		1,520		1,810
Professional fees		22,800		8,036
Program materials		2,843		2,976
Salaries		98,562		101,333
Staff development		515		724
Telephone		1,499		1,430
Travel		42		144
	$	163,568	$	150,000

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Schedule - Expenses (continued)

Years ended March 31, 2013 and 2012

	2013	2012
Taking Charge of Academics:		
Board	$ 328	$ 1,320
Communication	286	611
Equipment lease	250	395
Janitorial and supplies	3,809	2,923
Office	1,834	4,726
Rent	14,602	15,622
Repairs and maintenance	651	2,475
Professional fees	11,979	12,435
Program materials	808	4,190
Staff development	35	204
Telephone	765	1,183
Travel	12	72
	$ 35,359	$ 46,156
Taking Care - Child Daycare:		
Board	$ 3,282	$ 3,104
Communication	2,642	982
Employee benefits	85,228	81,822
Equipment lease	6,843	6,270
Food	15,450	13,102
Office	9,615	9,855
Janitorial and supplies	16,770	16,436
Professional fees	23,624	28,625
Rent	78,899	74,902
Repairs and maintenance	8,919	6,630
Salaries	465,590	424,636
Staff development	4,275	5,092
Supplies and materials	9,207	8,241
Telephone	6,123	6,488
Travel mileage and parking	2,923	1,525
	$ 739,390	$ 687,710

BDO

Tel: 204 956 7200
Fax: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of TRAVEL MANITOBA

We have audited the accompanying financial statements of TRAVEL MANITOBA, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets, remeasurement gains and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TRAVEL MANITOBA as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 18, 2013

TRAVEL MANITOBA
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash and short-term deposits (Note 2)	$ **1,190,778**	$ 1,215,653	$ 787,905
Trade accounts receivable	**724,994**	621,892	1,274,550
Prepaid expenses	**17,590**	35,988	29,740
	1,933,362	1,873,533	2,092,195
Due from the Province of Manitoba (Note 3)	**97,993**	150,413	204,727
Capital assets (Note 4)	**136,492**	131,033	128,015
	$ **2,167,847**	$ 2,154,979	$ 2,424,937
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	$ **944,412**	$ 1,273,683	$ 1,234,042
Deferred revenue	**147,781**	78,852	-
	1,092,193	1,352,535	1,234,042
Retirement allowances and other benefits payable (Note 5)	**436,932**	454,633	441,434
	1,529,125	1,807,168	1,675,476
Contingencies and commitments (Note 7)			
Net Assets			
Unrestricted	**426,024**	141,778	546,446
Restricted for purchase of capital assets	**75,000**	75,000	75,000
Invested in capital assets	**136,492**	131,033	128,015
	637,516	347,811	749,461
Accumulated remeasurement gains	**1,206**	-	-
	638,722	347,811	749,461
	$ **2,167,847**	$ 2,154,979	$ 2,424,937

Approved on behalf of the Board of Directors:

Director

Director

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

TRAVEL MANITOBA
Statement of Operations

For the year ended March 31	2013	2012
Revenue		
Province of Manitoba		
Operating	$ 7,613,000	$ 7,613,000
Other initiatives - Federal and provincial funding	730,000	1,839,500
Partnership and leveraged marketing	452,155	712,446
Other	30,644	22,526
	8,825,799	10,187,472
Expenditures		
Marketing and industry development	6,407,019	8,442,340
Visitor services	1,165,883	1,173,506
Corporate services	950,699	953,784
Amortization	12,493	12,099
Contribution to Manitoba Homecoming Inc.	-	7,393
	8,536,094	10,589,122
Excess (deficiency) of revenue over expenditures for the year	$ 289,705	$ (401,650)

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

TRAVEL MANITOBA
Statement of Changes in Net Assets

For the year ended March 31 | **2013** | 2012

	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	2013 Total	2012 Total
Net assets, beginning of year	$ 141,778	$ 75,000	$ 131,033	$ 347,811	$ 749,461
Excess (deficiency) of revenue over expenditures for the year	302,198	-	(12,493)	289,705	(401,650)
Interfund Transfers					
Acquisition of capital assets ($15,117 in 2012)	(17,952)	-	17,952	-	-
Net assets, end of year	$ 426,024	$ 75,000	$ 136,492	$ 637,516	$ 347,811

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

TRAVEL MANITOBA
Statement of Remeasurement Gains

For the year ended March 31		2013		2012
Accumulated remeasurement gains, beginning of year	$	-	$	-
Unrealized gains attributable to foreign exchange		1,206		-
Accumulated remeasurement gains, end of year	$	1,206	$	-

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

TRAVEL MANITOBA
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ 289,705**	$ (401,650)
Adjustment for non cash items		
Amortization	**12,493**	12,099
Unrealized remeasurement gain	**1,206**	-
	303,404	(389,551)
Changes in non-cash working capital		
Trade accounts receivable	**(103,102)**	652,658
Prepaid expenses	**18,398**	(6,248)
Accounts payable and accrued liabilities	**(329,271)**	39,641
Deferred revenue	**68,929**	78,852
Due from Province of Manitoba	**52,420**	54,314
Retirement allowances and other benefits payable	**(17,701)**	13,199
	(6,923)	442,865
Cash Flows from Financing and Investing Activities	**-**	-
Cash Flows from Capital Activities		
Acquisition of capital assets	**(17,952)**	(15,117)
Net (decrease) increase in cash and short-term deposits	**(24,875)**	427,748
Cash and short-term deposits, beginning of year	**1,215,653**	787,905
Cash and short-term deposits, end of year	**$ 1,190,778**	$ 1,215,653

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

For the year ended March 31, 2013

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to grow tourism revenues by harnessing the collective investment in tourism to create strong connections between visitors and Manitoba's unique experiences. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

b. Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

c. Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for government not-for-profit organizations.

d. Cash and Short-term Deposits

Cash and cash equivalents consist of cash and short-term deposits with a duration of less than ninety days from the date of acquisition.

e. Contributions Receivable

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

g. Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on a declining balance basis over the estimated useful lives of the assets at the following rates:

Computer hardware	30%
Computer software	30%
Furniture and equipment	5%
Leasehold improvements	5%

h. Retirement Allowances and Post-Employment Benefits

The Organization provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized in income immediately.

Employees of the Organization are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Organization is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund.

In addition, an individual has entitlement to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

h. Retirement Allowances and Post-Employment Benefits (continued)

Sick leave benefits that accumulate but do not vest, are actuarially determined and reflect management's best estimate of future cost trends associated with such benefits and interest rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

i. Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes revenue arising from non-monetary transactions in the period when services have been rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

j. Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

k. Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash and Short-term Deposits

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

A dedicated account has been established to safeguard $100,000 for the Organization's retirement allowance obligation and enhanced pension benefit costs. Interest earned will be retained in the account.

3. Due from the Province of Manitoba

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the Organization as severance benefits are paid to employees on record as at April 1, 2005.

During the year, the Organization reduced the receivable from the government in the amount of $52,420 related to employees no longer employed by the Organization. The receivable from the Province of Manitoba as at March 31, 2013 is $97,993 ($150,413 in 2012).

4. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware	**$ 37,630**	**$ 24,446**	$ 36,734	$ 19,036
Computer software	**33,854**	**29,032**	29,503	27,850
Furniture and equipment	**23,150**	**4,455**	22,294	3,494
Leasehold improvements	**123,493**	**23,702**	111,644	18,762
	$ 218,127	**$ 81,635**	$ 200,175	$ 69,142
Cost less accumulated amortization		**$ 136,492**		$ 131,033

For the year ended March 31, 2013

5. Retirement Allowances and Other Benefits Payable

Retirement Allowances

The Organization measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at March 31 of each year. The most recent actuarial valuation report for the retirement allowance was at April 1, 2013 and the most recent finalized and approved actuarial valuation report for the enhanced pension benefits was at December 31, 2011.

The significant actuarial assumptions adopted in measuring the Organization's retirement allowance obligation and costs are as follows:

		2013		2012
Benefit costs for the year ended March 31				
Discount rate		**6.00%**		6.00%
Rate of compensation increase		**2.75%**		2.75%
Employer contributions	**$**	**156,578**	$	161,103

The significant actuarial assumptions adopted in measuring the Organization's enhanced pension benefit and costs are as follows:

		2013		2012
Benefit costs for the year ended March 31				
Discount rate		**6.00%**		6.00%
Rate of compensation increase		**3.75%**		3.75%
Employer contributions	**$**	**12,774**	$	2,512
Effect of change in assumptions	**$**	**-**	$	-
Experience loss/gain adjustment	**$**	**-**	$	-

Sick Leave

Sick leave benefits that accumulate but do not vest, are actuarially determined and are estimated to be a liability as at March 31, 2013 of $26,100, ($32,200 in 2012). The amount is not considered to be significant by management, and as such has not been recorded as a liability in the records of the Organization.

6. Financial Instrument Risk

The Organization is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organization's activities.

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 Organization to credit risk consist principally of trade accounts receivable, due from the Province of Manitoba, and short-term deposits.

The Organization's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts receivables (net of allowance of $15,000)	$ 655,520	$ 21,525	$ 47,949
Government receivables	-	-	97,993
	$ 655,520	$ 21,525	$ 145,942

Trade Accounts Receivables - The Organization is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due. The Organization establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Government Receivables - The Organization is not exposed to significant credit risk as non-trade receivables are substantially all from provincial and federal governments.

6. Financial Instrument Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization has a planning and budgeting process in place to help determine the funds required to support the Organization's normal operating requirements on an ongoing basis. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities.

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts payable	$ 885,456	$ 38,003	$ 20,953

7. Contingencies and Commitments

The Organization has entered into lease agreements for rental of facilities at various locations expiring in March 2015 with total annual payments of $504,526. In addition, the Organization has entered into lease agreements for computer equipment and a van expiring in October 2014 and April 2015, respectively, for total annual payments of $13,200 and $3,200, respectively.

The Organization has access to a loan guarantee with the Province of Manitoba for $1,500,000. The guarantee will enable Travel Manitoba to establish a line of credit up to this amount for the purpose of providing advances and profit guarantees as part of bid proposals and preparation efforts being undertaken in attracting various events to take place in Manitoba. As at March 31, 2013, this line of credit had not been drawn upon.

8. Non-monetary Transactions

During the current year, the Organization entered into contracts with exchanges of non-monetary services for other non-monetary services with little or no monetary consideration involved. These transactions are within normal business activities and were done in order to carry out the mandate of the Organization.

The aggregate amount of all non-monetary transactions in the current year total $40,230 ($42,581 in 2012).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.

9. First-time Adoption

Effective April 1, 2012, the Organization adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations (PSAB for NPOs). These are the Organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Nature of the Organization and Summary of Significant Accounting Policies, with the exception of financial instruments, have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011. As described below the accounting policies for financial instruments have only been applied in preparing the financial statements for the year ended March 31, 2013.

The Organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the Organization.

Financial Instruments

On April 1, 2012, the organization adopted the Public Sector Accounting Handbook Sections 3450 – Financial Instruments, 2601 – Foreign Currency Translation and 1201 – Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after April 1, 2012, however, earlier adoption is permitted. This accounting change resulted in the presentation of unrealized gains on foreign exchange transactions of $1,206, shown in the statement of remeasurement gains. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding its adoption of PSAB for NPOs.