



## **VOLUME 4 - SECTION 2**



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## AUDITORS' REPORT

To the Board of Commissioners  
Manitoba Boxing Commission

We have audited the statement of financial position of Manitoba Boxing Commission as at March 31, 2007 and the statement of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations the organization derives revenue from commissions, licenses and permits, 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 organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets and surplus.

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 the organization as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KWB CHARTERED ACCOUNTANTS INC.

*KWB Chartered Accountants Inc.*

July 3, 2007

MANITOBA BOXING COMMISSION  
STATEMENT OF FINANCIAL POSITION  
March 31, 2007

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 3,434	\$ 4,730
Accounts receivable	1,050	3,050
Prepaid expenses	<u>500</u>	<u>500</u>
	4,984	8,280
<b>Property, Plant and Equipment - Note 3</b>	<u>-</u>	<u>-</u>
	<u>\$ 4,984</u>	<u>\$ 8,280</u>

<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,650	\$ 6,050
Performance bond deposits	2,000	1,000
	<u>4,650</u>	<u>7,050</u>

<b>NET ASSETS (DEFICIENCY)</b>		
<b>Unrestricted</b>	<u>334</u>	<u>1,230</u>
	<u>\$ 4,984</u>	<u>\$ 8,280</u>

ON BEHALF OF THE BOARD:

Original signed by

.....Chairman

**MANITOBA BOXING COMMISSION**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<b>Revenue</b>		
Administrations	\$ 3,550	\$ -
Commissions, licenses and permits	1,242	5,278
Grant - Province of Manitoba	14,700	14,700
Grant - other	2,621	-
Interest	<u>11</u>	<u>-</u>
	<u>22,124</u>	<u>19,978</u>
 <b>Operating expenses</b>		
Administration	722	-
Amortization	1,074	-
Card expenses - boxing	1,797	950
Conferences	9,594	7,540
Dues and subscriptions	1,079	516
Honoraria	3,600	4,200
Professional fees	<u>5,154</u>	<u>5,174</u>
	<u>23,020</u>	<u>18,380</u>
 <b>Excess (deficiency) of revenues over expense</b>	 ( 896)	 1,598
 <b>Unrestricted net assets (deficiency), beginning of year</b>	 <u>1,230</u>	 ( <u>368</u> )
 <b>Unrestricted net assets (deficiency), end of year</b>	 <u>\$ 334</u>	 <u>\$ 1,230</u>



**MANITOBA BOXING COMMISSION**  
**STATEMENT OF CASH FLOWS**  
Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<b>From operating activities</b>		
Excess (deficiency) of revenues over expenses	(\$ 896)	\$ 1,598
Amortization expense	<u>1,074</u>	<u>-</u>
	178	1,598
Net changes in non-cash working capital items	( <u>400</u> )	<u>70</u>
	( <u>222</u> )	<u>1,668</u>
<b>From investing activities</b>		
Acquisition of property, plant and equipment	( <u>1,074</u> )	<u>-</u>
<b>Cash increase</b>	( 1,296 )	1,668
Cash, beginning of year	<u>4,730</u>	<u>3,062</u>
Cash, end of year	<u>\$ 3,434</u>	<u>\$ 4,730</u>
<b>Net changes in non-cash working capital items</b>		
Accounts receivable	\$ 2,000	(\$ 2,679)
Accounts payable and accrued liabilities	( 3,400 )	3,749
Performance bonds	<u>1,000</u>	<u>( 1,000 )</u>
	(\$ 400)	\$ 70

**MANITOBA BOXING COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
March 31, 2007

**1. 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.

The Manitoba Boxing Commission is a commission, pursuant to the Boxing Commission Act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act.

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies for not-for-profit organizations and reflect the following policies:

**Revenue recognition**

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and its collection is reasonably assured.

**Amortization**

Property, plant and equipment are accounted for at cost and is amortized 100% in the year of acquisition.

**Use of Estimates**

The preparation of the financial statements in conformity 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. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**3. Property, Plant And Equipment**

	<u>Original Cost</u>	<u>Accumu- lated Amorti- zation</u>	<u>Net Book Value</u>
March 31, 2007			
Computer equipment	\$ 1,074	\$ 1,074	\$ -

**4. Economic Dependence**

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant.

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Office of the Auditor General

We have audited the statement of financial position of **The Manitoba Centennial Centre Corporation** as at March 31, 2007 and the statement of operations and changes in fund balances, statement of cash flows and the statement of capital projects for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Winnipeg, Canada  
May 4, 2007

Chartered Accountants

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# Manitoba Centennial Centre Corporation

## Statement of Financial Position

March 31

2007

2006

### General Fund

#### Assets

##### Current

Cash and bank	\$ 349,406	\$ 431,231
Term deposits - Province of Manitoba	537,886	710,903
Accounts receivable	145,397	166,309
Operating grant receivable		
- Province of Manitoba	-	70,000
Capital grant receivable		
- Province of Manitoba	182,358	-
Inventory	26,241	20,963
Prepaid expenses	77,308	66,134
	<u>1,318,596</u>	<u>1,465,540</u>
Accounts receivable - pension		
- Province of Manitoba (Note 6)	5,069,000	4,862,000
Accounts receivable - vacation		
- Province of Manitoba (Note 5)	199,964	199,964
Accounts receivable - severance		
- Province of Manitoba (Note 4)	307,561	307,561
Capital Assets (Note 7, 17)	566,612	-
	<u>6,143,137</u>	<u>5,369,525</u>
	<u>7,461,733</u>	<u>6,835,065</u>

### Restricted Funds (Note 10)

#### Assets

##### Current

The Maitland Steinkopf Youth Fund		
Term deposit - Province of Manitoba	64,410	64,644
The Manitoba Centennial Foundation of the Future Fund		
Term deposit - Province of Manitoba	50,846	51,297
	<u>115,256</u>	<u>115,941</u>
	<u>\$ 7,576,989</u>	<u>\$ 6,951,006</u>

Commitments (Note 6)

See accompanying notes to the financial statements.

# Manitoba Centennial Centre Corporation

## Statement of Financial Position (continued)

March 31

2007

2006

### General Fund

#### Liabilities

##### Current

Accounts payable and accrued liabilities	\$ 438,550	\$ 486,342
Accrued vacation liability (Note 5)	204,520	221,258
Capital advances (Note 11)	100,000	281,698
Deferred income and rental deposits	34,389	35,797
	<u>777,459</u>	<u>1,025,095</u>
Pension liability (Note 6)	5,069,000	4,862,000
Accrued severance pay (Note 4)	433,099	424,894
Deferred contributions (Note 8, 17)	370,320	-
Provision for deductible costs on insurance claims (Note 12)	15,000	15,000
	<u>5,887,419</u>	<u>5,301,894</u>
	<u>6,664,878</u>	<u>6,326,989</u>

### Fund Balances

#### Restricted Funds (Note 10)

##### Funds retained

The Maitland Steinkopf Youth Fund	64,410	64,644
The Manitoba Centennial Foundation of the Future Fund	50,846	51,297
	<u>115,256</u>	<u>115,941</u>
Investment in Capital Assets (Note 9)	196,292	-
Unrestricted funds		
Surplus from operations	600,563	508,076
	<u>\$ 7,576,989</u>	<u>\$ 6,951,006</u>

Approved on behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to the financial statements.



# Manitoba Centennial Centre Corporation

## Statement of Operations and Changes in Fund Balances

Year Ended March 31, 2007

	<u>Operating</u>	<u>Capital</u>	<u>Total 2007</u>	Total 2006 (Note 18)
Revenues				
Concert Hall	\$ 1,045,977	\$ -	\$ 1,045,977	\$ 722,454
Studio Rental	153,235	-	153,235	72,165
Bar and concession sales	355,683	-	355,683	263,481
Parking fees	693,732	-	693,732	608,740
Miscellaneous	105,933	-	105,933	93,322
	<u>2,354,560</u>	<u>-</u>	<u>2,354,560</u>	<u>1,760,162</u>
Province of Manitoba grants				
Operating	2,875,800	-	2,875,800	2,914,100
Amortization of deferred contributions (Notes 8 and 17)	-	65,036	65,036	-
Pension (Note 6)	201,541	-	201,541	(28,990)
	<u>3,077,341</u>	<u>65,036</u>	<u>3,142,377</u>	<u>2,885,110</u>
City of Winnipeg grant				
Strategic Economic Development Grant	29,725	-	29,725	26,416
Recoveries of expenses	231,217	-	231,217	179,684
	<u>260,942</u>	<u>-</u>	<u>260,942</u>	<u>206,100</u>
Total revenues, grant and recoveries	<u>5,692,843</u>	<u>65,036</u>	<u>5,757,879</u>	<u>4,851,372</u>
Expenses				
Administration and general	555,759	-	555,759	432,907
Amortization of capital assets	-	89,949	89,949	-
Bar and concession operations	194,197	-	194,197	148,372
Building services and maintenance	1,205,645	-	1,205,645	1,205,925
Host services and special projects	245,066	-	245,066	213,155
Manitoba Production Centre	221,947	-	221,947	235,571
Parking services	189,070	-	189,070	190,142
Pension (Note 6)	380,799	-	380,799	147,077
Security services	425,925	-	425,925	431,115
Stage operations	361,879	-	361,879	304,768
	<u>3,780,287</u>	<u>89,949</u>	<u>3,870,236</u>	<u>3,309,032</u>
Expenses incurred on behalf of the Manitoba Museum (Note 13)	<u>1,605,891</u>	<u>-</u>	<u>1,605,891</u>	<u>1,447,011</u>
Total expenses - per schedule	<u>5,386,178</u>	<u>89,949</u>	<u>5,476,127</u>	<u>4,756,043</u>
Excess (deficiency) of revenues over expenses prior to bad debt recovery	306,665	(24,913)	281,752	95,329
Bad debt recovery	<u>7,027</u>	<u>-</u>	<u>7,027</u>	<u>10,728</u>
Excess (deficiency) of revenues over expenses	313,692	(24,913)	288,779	106,057
Interfund transfers	<u>(221,205)</u>	<u>221,205</u>	<u>-</u>	<u>-</u>
	92,487	196,292	288,779	106,057
Fund balance, beginning of year	<u>508,076</u>	<u>-</u>	<u>508,076</u>	<u>402,019</u>
Fund balance, end of year	<u>\$ 600,563</u>	<u>\$ 196,292</u>	<u>\$ 796,855</u>	<u>\$ 508,076</u>

See accompanying notes to the financial statements.

# Manitoba Centennial Centre Corporation

## Statement of Cash Flows

Year Ended March 31

2007

2006

Increase (decrease) in cash

<b>Operating</b>		
Excess of revenues over expenses	\$ 288,779	\$ 106,057
Amortization of Deferred Contributions	(65,036)	-
Amortization	89,949	-
	<u>313,692</u>	<u>106,057</u>
Changes in non-cash working capital items		
Accounts receivable	20,912	(45,438)
Operating grant receivable	70,000	(70,000)
Inventory	(5,278)	11,035
Prepaid expenses	(11,174)	(9,724)
Accounts payable and accrued liabilities	114,877	(107,591)
Deferred income and rental deposits	(1,408)	18,917
Accrued vacation liability	(16,738)	25,675
Accrued severance pay	8,205	26,573
	<u>493,088</u>	<u>(44,496)</u>
<b>Investing</b>		
Purchase of capital assets	<u>(656,561)</u>	<u>-</u>
<b>Financing</b>		
Capital asset grants - Province of Manitoba	130,227	-
Capital expenditures grants - Province of Manitoba	464,316	477,962
Capital expenditures	<u>(685,912)</u>	<u>(816,954)</u>
	<u>(91,369)</u>	<u>(338,992)</u>
Net decrease in cash and cash equivalents	(254,842)	(383,488)
Cash and cash equivalents, beginning of year	<u>1,142,134</u>	<u>1,525,622</u>
Cash and cash equivalents, end of year	<u>\$ 887,292</u>	<u>\$ 1,142,134</u>
Represented by:		
Cash and bank	\$ 349,406	\$ 431,231
Term deposits - Province of Manitoba	<u>537,886</u>	<u>710,903</u>
	<u>\$ 887,292</u>	<u>\$ 1,142,134</u>

See accompanying notes to the financial statements.

# Manitoba Centennial Centre Corporation

## Statement of Capital Projects

Year Ended March 31

2007

2006

### Capital Expenditures

Air plenum repairs	\$ 309,470	\$ -
Electrical/mechanical maintenance	-	52,784
Elevator	-	100,974
Emergency lighting	-	49,828
Equipment and furnishings	-	230,822
Exterior lighting	-	120,794
Handicap ramp	213,774	-
Parking development	-	119,922
Stage sound	-	301,585
	<u>523,244</u>	<u>976,709</u>

### Capital Grants - Province of Manitoba

Received during the year	(341,546)	(477,962)
Advances for next year	100,000	281,698
Advances from previous years	<u>(281,698)</u>	<u>(780,445)</u>
Recoverable	\$ -	\$ -

See accompanying notes to the financial statements.

# Manitoba Centennial Centre Corporation

## Schedule of Operating Expenses

Year Ended March 31

2007

2006  
(Note 18)

Administration and general		
Salaries and employee benefits	\$ 459,259	\$ 371,918
Insurance	93,411	81,750
Telephone and fax	19,746	14,564
Audit and legal	24,443	20,132
Other	144,732	90,232
Payroll service	5,566	5,028
	<u>747,157</u>	<u>583,624</u>
Bar and concession operations		
Salaries and employee benefits	78,636	57,289
Cost of goods sold	109,243	80,135
Other	6,318	10,948
	<u>194,197</u>	<u>148,372</u>
Building services and maintenance		
Salaries and employee benefits	1,148,173	1,149,278
Utilities	887,958	893,004
Repairs, maintenance and supplies	439,846	314,446
	<u>2,475,977</u>	<u>2,356,728</u>
Host services and special projects		
Salaries and employee benefits	223,266	193,997
Other	21,800	19,158
	<u>245,066</u>	<u>213,155</u>
Manitoba Production Centre		
Salaries and employee benefits	11,632	15,956
Administration Costs	35,189	58,077
Repairs, maintenance and supplies	39,363	33,460
Property taxes	81,655	69,385
Utilities	54,108	58,693
	<u>221,947</u>	<u>235,571</u>
Parking services		
Salaries and employee benefits	126,234	112,605
Agency fees and expenses	53,406	70,481
Other	9,430	7,056
	<u>189,070</u>	<u>190,142</u>
Pension (Note 6)	<u>470,480</u>	<u>239,079</u>
Security services		
Salaries and employee benefits	466,903	468,006
Other	13,502	16,598
	<u>480,405</u>	<u>484,604</u>
Stage operations		
Salaries and employee benefits	297,180	274,310
Repairs, supplies and equipment	64,699	30,458
	<u>361,879</u>	<u>304,768</u>
Total expenses	<b>5,386,178</b>	4,756,043
Less: Expenses incurred on behalf of the Manitoba Museum (Note 13)	<u>1,605,891</u>	<u>1,447,011</u>
Net expenses	<b>\$ 3,780,287</b>	<b>\$ 3,309,032</b>

See accompanying notes to the financial statements.

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# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

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### 1. Nature of the Corporation's operations

The Manitoba Centennial Centre Corporation was established in 1968 for the development and management of the 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 Section 149(1) of the Income Tax Act.

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### 2. Properties of the Corporation

The Corporation oversees the properties of the Centre on behalf of the Province of Manitoba. At March 31, 2007 registered titles to these properties, being the Concert Hall, Manitoba Production Centre, 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 Manitoba Production Centre financial results within these statements as per the Letter of Understanding between Manitoba Culture, Heritage and Tourism and the Manitoba Centennial Centre Corporation, in which the Corporation agreed to manage the Manitoba Production Centre for the Province.

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### 3. Summary of significant accounting policies

#### Fund accounting

The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The Corporation follows the deferral method of accounting.

The general fund is used to account for the operations of the Corporation.

The capital asset fund reports the assets, liabilities, revenues and expenses related to capital assets other than buildings that are funded by the Province of Manitoba (Note 9)

In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of \$25,000. The major purpose of this fund is to promote cultural opportunities for Manitoba youths at reasonable costs (Note 10)

In 1969, the Corporation established the Foundation of the Future Fund in recognition of Manitoba's centennial year. The terms of the Fund's establishment provide that the committee of the fund will be composed of children born on six special dates in the year 1970. Based on the number of children born on these dates, the Corporation allocated \$3,050 to the Fund (Note 10)

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# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

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### 3. Summary of significant accounting policies (continued)

#### 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 Corporation to contribute 50% of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for current and past service pension obligations.

#### Term deposits

Term deposits are recorded at cost plus accrued interest.

#### Inventory

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

#### Use of estimates

In preparing the financial statements of the Corporation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### Capital assets

Capital assets are recorded at cost and are being depreciated using the straight-line method over their estimated useful lives as follows:

Office renovations	10%
Stage equipment	20%
Office furniture	20%

#### Cash and bank

Cash and bank include cash on hand, balances with banks and net of bank overdrafts.

#### 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.

Revenue is recognized when services are rendered and when collectibility is reasonably assured.

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# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

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### 4. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees.

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.

The Province of Manitoba has accepted responsibility for the severance pay benefits of \$307,561 which represents the amount accumulated to March 31, 1998 by the employees of the Corporation. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable to the amount of \$307,561 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. This receivable from the Province of Manitoba has no terms of repayment.

---

### 5. Vacation pay liability

In years prior to 2001, the Corporation recorded the estimated liability and the related expense for accumulated vacation pay benefits to its employees. In 2001, the Corporation was advised by the Province of Manitoba that the Province has accepted responsibility for the vacation pay liability accumulated to March 31, 1995 which amounts to \$199,964. Accordingly, the Corporation recorded, in 2001, a receivable to the amount of \$199,964 from the Province of Manitoba with retroactive restatement of prior periods. This receivable from the Province of Manitoba has no terms of repayment.

---

### 6. Pension liability

The Corporation records the actuarial pension liability and the related pension expense in their financial statements. Based on an actuarial report dated December 31, 2004, the unfunded liability for the Corporation's employees, calculated on an indexed basis, amounted to \$5,069,000 as at March 31, 2007 (2006 - \$4,862,000). For the year ended March 31, 2007, the Corporation recorded a pension liability of \$5,069,000 (2006 - \$4,862,000) and the related pension expense of \$470,480 (2006 - \$239,079).

Since the Province of Manitoba is responsible for the pension liability and the related expense, the Corporation adjusted the amount receivable from the Province of Manitoba to \$5,069,000 (2006 - \$4,862,000) by recording a related revenue of \$201,541 (2006 - related expense of \$28,990). This receivable from the Province of Manitoba has no terms of repayment.

# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

### 6. Pension liability (continued)

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 4,862,000	\$ 4,888,000
Adjustment for December 31, 2004 Actuarial Report	-	(212,700)
Increase in trust account held by the Civil Service		
Superannuation Fund	(19,190)	(19,324)
Benefits accrued	145,986	145,679
Interest accrued (7%, 2006: 7%)	346,443	325,217
Benefits paid	<u>(266,239)</u>	<u>(264,872)</u>
Balance, end of year	<u>\$ 5,069,000</u>	<u>\$ 4,862,000</u>

### 7. Capital assets

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office renovations	\$ 413,638	\$ 41,364	\$ 372,274	\$ -
Stage equipment	215,000	43,000	172,000	-
Office furniture	<u>27,923</u>	<u>5,585</u>	<u>22,338</u>	<u>-</u>
	<u>\$ 656,561</u>	<u>\$ 89,949</u>	<u>\$ 566,612</u>	<u>\$ -</u>

### 8. Deferred contributions

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ -	\$ -
Capital grants received	435,356	-
Less: Amortized to revenue	<u>(65,036)</u>	<u>-</u>
Balance, end of year	<u>\$ 370,320</u>	<u>\$ -</u>

Deferred contributions related to capital assets represents the unamortized amount of capital grants received for the purchase of depreciable capital assets.

The amortization of deferred contributions is recorded as revenue in the statement of operations on the same basis as the depreciation of the related capital assets acquired.



# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

### 9. Investment in capital assets

Investment in capital assets is calculated as follows:

	<u>2007</u>	<u>2006</u>
Capital assets (Note 7)	\$ 566,612	\$ -
Amounts financed by deferred contributions (Note 8)	<u>(370,320)</u>	<u>-</u>
	<u>\$ 196,292</u>	<u>\$ -</u>

### 10. Restricted funds

Restricted funds established and managed by the Corporation are as follows:

#### (a) The Maitland Steinkopf Youth Fund

	<u>2007</u>	<u>2006</u>
Summary of transactions:		
Fund balance, beginning of year	\$ 64,644	\$ 65,567
Investment income	2,526	1,752
Grant expense	<u>(2,760)</u>	<u>(2,675)</u>
Fund balance, end of year	<u>\$ 64,410</u>	<u>\$ 64,644</u>

#### (b) The Manitoba Centennial Foundation of the Future Fund

	<u>2007</u>	<u>2006</u>
Summary of transactions:		
Fund balance, beginning of year	\$ 51,297	\$ 52,407
Investment income	2,049	1,390
Grant expense	<u>(2,500)</u>	<u>(2,500)</u>
Fund balance, end of year	<u>\$ 50,846</u>	<u>\$ 51,297</u>

The Board of Directors have decided funds will be used toward an annual bursary program for those pursuing careers in the art.

### 11. Capital advances and commitments

The Corporation had contractual commitments at the end of 2007 for \$ nil (2006 - \$53,331) to complete capital improvements.

Capital funds in the amount of \$100,000 (2006 - \$281,698) were drawn in advance on projects awarded, but not completed by March 31, 2007.

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# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

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### 12. Provision for deductible costs on insurance claims

The insurance program of the Corporation contains a deductible clause requiring the Corporation to pay the first \$5,000 on any claim with a maximum of \$15,000 in any one year. The Corporation has set aside a provision of \$15,000 and, as long as the conditions of the insurance coverage are unchanged, it will be maintained at this level.

---

### 13. Grant of service

The Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of the Manitoba Museum. These expenses amount to \$1,605,891 for the year ending March 31, 2007 (2006 - \$1,447,011).

---

### 14. Financial instruments

The Corporation's financial instruments consist of cash, term deposits, accounts receivable and accounts payable. It is management's opinion that the Corporation 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.

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### 15. Economic dependence

The Corporation is economically dependent on funding received from the Province of Manitoba.

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### 16. Retained earnings policy

The Board of Directors of Manitoba Centennial Centre Corporation has authorized management to plan for the following policy effective the 2007-2008 fiscal year. There will be a three to five year window to achieve this goal. The Corporation has set a retained earnings goal of \$775,000 operating fund surplus which excludes any restricted funds identified on the MCCC balance sheet. The target is based on a three month budget of \$3.1 million for salaries and benefits for the 2006-2007 fiscal year. The goal will be reviewed every five years.

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# Manitoba Centennial Centre Corporation

## Notes to the Financial Statements

March 31, 2007

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### 17. Change in method of accounting for capital assets

During 2007, the Corporation changed its accounting policy for the treatment of capital assets other than buildings that are funded by the Province of Manitoba. Previously, the Corporation recorded such costs on the statement of capital projects. The Corporation is now capitalizing these costs as incurred in accordance with CICA HB section 4430. This change in accounting policy has not been accounted for retrospectively, since it is impracticable to obtain information to determine the effect on prior periods. The effect of the change on 2007 is an increase in capital assets of \$566,612, an increase in deferred contributions of \$370,320, an increase in amortization of deferred contributions of \$65,036 and an increase in amortization expense of \$89,949.

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### 18. Comparative figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

# Thomas Tasker Chartered Accountant Inc.

200-960 Portage Avenue  
Winnipeg, MB R3G 0R4

Telephone (204) 783-3118  
Fax (204) 772-7541

Thomas Tasker, CA

Del Halliday, CMA

## AUDITOR'S REPORT

To the Members of  
Manitoba Community Services Council Inc.

I have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2007 and the statements of financial activities and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba  
May 11, 2007

Original signed by  
Thomas Tasker

Chartered Accountant

## MANITOBA COMMUNITY SERVICES COUNCIL INC.

## BALANCE SHEET

MARCH 31, 2007

	<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets			
Cash	\$	445,041	\$ 274,672
Accrued interest		14,447	14,507
GST refund		5,149	7,321
Prepaid expense		5,554	5,871
Current portion of long-term deposit receipts (note 4)		<u>592,481</u>	<u>220,348</u>
		1,062,672	522,719
Fixed assets (note 3)		9,908	5,984
Long-term deposit receipts (note 4)		<u>78,600</u>	<u>427,600</u>
		\$ <u>1,151,180</u>	\$ <u>956,303</u>
	<u>Liabilities</u>		
Current liabilities			
Accounts payable and accrued liabilities	\$	8,431	\$ 8,183
Allocations not yet paid		<u>697,699</u>	<u>535,774</u>
		<u>706,130</u>	<u>543,957</u>
	<u>Net assets</u>		
Invested in fixed assets		9,908	5,984
Funds for future allocation		<u>435,142</u>	<u>406,362</u>
		<u>445,050</u>	<u>412,346</u>
		\$ <u>1,151,180</u>	\$ <u>956,303</u>

Approved on Behalf of the Board

\_\_\_\_\_  
Director

**Thomas Tasker**  
Chartered Accountant Inc.

**MANITOBA COMMUNITY SERVICES COUNCIL INC.**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2007**

	Invested in Fixed <u>Assets</u>	Funds for Future <u>Allocation</u>	Total <u>2007</u>	Total <u>2006</u>
Balance, beginning of year	\$ 5,984	\$ 406,362	\$ 412,346	\$ 366,361
Excess (deficiency) of revenue over allocations and expenses	(6,070)	38,774	32,704	45,985
Invested in fixed assets	<u>9,994</u>	<u>(9,994)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>9,908</u>	\$ <u>435,142</u>	\$ <u>445,050</u>	\$ <u>412,346</u>

## MANITOBA COMMUNITY SERVICES COUNCIL INC.

## STATEMENT OF FINANCIAL ACTIVITIES

## FOR THE YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Province of Manitoba		
Manitoba Culture, Heritage and Tourism	\$ 1,986,800	\$ 1,980,000
Interest	<u>40,593</u>	<u>30,021</u>
	<u>2,027,393</u>	<u>2,010,021</u>
Allocations and expenses		
Administrative expenses		
Bank charges	1,075	947
Computer expense	15,280	14,124
Courier	1,006	973
Equipment rental	8,610	8,681
Insurance	4,868	4,868
Meeting costs and volunteer travel	23,095	17,105
Office supplies	9,586	9,247
Postage	1,694	1,605
Professional fees	3,320	3,588
Telephone	<u>5,797</u>	<u>5,452</u>
	74,331	66,590
Amortization	6,070	5,871
Occupancy	27,804	27,858
Salaries and benefits	219,923	217,822
Grant allocations - schedule	1,734,972	1,647,695
Grant allocations (recovered)	<u>(68,411)</u>	<u>(1,800)</u>
	<u>1,994,689</u>	<u>1,964,036</u>
Excess of revenue over allocations and expenses	\$ <u>32,704</u>	\$ <u>45,985</u>

**Thomas Tasker**  
Chartered Accountant Inc.

**MANITOBA COMMUNITY SERVICES COUNCIL INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2007**

1. Incorporation

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. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and 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) Long-term deposit receipts

Long-term deposits receipts are carried at cost.

c) Fixed assets

Fixed asset acquisitions are capitalized in the year of purchase at values equal to 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	30%
Computer software	50%

d) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Council and when the revenue can be reliably measured.



**MANITOBA COMMUNITY SERVICES COUNCIL INC.**

**NOTES TO THE FINANCIAL STATEMENTS, CONT'D**

**MARCH 31, 2007**

2. Significant accounting policies, cont'd

e) Measurement uncertainty (use of estimates)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require 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 management's best estimates.

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.

f) Financial instruments

The company's financial instruments consist of cash, long-term deposit receipts and accrued interest, accounts payable and allocations not yet paid. 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.

Financial risk

The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

Fair value

The fair value of these financial instruments approximate their carrying value due to their short-term maturity.

## MANITOBA COMMUNITY SERVICES COUNCIL INC.

## NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2007

## 3. Fixed assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 22,962	\$ 22,645	\$ 22,962	\$ 22,368
Computer equipment	13,842	11,204	13,118	7,728
Computer software	<u>9,270</u>	<u>2,317</u>	<u>-</u>	<u>-</u>
	\$ <u>46,074</u>	\$ <u>36,166</u>	\$ <u>36,080</u>	\$ <u>30,096</u>
Cost less accumulated amortization		\$ <u>9,908</u>		\$ <u>5,984</u>

## 4. Long-term deposit receipts

	2007	2006
Bank of Montreal GIC, 3.1%, maturing December 15, 2006	\$ -	\$ 220,348
Manitoba Builder Bonds, 3.8%, maturing June 15, 2007	349,000	349,000
Laurentian Bank GIC, 4.1%, maturing January 19, 2008	43,481	-
Canadian Western Bank, GIC, 4.12%, maturing January 19, 2008.	100,000	-
Home Trust Company, GIC, 4.13%, maturing January 21, 2008.	100,000	-
Manitoba Builder Bonds, 3.25%, maturing June 15, 2008	<u>78,600</u>	<u>78,600</u>
	671,081	647,948
Less: Current portion	<u>592,481</u>	<u>220,348</u>
	\$ <u>78,600</u>	\$ <u>427,600</u>

The market value of long-term deposit receipts including accrued interest held at March 31, 2007 was \$683,740 (2006 - \$655,475).

**MANITOBA COMMUNITY SERVICES COUNCIL INC.**

**NOTES TO THE FINANCIAL STATEMENTS, CONT'D**

**MARCH 31, 2007**

**5. Provincial funding**

The Province of Manitoba has committed funding in the amount of \$1,993,600 for the year ended March 31, 2008.

**6. Commitment**

The Council has leased realty pursuant to a lease agreement, until May 31, 2010. 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 payments for the next three years are as follows:

2008	\$ 11,854
2009	11,854
2010	11,854

**7. Bingo hall earnings**

The Council allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of \$786,300 (2006 - \$834,900) through participation in bingo events.

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.

**8. Pension plan**

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer, defined benefit pension plan, which is accounted for as a defined contribution plan. The Council's pension contribution and expense for the year was \$12,139 (2006 - \$12,120).

An actuarial valuation indicated that a funding deficiency existed in the plan as at December 31, 2002. Based on the December 31, 2002 valuation, the Council has been assessed a solvency payment of \$3,323 for the fiscal year. The Plan's next actuarial valuation will have an effective date of December 31, 2006.

**Thomas Tasker**  
Chartered Accountant Inc.

# Manitoba



**Competitiveness, Training and Trade**  
Manitoba Development Corporation  
1040 - 259 Portage Avenue  
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T 204-945-7626 F 204-945-1193

## THE MANITOBA DEVELOPMENT CORPORATION MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, 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.

BDO Dunwoody LLP have 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 to the Board.

Original signed by

Original signed by

James F. Kilgour, C.A.  
General Manager

Kristine Seier, CMA  
Secretary-Treasurer

**Manitoba**  
spirited energy





**BDO Dunwoody LLP/s.r.l.**  
Chartered Accountants and Advisors  
Comptables agréés et conseillers

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## Auditors' Report

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### To the Shareholder of **MANITOBA DEVELOPMENT CORPORATION**

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*

Chartered Accountants

Winnipeg, Manitoba  
June 1, 2007



# MANITOBA DEVELOPMENT CORPORATION

## Balance Sheet

For the year ended March 31

2007                      2006

	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 99,873	\$ 109,524	\$ -	\$ 209,397	\$ 913,285
Cash held in trust	-	-	282,947	282,947	155,338
Short-term investments	7,213,919	4,452,704	-	11,666,623	4,333,649
Accounts receivable (Note 2)	445,759	4,004	-	449,763	296,969
	7,759,551	4,566,232	282,947	12,608,730	5,699,241
<b>Assets Managed for the Province of Manitoba</b>					
Loans receivable (Note 4)	-	-	45,438,714	45,438,714	42,686,891
Equity Investments (Note 5)	-	-	6,621,597	6,621,597	4,772,605
<b>Trust Funds (Note 6)</b>	26,741,139	-	-	26,741,139	27,260,036
	\$ 34,500,690	\$ 4,566,232	\$ 52,343,258	\$ 91,410,180	\$ 80,418,773
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 285,195	\$ 319,701	\$ -	\$ 604,896	\$ 431,657
<b>Funds provided by the Province of Manitoba</b>	-	-	52,343,258	52,343,258	47,614,834
<b>Trust liabilities (Note 6)</b>	26,741,139	-	-	26,741,139	23,234,761
<b>Severance pay benefits (Note 3)</b>	102,241	-	-	102,241	-
	27,128,575	319,701	52,343,258	79,791,534	71,281,252
<b>Commitments (Note 9)</b>					
<b>Shareholder's Equity</b>					
Share capital - authorized and issued 100 shares at \$10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 7)	4,063,543	-	-	4,063,543	4,918,648
Retained earnings	3,308,572	4,245,531	-	7,554,103	4,217,873
	7,372,115	4,246,531	-	11,618,646	9,137,521
	\$ 34,500,690	\$ 4,566,232	\$ 52,343,258	\$ 91,410,180	\$ 80,418,773

Approved on behalf of the Board:

Original signed by

Director

Original signed by

Director

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



# MANITOBA DEVELOPMENT CORPORATION

## Statement of Operations and Retained Earnings

For the year ended March 31

2007

2006

	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>Income</b>					
Interest	\$ 1,186,813	\$ 383,360	\$ 3,077,052	\$ 4,647,225	\$ 4,076,295
Foreign exchange gain	-	-	-	-	85,431
Forfeitures (Note 6)	2,000,079	-	-	2,000,079	4,425,275
Recovery of Program Administration Expenses (Note 8)	449,229	-	-	449,229	385,398
Prepayment penalty fee	-	-	-	-	527,292
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	-	-	-	-	(937,120)
Recovery of provision for loan forgiveness	-	-	-	-	(3,764,798)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	131,617
Provision for decline in value of investments	-	-	181,174	181,174	53,424
Pro-rata share of partnership losses	-	-	576,882	576,882	481,500
Foreign currency translation loss	-	-	-	-	
	<b>3,636,121</b>	<b>383,360</b>	<b>3,894,789</b>	<b>7,914,270</b>	<b>5,464,314</b>
<b>Expenses</b>					
Program administration	1,164,925	100,387	-	1,265,312	1,030,345
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	3,077,052	3,077,052	3,190,648
Recovery of provision for loan forgiveness	-	-	-	-	(937,120)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	(3,764,798)
Provision for decline in value of investments	-	-	181,174	181,174	131,617
Pro-rata share of partnership losses	-	-	576,882	576,882	53,424
Foreign currency translation loss	-	-	-	-	481,500
	<b>1,164,925</b>	<b>100,387</b>	<b>3,894,789</b>	<b>5,160,101</b>	<b>185,616</b>
Transfers to the Department of Labour and Immigration (Note 10)	263,044	-	-	263,044	-
Transfers to the Department of Competitiveness, Training and Trade (Note 10)	10,000	-	-	10,000	56,200
	<b>1,437,969</b>	<b>100,387</b>	<b>3,894,789</b>	<b>5,433,145</b>	<b>241,816</b>
<b>Net income for the year</b>	<b>2,198,152</b>	<b>282,973</b>	<b>-</b>	<b>2,481,125</b>	<b>5,222,498</b>
<b>Retained earnings, beginning of year</b>	<b>255,315</b>	<b>3,962,558</b>	<b>-</b>	<b>4,217,873</b>	<b>3,275,965</b>
<b>Transfer of Provincial Nominee Program for Business from Manitoba Trade and Investment Corporation (Note 1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638,058</b>
<b>Transfer from (to) Restricted Surplus (Note 7)</b>	<b>855,105</b>	<b>-</b>	<b>-</b>	<b>855,105</b>	<b>(4,918,648)</b>
<b>Retained earnings, end of year</b>	<b>\$ 3,308,572</b>	<b>\$ 4,245,531</b>	<b>\$ -</b>	<b>\$ 7,554,103</b>	<b>\$ 4,217,873</b>

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



# MANITOBA DEVELOPMENT CORPORATION

## Statement of Cash Flows

For the year ended March 31

2007

2006

### Cash Flows from Operating Activities

Net income for the year	\$ 2,481,125	\$ 5,222,498
Adjustments for		
Allowance for loan forgiveness recovery	-	(937,120)
Provision for doubtful accounts (recovery)	59,681	(3,764,798)
Provision for decline in value of investments	181,174	131,617
Pro-rata share of partnership losses	576,882	53,424
Provision for forfeitures	(2,000,079)	(4,025,275)
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	(817,737)	4,516,877
	<u>481,046</u>	<u>1,197,223</u>
Changes in non-cash working capital balances		
Accounts receivable	(152,794)	(295,160)
Accounts payable	173,239	113,815
	<u>20,445</u>	<u>(181,345)</u>
Severance pay benefits	102,241	-
<b>Net cash flow from operating activities</b>	<u>603,732</u>	<u>1,015,878</u>

### Cash Flows from Investing Activities

Loans receivable		
Principal repayments	6,270,566	28,756,560
Loans issued	(9,021,376)	(1,065,000)
Increase in accrued interest receivable	(60,694)	(36,074)
Equity investments		
Investments made	(2,607,048)	(461,818)
Provincial Nominee Program for Business Trust Funds	518,897	(27,260,036)
	<u>(4,899,655)</u>	<u>(66,368)</u>
Funds provided by the Province of Manitoba		
Part II	5,546,161	(27,206,526)
Provincial Nominee Program for Business	5,506,457	27,898,094
<b>Net cash flow from investing activities</b>	<u>6,152,963</u>	<u>625,200</u>

### Net increase in cash and cash equivalents

### Cash and cash equivalents, beginning of year

### Cash and cash equivalents, end of year

### Represented by:

Cash	\$ 209,397	\$ 913,285
Short-term investments	11,666,623	4,333,649
Cash held in trust	282,947	155,338
	<u>\$ 12,158,967</u>	<u>\$ 5,402,272</u>

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



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## MANITOBA DEVELOPMENT CORPORATION

### Summary of Significant Accounting Policies

March 31, 2007

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These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require 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. The significant accounting policies used in these financial statements are as follows:

**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.

**Equity Investments 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 Capital Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro-rata share of post acquisition earnings. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

An allowance for Equity 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.



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## **MANITOBA DEVELOPMENT CORPORATION**

### **Summary of Significant Accounting Policies**

**March 31, 2007**

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#### **Financial Instruments**

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments.

The financial risk is the risk to the corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The corporation does not participate in derivative financial instrument trading.

#### **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.

#### **Cash**

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.

#### **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 year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

#### **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.



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## **MANITOBA DEVELOPMENT CORPORATION**

### **Summary of Significant Accounting Policies**

**March 31, 2007**

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#### **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.



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## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

March 31, 2007

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#### 1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (The Corporation) provides loans and guarantees 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.

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. Related assets of \$23,033,926, liabilities of \$22,395,868 and retained earnings of \$638,058 were transferred on that date. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

Effective April 1, 2006, Treasury Board provided authority to convert 10 employment contracts in the Corporation to regular staff positions, which entitles the staff to receive a similar benefits package to other Provincial Civil Servants. The staff in those positions support the Provincial Nominee Program for Business, Young Farmers Program, Business Settlement Program, Manitoba Opportunities Fund, and Marketing Support Group.

#### 2. Accounts Receivable

	2007	2006
Province of Manitoba	\$ 292,901	\$ 111,105
Other	37,786	16,199
Accrued Interest	119,076	169,665
	<u>\$ 449,763</u>	<u>\$ 296,969</u>

#### 3. Severance Pay Benefits

Upon transfer of employees from the Province on April 1, 2006, the Corporation assumed accumulated severance pay obligations from the Province of Manitoba for its employees. The amount of severance pay obligations is calculated based on the severance policies of the Province of Manitoba.



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**March 31, 2007**

### 4. Loans Receivable Managed for the Province of Manitoba Under Part II

	<u>2007</u>	<u>2006</u>
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	\$ 55,869,228	\$ 55,862,840
- Forgivable	3,792,063	3,792,063
Manufacturing Adaptation Program	-	2,491
	<u>59,661,291</u>	<u>59,657,394</u>
Other Loans Receivable		
Elmwood Cemetery	-	75,000
	<u>59,661,291</u>	<u>59,732,394</u>
Less: Allowance for forgiveness	(3,792,063)	(3,792,063)
Allowance for doubtful accounts	(10,430,514)	(13,253,440)
	<u>(14,222,577)</u>	<u>(17,045,503)</u>
	<u>\$ 45,438,714</u>	<u>\$ 42,686,891</u>

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 7,730,760
2008	5,808,576	20,766,512
2009	5,012,941	4,788,148
2010	9,073,933	3,086,515
2011	13,144,752	6,459,966
Subsequent to 2011	-	12,812,479
2012	13,602,126	-
Subsequent to 2012	8,947,745	-
Accrued interest	279,155	218,461
	<u>55,869,228</u>	<u>55,862,841</u>
Allowance	(10,430,514)	(13,250,950)
	<u>\$ 45,438,714</u>	<u>\$ 42,611,891</u>



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

March 31, 2007

### 4. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

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. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2007	2006
Nil	\$ 1,003,231	\$ 1,622,671
Greater than Nil, less than 5%	29,730,537	30,913,727
5% or greater, less than 6%	16,203,010	17,804,552
6% or greater, less than 7%	6,636,628	2,782,597
7% or greater, less than 8%	2,016,667	2,520,833
Accrued interest	279,155	218,461
	55,869,228	55,862,841
Allowance	(10,430,514)	(13,250,950)
	<u>\$ 45,438,714</u>	<u>\$ 42,611,891</u>

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

In exchange for contractual obligations which normally commit debtor companies to create and maintain jobs, the Corporation has provided forgivable loans. A portion of these loans is normally forgiven annually subject to the Corporation's confirmation that jobs have been created and maintained. Forgivable loans together with projected timing of forgiveness are as follows:

	2007	2006
Forgivable within 1 year	\$ 2,080,427	\$ 1,140,287
Forgivable within 2 years	-	940,140
Forgivable in more than 3 years	1,711,636	1,711,636
	<u>\$ 3,792,063</u>	<u>\$ 3,792,063</u>



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

March 31, 2007

### 5. Equity Investments Managed for the Province of Manitoba Under Part II

	2007	2006
Share capital investments		
Faneuil ISG Inc.	\$ 1	\$ 1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	300,000	-
CentreStone Vision Fund	1,709,408	801,584
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,731,997	1,682,773
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,150,000	3,800,000
Vision Capital Fund	1	1
	16,254,606	13,647,558
Less: Allowance for decline in value of investments	(9,537,440)	(9,356,266)
Add (less): Pro-rata share of partnership earnings (losses)	(95,569)	481,313
	(9,633,009)	(8,874,953)
	<b>\$ 6,621,597</b>	<b>\$ 4,772,605</b>

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited. On December 30, 2004 the rights pertaining to these shares were changed. The new rights attached to these shares are non-retractable, non-voting with no dividend rights and on the liquidation, winding up or dissolution of Faneuil the Province will participate in the assets of Faneuil pari-passu with the holders of Class A common and Class B common shares.

The investment in preference shares has been recorded in the books of the Corporation at a nominal value of \$1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

March 31, 2007

### 6. Trust Funds / Liabilities - Provincial Nominee Program for Business

	2007	2006
Gross Trust Liabilities	\$ 26,741,139	\$ 27,260,036
Allowance for forfeitures	-	(4,025,275)
	<u>\$ 26,741,139</u>	<u>\$ 23,234,761</u>

The Corporation, Manitoba Competitiveness, 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. During the 2003 fiscal year, the Corporation first entered 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, 2007, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$26,741,139 (2006 - \$27,260,036). Interest earned on these deposits during the year and retained by the Corporation totaled \$1,186,813 (2006 - \$740,912). Actual deposits retained during the year and included in total Forfeitures revenue amounted \$2,275,079 (2006 - \$400,000) which are presented net of an allowance adjustment of \$275,000 (2006 - \$4,025,275).

### 7. Restricted Surplus

The Province of Manitoba has directed that the balance of restricted retained earnings 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.



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**March 31, 2007**

### 8. Recovery of Program Administration Expenses and Related Party Transactions

The Corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following three sources.

	2007	2006
Departmental appropriations - Competitiveness, Training and Trade	\$ 217,541	\$ 254,154
Manitoba Opportunities Fund Ltd.	210,343	68,647
Participants Program	21,345	62,597
	<u>\$ 449,229</u>	<u>\$ 385,398</u>

The Manitoba Opportunities Fund Ltd. also provided a recovery of \$77,077 (2006 - \$25,231) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

### 9. Commitments

Commitments and undisbursed balances of approved loans under Part II:

	2007	2006
Manitoba Industrial Opportunities Program	\$ 14,700,192	\$ 20,969,984
Manitoba Science & Technology Fund	768,003	817,227
Canterbury Park Capital	9,700,000	-
CentreStone Venture Fund Limited	3,290,592	4,198,416
Manitoba Capital Fund	353,334	353,334
Western Life Sciences Venture Fund LLP	650,000	1,200,000
	<u>\$ 29,462,121</u>	<u>\$ 27,538,961</u>



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## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

March 31, 2007

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#### 10. Growing Through Immigration Strategy Support

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

	2007	2006
Transfers to the Department of Labour and Immigration	\$ 263,044	\$ -
Transfers to the Department of Competitiveness, Training and Trade	10,000	56,200
	<u>\$ 273,044</u>	<u>\$ 56,200</u>

#### 11. Financial Instruments

The carrying amounts of PNP-B and Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

#### 12. Employee Pension Benefits

Employees of Manitoba Development Corporation are eligible for pension benefits in accordance with the provisions for the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Manitoba Development Corporation, through the Civil Service Superannuation Fund.

The corporation is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2007 was \$31,273 (2006 - \$Nil). Under this agreement, the corporation has no further pension liability.

#### 13. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

## MANAGEMENT'S RESPONSIBILITY

To the Board of Directors of  
Manitoba Film and Sound Recording Development Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility 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 proper records are maintained.

The Board of Directors and the Finance and Planning Committee are composed entirely of directors who are neither management nor employees of the Company. The Finance and Planning Committee also undertakes the responsibilities 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 management and the Finance and Planning Committee to discuss their audit findings.

Original signed by

Carole Vivier, CEO  
Winnipeg, Manitoba  
April 25, 2007

## AUDITORS' REPORT

To the Board of Directors of  
Manitoba Film and Sound Recording Development Corporation

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2007 and the statements of revenues and expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Meyus Norris Penny LLP*

Chartered Accountants  
Winnipeg, Manitoba  
April 25, 2007

# MANITOBA FILM & SOUND BALANCE SHEET

Balance Sheet As at March 31, 2007	2007	2006
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 1,602,748	\$ 1,695,134
Accounts receivable	24,173	13,078
Prepaid expenses	21,600	21,507
Inventory	5,921	3,049
	<u>1,654,442</u>	<u>1,732,768</u>
<b>Capital Assets</b> (Note 4)	<u>63,218</u>	<u>65,436</u>
	<u>\$ 1,717,660</u>	<u>\$ 1,798,204</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 46,631	\$ 42,678
Deferred revenue (Note 5)	149,000	145,000
Carry-over commitments (Note 6)	1,037,208	1,296,986
	<u>\$ 1,232,839</u>	<u>\$ 1,484,664</u>
<b>NET ASSETS</b> (Note 7)		
<b>Invested in capital assets</b>	\$ 63,218	\$ 65,436
<b>Unrestricted</b>	<u>421,603</u>	<u>248,104</u>
	<u>484,821</u>	<u>313,540</u>
	<u>\$ 1,717,660</u>	<u>\$ 1,798,204</u>
On behalf of the Board of Directors:		
Original signed by		
_____ Director		
Original signed by		
_____ Director		

# STATEMENT OF REVENUES AND EXPENSES AND NET ASSETS

For the year ended March 31, 2007	2007	2006
<b>REVENUES</b>		
Province of Manitoba funding	\$ 3,173,700	\$ 3,413,378
Interest income	73,994	48,276
Program recoupments	167,766	158,478
Other income	17,220	-
<b>Total Revenues</b>	<b>\$ 3,432,680</b>	<b>\$ 3,620,132</b>
<b>EXPENSES</b>		
<b>Film and Television Programs Funding</b>		
Development Financing Programs	\$ 65,818	\$ 134,736
Production Financing Programs	1,509,345	1,481,547
Access to Markets Program	30,000	30,000
Low Budget Feature Film Development Financing Program	-	7,466
Emerging Talent Matching Funds Program	27,500	15,650
Portfolio Investment Envelope Program	(30,000)	70,000
	<b>\$ 1,602,663</b>	<b>\$ 1,739,399</b>
<b>Sound Programs Funding</b>		
Sound Recording Production Fund	\$ 186,800	\$ 177,620
Sound Recording Production Fund – Out of Province Artists	20,000	-
Demo Recording Fund	50,315	57,481
Music Video Fund	24,000	39,237
Record Product Marketing Support Fund	78,643	56,639
Recording Artist Touring Support Fund	96,391	109,308
Portfolio Investment Envelope Program	6,000	10,000
Market Access Fund	30,000	30,000
	<b>\$ 492,149</b>	<b>\$ 480,285</b>
<b>Interactive New Media Funding (Note 8)</b>		
Development	\$ -	\$ 40,000
Production	-	70,764
Access to Markets Program	-	11,011
	<b>\$ -</b>	<b>\$ 121,775</b>
<b>Industry Support</b>		
<b>Film</b>		
Industry Associations (Note 9)	\$ 71,000	\$ 60,449
Sponsorships/Partnerships	70,018	64,899
<b>Interactive Media</b>		
Industry Associations (Note 8)	-	123,467
<b>Sound Recording</b>		
Industry Associations (Note 9)	75,000	65,000
Sponsorships/Partnerships	28,115	10,750
	<b>\$ 244,133</b>	<b>\$ 324,565</b>
<b>Film Commission/Locations Services</b>	<b>\$ 321,237</b>	<b>\$ 290,752</b>



## STATEMENT OF REVENUES AND EXPENSES AND NET ASSETS CONTINUED FROM PREVIOUS PAGE

For the year ended March 31, 2007	2007	2006
<b>Programs Delivery</b> (Note 11)		
Salaries	\$ 337,680	\$ 331,829
Marketing/Operating	77,002	146,023
	<u>\$ 414,682</u>	<u>\$ 477,852</u>
<b>Administrative Expenses</b>		
Salaries	\$109,919	\$107,752
Marketing/Operating	76,616	67,030
	<u>\$ 186,535</u>	<u>\$ 174,782</u>
<b>TOTAL EXPENSES</b>	<u>\$ 3,261,399</u>	<u>\$ 3,609,410</u>
Excess of Revenues over Expenses	\$ 171,281	\$ 10,722
Net Assets, Beginning of Year	313,540	302,818
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 484,821</u>	<u>\$ 313,540</u>

## STATEMENT OF CASH FLOW

For the year ended March 31, 2007	2007	2006
<b>Cash provided by (used for) the following activities</b>		
<b>Operating Activities</b>		
Excess of revenues over expenses	\$ 171,281	\$ 10,722
Amortization	16,655	16,281
	<u>187,936</u>	<u>27,003</u>
<b>Changes in Working Capital Accounts</b>		
Accounts receivable	(11,095)	6,175
Carry-over commitments	(259,778)	560,644
Inventory	(2,872)	5,457
Prepaid expenses	(93)	(7,608)
Accounts payable	3,953	(17,396)
Deferred revenue	4,000	(245,679)
	<u>(265,885)</u>	<u>301,593</u>
	<u>\$ (77,949)</u>	<u>\$ 328,596</u>
<b>Financing Activity</b>		
Term loans payable	\$ -	\$ (13,673)
<b>Investing Activities</b>		
Purchases of capital assets	\$ (14,437)	\$ (24,443)
Repayment of notes receivable	-	13,673
	<u>\$ (14,437)</u>	<u>\$ (10,770)</u>
<b>(Decrease) Increase in Cash Resources</b>	<u>(92,386)</u>	<u>304,153</u>
<b>Cash Resources, Beginning of Year</b>	<u>1,695,134</u>	<u>1,390,981</u>
<b>CASH RESOURCES, END OF YEAR</b>	<u>\$ 1,602,748</u>	<u>\$ 1,695,134</u>

# NOTES TO FINANCIAL STATEMENTS

## 1. Nature of Business

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through The Manitoba Film and Sound Recording Development Corporation Act. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation 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. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

### Inventory

Inventory is valued at the lower of cost or net realizable value.

### Equipment

Equipment is recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website .....	30%
Computer equipment.....	30%
Furniture.....	20%
Leasehold improvements.....	5%
Equipment.....	20%

### Program funding

The Corporation provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally 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 or reported by the applicant.

#### b) Province of Manitoba Funding

Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Corporation and is recorded as revenue when received.

### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 equipment is provided based on the Corporation's estimated useful lives of those 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.

### Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. The Corporation expects to apply these recommendations for its financial statements dated March 31, 2008. Transitional provisions are complex and vary based on the type of financial instruments under consideration. The Corporation expects that the impact of these new standards on its financial statements will be minimal.

## 3. Cash

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

## 4. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website/Database	\$ 23,751	\$ 12,631	\$ 11,120	\$ 10,156
Computer equipment	82,218	69,067	13,151	10,682
Furniture	50,761	48,712	2,049	4,568
Leasehold improvements	53,700	18,563	35,137	37,854
Equipment	5,120	3,359	1,761	2,176
	<u>\$ 215,550</u>	<u>\$ 152,332</u>	<u>\$ 63,218</u>	<u>\$ 65,436</u>

## 5. Deferred Revenue

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year.

These funds consist of:

	2007	2006
Sound Portfolio Investment Envelope Program	\$ 51,500	\$ 77,500
Film Portfolio Investment Envelope Program	97,500	67,500
	<u>\$ 149,000</u>	<u>\$ 145,000</u>

## 6. Carry-Over Commitments

Due to lead times required to obtain all the resources necessary to complete film, video and sound recording projects, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2007 and prior years, which were not fully advanced as at March 31, 2007 are as follows:

	Year of Commitment			Total	
	06/07	05/06	Prior	2007	2006
<b>Film</b>					
Development Financing Programs	\$ 28,439	\$ 1,400	\$ -	\$ 29,839	\$ 54,615
Production Financing Programs	589,588	105,124	29,990	724,702	875,021
Access to Markets Program	3,000	-	-	3,000	3,000
Emerging Talent Matching Funds	6,250	1,800	-	8,050	8,650
Portfolio Investment Envelope	-	12,000	30,500	42,500	62,000
Industry Support	7,100	250	-	7,350	18,931
	<u>\$ 634,377</u>	<u>\$ 120,574</u>	<u>\$ 60,490</u>	<u>\$ 815,441</u>	<u>\$ 1,022,217</u>
<b>Sound</b>					
Sound Recording Production Fund	\$ 115,650	\$ 25,000	\$ 592	\$ 141,242	\$ 116,607
Sound Recording – Out of Province Artists	20,000	-	-	20,000	-
Demo Recording Fund	15,280	400	-	15,680	17,412
Record Product Marketing Fund	21,695	2,500	-	24,195	11,720
Recording Artist Touring Fund	8,650	-	-	8,650	10,600
Music Video Fund	-	-	-	-	4,700
Portfolio Investment Envelope	-	3,000	6,000	9,000	16,000
Market Access Fund	3,000	-	-	3,000	3,000
	<u>\$ 184,275</u>	<u>\$ 30,900</u>	<u>\$ 6,592</u>	<u>\$ 221,767</u>	<u>\$ 180,039</u>
<b>Interactive Media</b>					
Development	-	-	-	-	\$ 5,500
Production	-	-	-	-	29,230
Industry Support	-	-	-	-	60,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 94,730</u>
<b>Total Commitments</b>	<u>\$ 818,652</u>	<u>\$ 151,474</u>	<u>\$ 67,082</u>	<u>\$ 1,037,208</u>	<u>\$1,296,986</u>



## NOTES TO FINANCIAL STATEMENTS

### 7. Net Assets

	Invested in capital assets	Unrestricted	2007	2006
Balance, beginning of year	\$ 65,436	\$ 248,104	\$ 313,540	\$ 302,818
Excess (deficiency) of revenues over expenses	(16,655)	187,936	171,281	10,722
Investment in capital assets	14,437	(14,437)	-	-
Balance, end of year	<u>\$ 63,218</u>	<u>\$ 421,603</u>	<u>\$ 484,821</u>	<u>\$ 313,540</u>

Unrestricted assets are comprised of current and prior years' project revenue recoupments that are allocated to future years' programming and program delivery budgets.

### 8. Interactive New Media Funding

Pursuant to the Manitoba Treasury Board Secretariat Minute 49A/2005 – Item 18 dated December 18, 2005, the full responsibility for the administration of the Interactive New Media Fund was transferred from the Corporation to the Department of Energy, Science and Technology.

### 9. Industry Association Support

The Corporation indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and sound recording professionals by providing funding for specific programming administered by MARIA, MMPIA, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include the Aboriginal Music Program, Features First, Drama Prize, Totally Television, Global Marketing, Post-Production and Marketing funds.

### 10. Lease Commitments

The Corporation occupies leased premises subject to minimum monthly rent of \$4,856 until August 2009 plus various equipment leases with quarterly payments until March 2012. Future minimum annual payments as are follows:

2008 .....	66,389
2009 .....	66,389
2010 .....	32,194
2011 .....	7,305
2012 .....	7,305

### 11. Programs Delivery

Programs 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 Corporation, the delivery of it does and is therefore determined to be worth noting. A total of 86 applications were received for processing during the 2007 fiscal year (2006 – 86), representing in excess of \$191 million worth of production activity (2006 - \$159 million). Production activity includes projects which took place in current and prior years. The tax credits are subject to approval by the Province of Manitoba.

### 12. Economic Dependence

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

## AUDITORS' REPORT

To the Minister of Finance of the  
Province of Manitoba and the Directors of the  
**Manitoba Floodway Authority**

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Winnipeg, Canada,  
May 11, 2007.

Chartered Accountants

**Manitoba Floodway Authority**  
**Balance Sheet**  
**As at March 31, 2007**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Funds on deposit with Minister of Finance	<u>\$ 24,926,873</u>	<u>\$ 22,349,624</u>
<b>Total Assets</b>	<u><u>\$ 24,926,873</u></u>	<u><u>\$ 22,349,624</u></u>
<b>LIABILITIES and EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 20,139,276	\$ 11,941,558
Interest payable	1,359,686	173,606
Due to the Province of Manitoba (Note 3b)	<u>3,427,911</u>	<u>10,234,460</u>
	<u>24,926,873</u>	<u>22,349,624</u>
<b>Total Liabilities</b>	<u><u>\$ 24,926,873</u></u>	<u><u>\$ 22,349,624</u></u>

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

\_\_\_\_\_

\_\_\_\_\_

**Manitoba Floodway Authority**  
**Statement of Operations**  
**Year ended March 31, 2007**

	<b>2007</b>	<b>2006</b>
<b>Expenses</b>		
<b>Salaries and Benefits</b>	<u>\$ 2,609,267</u>	<u>\$ 2,229,318</u>
<b>Other Operating Expenses</b>		
Transportation	125,404	72,485
Communications	176,624	133,964
Supplies and Services	816,814	1,291,933
Minor Capital	24,899	435,683
Other Operating	<u>257,234</u>	<u>259,427</u>
	<u>1,400,975</u>	<u>2,193,492</u>
<b>Total Expenses</b>	<u>4,010,242</u>	<u>4,422,810</u>
<b>Recoveries</b>		
Capital Assets under Construction on behalf of the Province (Schedule 1)	3,320,730	3,729,044
Operating Grants, Province of Manitoba (Note 5)	<u>689,512</u>	<u>693,766</u>
	<u>4,010,242</u>	<u>4,422,810</u>
<b>Net Operating Results</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(see accompanying notes and schedules to the financial statements)

**Manitoba Floodway Authority**  
**Statement of Cash Flows**  
**Year Ended March 31, 2007**

	<b>2007</b>	<b>2006</b>
<b>Operating transactions</b>		
Net operating results	\$ -	\$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	171,667	(344,762)
Accounts payable and accrued liabilities	<u>(67,559)</u>	<u>(226,479)</u>
Cash provided by (used in) operating transactions	<u>104,108</u>	<u>(571,241)</u>
<b>Financing transactions</b>		
Due to the Province of Manitoba	<u>(7,769,243)</u>	<u>11,255,140</u>
<b>Capital transactions</b>		
Capital assets constructed on behalf of the Province	(145,664,474)	(58,274,527)
Net changes in non-cash working capital balances related to capital		
Accounts receivable - Province of Manitoba	791,027	(791,027)
Accounts payable and accrued liabilities	8,265,277	11,858,186
Interest payable	1,186,080	173,606
Contributions related to capital assets	<u>145,664,474</u>	<u>58,274,527</u>
Cash applied to capital transactions	<u>10,242,384</u>	<u>11,240,765</u>
<b>Increase in funds on deposit with Minister of Finance</b>	\$ 2,577,249	\$21,924,664
<b>Funds on deposit with Minister of Finance, beginning of year</b>	<u>22,349,624</u>	<u>424,960</u>
<b>Funds on deposit with Minister of Finance, end of year</b>	<u>\$ 24,926,873</u>	<u>\$22,349,624</u>

(see accompanying notes and schedules to the financial statements)

**Manitoba Floodway Authority**  
**Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba**  
**Year ended March 31, 2007**

	<b>2007</b>	<b>2006</b>
<b>Funding from the Province of Manitoba (Note 4)</b>	<u>\$145,664,474</u>	<u>\$ 58,274,527</u>
<b>Capital Expenditures by Component (Note 4):</b>		
Administration	3,320,730	3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	<u>7,100,243</u>	<u>-</u>
	<u>145,664,474</u>	<u>58,274,527</u>
<b>Net Expenditures</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(see accompanying notes and schedules to the financial statements)

**Manitoba Floodway Authority  
Schedule of Capital Assets  
As at March 31, 2007**

Schedule 2

	<u>Cost</u>	<u>Federal Contributions</u>	<u>Cost net of Federal Contributions</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>
Land	\$ 6,975,528	\$ -	\$ 6,975,528	\$ -	\$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure - Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority - Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	\$ 9,854,899	\$ 4,658,228	\$ 5,196,671	\$ -	\$ 5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	\$ 58,274,527	\$ 28,842,008	\$ 29,432,519	\$ -	\$ 29,432,519

**Manitoba Floodway Authority  
Schedule of Capital Assets  
As at March 31, 2007**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>
<b>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007 (Note)</b>	<u>\$ 145,664,474</u>	<u>\$ -</u>	<u>\$ 145,664,474</u>

Note: Due to changes in public sector accounting standards, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets. (Note 5)



**Manitoba Floodway Authority**  
**Notes to the Financial Statements**  
For the Year ended March 31, 2007

**Note 1 - Nature of Operations**

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) 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.

**Note 2 - Significant Accounting Policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

**Capital Assets**

Purchased 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.

**Pension Plan**

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 lengths of services 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 \$102,660 (2005 - \$95,250).

**Accounting 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, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

**Financial Instruments**

Financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities. 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.

**Manitoba Floodway Authority**  
**Notes to the Financial Statements**  
For the Year ended March 31, 2007

**Note 3 - Working Capital Advance and Due to the Province of Manitoba**

**a) Working Capital Advance**

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of \$5 million has been established. At March 31, 2007, there were no advances outstanding.

**b) Due to the Province of Manitoba**

In addition, the Authority may receive interest bearing advances of approved funding from the Province at rates established by the Minister of Finance. At March 31, 2007, \$3,427,911 (2006 - \$10,234,460) was payable to the Province.

**Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba**

As an agent of the Province, capital expenditures incurred and transferred to the Province during 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Administration	\$ 3,320,730	\$ 3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	7,100,243	-
<b>Total</b>	<b>\$145,664,474</b>	<b>\$58,274,527</b>

**Note 5 - Transactions related to Operations and Capital**

The Province 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 with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

**Manitoba Floodway Authority**  
**Notes to the Financial Statements**  
For the Year ended March 31, 2007

During the year, as a result of changes in public sector accounting standards applied on a prospective basis, government transfers from the Government of Canada under this shared cost agreement in the amount of \$71,876,877 were no longer netted against the cost of capital assets but were recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of \$689,512 (2006 - \$693,766) related to operating expenses were reflected in the operations of the Authority. \$342,852 (2006 - \$344,595) of these operating grants were received as government transfers under the shared cost agreement and were recorded as revenue in the Operating Fund of the Province of Manitoba.

**Note 6 – Contractual Obligations**

As an agent of the Province the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total \$96,453,102 at March 31, 2007 (2006 - \$122,831,122).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next three years are as follows:

2008	\$151,458
2009	75,729

**Note 7 - Economic Dependence**

The Authority is economically dependent on funding received from the Province of Manitoba.

**Note 8 – 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.

**Note 9 - Contingencies**

A claim and other appeals relating to the granting of an environmental license to the Authority have been filed, and an individual accident claim is pending filing against the Authority. As the outcomes of these matters are not determinable and amounts are not reasonably estimable at this time, liabilities have not been recorded in the financial statements.

**Note 10 – Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

## MANAGEMENT REPORT

The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this 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 judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.

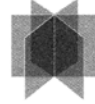
**Original signed by**

F. J. O. (Rick) Josephson  
Executive Director

**Original signed by**

Dale Fuga  
Chief Operating Officer

June 18, 2007



OFFICE OF THE  
AUDITOR GENERAL  
MANITOBA

## AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2007 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba  
June 18, 2007

# MANITOBA GAMING CONTROL COMMISSION BALANCE SHEET

For the year ended March 31

	2007	2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 46,070	\$ 23,976
Short-term investments (Note 2b)	3,230,478	3,358,337
Accounts receivable (Note 3)	38,987	27,527
Prepaid expenses	27,281	18,832
	<b>3,342,816</b>	3,428,672
<b>Long Term Receivable – Province of Manitoba</b> (Note 6)	<b>146,079</b>	146,079
<b>Capital Assets</b> (Note 4)	<b>416,193</b>	410,464
	<b>\$ 3,905,088</b>	\$ 3,985,215
<b>LIABILITIES AND SURPLUS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 521,812	\$ 354,397
Deferred revenue (Note 5)	1,915,391	1,901,670
	<b>2,437,203</b>	2,256,067
<b>Provision for employee severance benefits</b> (Note 6)	<b>167,739</b>	164,966
<b>Provision for employee pension benefits</b> (Note 10)	<b>61,638</b>	51,199
<b>Deferred lease inducements</b> (Note 7)	<b>6,125</b>	16,625
	<b>2,672,705</b>	2,488,857
<b>Surplus</b>	<b>1,232,383</b>	1,496,358
	<b>\$ 3,905,088</b>	\$ 3,985,215

On behalf of the Board:

Original signed by

Director

Original signed by

Director

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

# MANITOBA GAMING CONTROL COMMISSION

## STATEMENT OF OPERATIONS AND SURPLUS

For the year ended March 31

	2007	2006
<b>Revenue</b>		
Registration fees	\$ 3,539,404	\$ 3,420,305
License fees	993,847	1,066,349
	<b>4,533,251</b>	4,486,654
<b>Expenses</b>		
Salaries and benefits	3,434,808	3,145,370
Legal and professional fees	364,237	139,480
Rent	211,418	145,698
Transportation	140,920	131,187
Supplies and services	114,493	86,366
Amortization	105,069	123,672
Education, training, and conference	104,624	112,429
Communications	104,056	104,967
Public Education	95,069	179,602
Commission Board	59,985	66,656
Other expenses	51,823	22,230
First Nations legal and professional	47,919	13,864
Accommodations	45,915	48,466
HR/Systems support	21,301	140,458
	<b>4,901,637</b>	4,460,445
<b>Income (loss) before other items</b>	<b>(368,386)</b>	26,209
<b>Other Items</b>		
Interest income	86,604	56,105
Other income	17,807	79,867
	<b>104,411</b>	135,972
<b>Excess revenue (expenses)</b>	<b>(263,975)</b>	162,181
<b>Surplus, beginning of year</b>	<b>1,496,358</b>	1,334,177
<b>Surplus, end of year</b>	<b>\$ 1,232,383</b>	\$ 1,496,358

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

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenses	\$ (263,975)	\$ 162,181
Items not involving cash		
Amortization of capital assets	105,069	123,672
Amortization of capital assets related to the Commission Board	2,024	2,588
	(156,882)	288,441
Changes in non-cash working capital balances		
Accounts receivable	(11,460)	14,485
Prepaid expenses	(8,449)	(1,837)
Accounts payable and accrued liabilities	167,415	(48,757)
Deferred revenue	13,721	98,945
Provision for employee pension benefits	10,439	51,199
Provision for employee severance benefits	2,773	14,312
	17,557	416,788
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(112,822)	(44,297)
<b>Cash Flows from Financing Activities</b>		
Deferred lease inducements	(10,500)	(10,500)
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(105,765)</b>	<b>361,991</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,382,313</b>	<b>3,020,322</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,276,548</b>	<b>\$ 3,382,313</b>
<b>Represented by</b>		
Cash	\$ 46,070	\$ 23,976
Short-term investments	3,230,478	3,358,337
	\$ 3,276,548	\$ 3,382,313

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

# MANITOBA GAMING CONTROL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

### 1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission 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. SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

#### b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

#### c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. 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.

#### d. 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

#### e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

#### f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

### 3. ACCOUNTS RECEIVABLE

	2007	2006
Trade	\$ 5,897	\$ 3,868
Manitoba Lotteries Corporation	19,150	7,750
Employee Advances	11,917	11,917
Supplier Investigations	2,023	3,992
	<b>\$ 38,987</b>	<b>\$ 27,527</b>

# MANITOBA GAMING CONTROL COMMISSION NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

## 4. CAPITAL ASSETS

### 2007

	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 66,362	\$ 53,627	\$ 12,735
Furniture and fixtures	360,360	187,376	172,984
Computer equipment	1,020,977	790,503	230,474
	<b>\$ 1,447,699</b>	<b>\$ 1,031,506</b>	<b>\$ 416,193</b>

### 2006

	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 65,453	\$ 50,632	\$ 14,821
Furniture and fixtures	307,998	173,388	134,610
Computer equipment	972,302	711,269	261,033
	<b>\$ 1,345,753</b>	<b>\$ 935,289</b>	<b>\$ 410,464</b>

## 5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

## 6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the triennial actuarial report of severance obligations as at December 31, 2004, adjusted to March 31, 2007. The Commission will begin recording the estimated liability for accumulated severance pay benefits for the remainder of its employees effective April 1, 2007 based on a new collective agreement. The incremental cost of this additional liability for 2007/08 is estimated to be \$309,280.

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 17 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 Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of \$146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

# MANITOBA GAMING CONTROL COMMISSION

## NOTES TO FINANCIAL STATEMENTS

**For the year ended March 31, 2007**

### 7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by \$10,500 for the period ending March 31, 2007 (\$10,500 in 2006) and a final reduction of \$6,125 is expected for the year 2008.

### 8. COMMITMENTS

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2008	252,519
2009	259,297
2010	266,076
2011	272,855
2012	281,329

### 9. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

### 10. PENSION PLANS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

The Commission matches employees' current pension contributions to the Fund. Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates. Based on the triennial actuarial report of pension obligations as at December 31, 2004, adjusted to March 31, 2007, a reserve of \$61,638 has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$156,027. Contributions for the 2006 year were \$143,280.

### 11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

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# Responsibility for Financial Reporting



## ***The Manitoba Habitat Heritage Corporation***

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 of necessity, include some amounts based upon management's best estimate and judgments up to June 8, 2007.

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 generally accepted accounting principles. The auditors' report outlines the scope of the auditors' examination and provides the audit opinion.

Original signed by

Chief Executive Officer

Original signed by

Manager of Financial Services

June 8, 2007



## AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Directors of the Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba

June 8, 2007



# THE MANITOBA HABITAT HERITAGE CORPORATION

## Statement of Financial Position as at March 31, 2007 (with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
<b>ASSETS</b>						
Current Assets						
Cash	\$225,442	\$47,947	\$171,868		\$445,257	\$217,754
Funds on deposit with Province of Manitoba (Note 3)	213,285		119,257		332,542	372,917
Accounts receivable						
Government of Canada	135,836	139,400			275,236	309,300
Province of Manitoba	2,490		28,500		30,990	1,905
Delta Waterfowl Foundation	41,306				41,306	89,961
Other	2,188				2,188	2,022
Manitoba Agro Woodlot Program	68,159				68,159	
Due from North American Waterfowl Management Plan		150,000		\$(150,000)		
Due from Riparian Program	48,335			(48,335)		
Prepaid expenses	33,006				33,006	18,981
	<u>770,047</u>	<u>337,347</u>	<u>319,625</u>	<u>(198,335)</u>	<u>1,228,684</u>	<u>1,012,840</u>
Capital Assets (Note 5)			6,330,349		6,330,349	5,205,154
Trust Assets (Note 12)					1,016,846	1,029,727
<b>TOTAL ASSETS</b>	<u>\$770,047</u>	<u>\$337,347</u>	<u>\$6,649,974</u>	<u>\$(198,335)</u>	<u>\$8,575,879</u>	<u>\$7,247,721</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable and accrued liabilities	\$97,494	\$14,047	\$34,755		\$146,296	\$173,300
Due to North American Waterfowl Management Plan		48,335		\$(48,335)		
Due to Riparian Program	150,000			(150,000)		
Deferred contributions related to operations (Note 6)		237,107			237,107	67,107
Deferred contributions related to capital assets (Note 7)			314,125		314,125	301,505
	<u>247,494</u>	<u>299,489</u>	<u>348,880</u>	<u>(198,335)</u>	<u>697,528</u>	<u>541,912</u>
<b>FUND BALANCES</b>						
Invested in Capital Assets			6,301,094		6,301,094	5,150,393
Unrestricted	522,553	37,858			560,411	525,689
Trust Liabilities (Note 12)					1,016,846	1,029,727
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$770,047</u>	<u>\$337,347</u>	<u>\$6,649,974</u>	<u>\$(198,335)</u>	<u>\$8,575,879</u>	<u>\$7,247,721</u>

On behalf of the Board:

Original signed by      Director

Original signed by      Director

# THE MANITOBA HABITAT HERITAGE CORPORATION

## Statement of Operations and Changes in Fund Balances for the year ended March 31, 2007 (with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
<b>REVENUE</b>						
Government of Canada contributions	\$297,094	\$154,400			\$451,494	\$592,035
Province of Manitoba contributions	645,000	38,412			683,412	689,000
Highways Mitigation Fund, Province of Manitoba	61,670				61,670	92,455
Contributed services, Province of Manitoba	76,722	14,946			91,668	97,171
Delta Waterfowl Foundation	116,459				116,459	52,852
Donations	278				278	390
Interest income	5,798	1,018			6,816	3,366
Other	32,715	1,269			33,984	29,145
Management fees (Note 13)	162,261			\$(111,929)	50,332	57,030
	<u>1,397,997</u>	<u>210,045</u>	<u></u>	<u>(111,929)</u>	<u>1,496,113</u>	<u>1,613,444</u>
<b>EXPENSES</b>						
Amortization of capital assets			30,664		30,664	26,571
Loss on disposal of capital assets						2,454
Service delivery — Schedule 1	1,252,603				1,252,603	1,229,789
— Schedule 2		277,958		(111,929)	166,029	207,819
	<u>1,252,603</u>	<u>277,958</u>	<u>30,664</u>	<u>(111,929)</u>	<u>1,449,296</u>	<u>1,466,633</u>
Excess (deficiency) of revenue over expenses	145,394	(67,913)	(30,664)		46,817	146,811
<b>FUND BALANCES</b>						
Fund balances, beginning of year	418,725	106,964	5,150,393		5,676,082	4,791,142
Investment in capital assets			866,006		866,006	738,129
Donated land and land use rights			272,600		272,600	
Interfund transfers (Note 8)	(41,566)	(1,193)	42,759			
Fund balances, end of year	<u>\$522,553</u>	<u>\$37,858</u>	<u>\$6,301,094</u>	<u></u>	<u>\$6,861,505</u>	<u>\$5,676,082</u>

# THE MANITOBA HABITAT HERITAGE CORPORATION

## Statement of Cash Flows for the year ended March 31, 2007 (with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
<b>OPERATING ACTIVITIES</b>						
Excess (deficiency) of revenue over expenses	\$145,394	\$(67,913)	\$(30,664)		\$46,817	\$146,811
Amortization of capital assets			30,664		30,664	26,571
Net change in non-cash working capital	165,667	(154,821)			10,846	(93,564)
Loss on disposal of capital assets						2,454
Increase in deferred contributions related to operating activities		170,000			170,000	(15,569)
Net cash used in operating activities	<u>311,061</u>	<u>\$(52,734)</u>			<u>258,327</u>	<u>66,703</u>
<b>FINANCING AND INVESTING ACTIVITIES</b>						
Purchase of capital assets			(42,759)		(42,759)	(52,139)
Net change in accounts receivable for acquisition of land rights			(28,500)		(28,500)	28,451
Received restricted grants for purchase of land rights			866,006		866,006	738,129
Acquisition of land rights with restricted grants			(840,500)		(840,500)	(721,630)
Net change in accounts payable for acquisition of land rights			(38,066)		(38,066)	(11,875)
Increase in deferred contributions related to capital assets			12,620		12,620	(32,803)
Received donation of land and land rights			272,600		272,600	
Acquisition of donated land and land rights			(272,600)		(272,600)	
Net cash used in financing and investing activities			<u>(71,199)</u>		<u>(71,199)</u>	<u>(51,867)</u>
Net increase (decrease) in cash	311,061	(52,734)	(71,199)		187,128	14,836
Cash and cash equivalents, beginning of year	169,232	101,874	319,565		590,671	575,835
Interfund transfers	(41,566)	(1,193)	42,759			
Cash and cash equivalents, end of year	<u>\$438,727</u>	<u>\$47,947</u>	<u>\$291,125</u>		<u>\$777,799</u>	<u>\$590,671</u>
Cash and cash equivalents consist of :						
Cash	\$225,442	\$47,947	\$171,868		\$445,257	\$217,754
Funds on deposit with Province of Manitoba	213,285		119,257		332,542	372,917
	<u>\$438,727</u>	<u>\$47,947</u>	<u>\$291,125</u>		<u>\$777,799</u>	<u>\$590,671</u>



## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 1. Nature of Organization

The Manitoba Habitat Heritage Corporation (MHHC) 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.

#### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

##### a) 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.

##### b) 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.

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 2. Significant Accounting Policies (continued)

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%

##### c) Contributed Services

Services are contributed by the Province of Manitoba's Department of Water Stewardship, Ecological Services Division. Contributed services are recorded at cost, which is fair value.

##### d) Financial Instruments

The carrying amounts of current asset and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

##### e) Recent Accounting Pronouncements

In January 2005, the Canadian Institute of Charter Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Transitional provisions are complex and vary based on the type of financial instruments under consideration. The Corporation is in the process of determining the effect of these new standards on its financial statements.

##### 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.

#### 3. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature between April 30, 2007, and June 11, 2007, yielding 4.0%.

#### 4. Comparative Figures

Certain amounts of prior year's comparative figures have been reclassified to conform with the current year presentation.

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2007	2006
Land and land use rights	\$6,218,578		\$6,218,578	\$5,105,211
Computer hardware	208,702	\$155,076	53,626	47,844
Computer software	56,888	43,122	13,766	7,258
Equipment	95,191	57,201	37,990	35,855
Furniture and fixtures	56,796	50,407	6,389	8,986
<b>Total capital assets</b>	<b>\$6,636,155</b>	<b>\$305,806</b>	<b>\$6,330,349</b>	<b>\$5,205,154</b>

Purchases of capital assets in the period are as follows:

	2007	2006
Land and land use rights	\$1,113,369	\$730,980
Computer hardware	24,505	30,837
Computer software	11,760	6,453
Equipment	5,813	10,593
Furniture and fixtures	413	4,255
	<b>\$1,155,860</b>	<b>\$783,118</b>

The sources of funding for land and land use rights are as follows:

	2007	2006
Environment Canada	\$291,438	\$299,160
Delta Waterfowl Foundation	376,070	340,280
Manitoba Water Stewardship	109,158	
Manitoba Infrastructure and Transportation	33,310	49,285
Manitoba Conservation Districts	30,525	42,255
Manitoba Conservation	268	
Donations	272,600	
	<b>\$1,113,369</b>	<b>\$730,980</b>



## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements

March 31, 2007

#### 6. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	RP	2007 Total	2006 Total
Balance, beginning of year		\$67,107	\$67,107	\$82,676
Less: Revenue recognized in the year		(10,000)	(10,000)	(82,676)
Add: Revenue received related to the following year		180,000	180,000	67,107
Balance, end of year		<u>\$237,107</u>	<u>\$237,107</u>	<u>\$67,107</u>

#### Riparian Program

The balance of \$67,107, originating from the Manitoba Rural Adaptation Council, is restricted for riparian conservation and enhancement activities. The balance of \$140,000 is restricted to the Watershed Management Planning Program. The remainder of \$30,000 is restricted for the delivery of Riparian Easements.

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 7. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased. 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	2007 Total	2006 Total
Balance, beginning of year	\$211,505	\$90,000	\$301,505	\$334,308
Add: Contributions received	49,150	\$191,588	240,738	134,530
Add: Interest earned	7,182		7,182	7,037
Less: Amounts returned		(6,063)	(6,063)	
Less: Amounts transferred to fund balance	(120,080)	(109,158)	(229,238)	(174,370)
Balance, end of year	<u>\$147,757</u>	<u>\$166,367</u>	<u>\$314,124</u>	<u>\$301,505</u>

The balance of \$314,125 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The contributions received in 2007 totaled \$240,738 consisting of, \$220,088 from the Province of Manitoba and \$20,650 from the Turtle Mountain Conservation District. In comparison the contributions received in 2006 included, \$90,000 from the Province of Manitoba of which \$6,063 was returned in 2007, \$9,350 was received from Delta Waterfowl Foundation and \$35,180 from the Turtle Mountain Conservation District.

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 8. Interfund Transfers

In 2007, \$41,566 was transferred from the NAWMP operating funds and \$1,193 from the RP operating funds to the Capital Asset fund in order to fund the cash outlays for capital asset acquisitions.

#### 9. Operational Commitments

a) The Corporation leases space under existing leases for six NAWMP offices. The minimum annual lease payments for the next two years are as follows:

2008	\$70,026
2009	\$47,307

b) The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next two years are as follows:

2008	\$12,263
2009	\$12,263

#### 10. Capital Commitments

At March 31, 2007, the NAWMP and RP had signed several commitments to purchase Conservation Agreements. These Conservation Agreements are to be paid out upon filing of the caveats associated with each Conservation Agreement in the 2008 fiscal year. These commitments totaled approximately \$140,013.

#### 11. 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 amounts paid by the Corporation in 2007 were \$21,097 (2006 - \$18,293).

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 12. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2007	2006
Cash and short term investments	\$423,566	\$436,447
Land	593,280	593,280
	<u>\$1,016,846</u>	<u>\$1,029,727</u>

Details relating to the parties involved and the assets held are included in notes (a) to (g) which follow.

#### a) The Critical Wildlife Habitat Program (CWHP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the 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:

	2007	2006
Cash and short term investments	\$154,323	\$115,956
Land Portfolio	593,280	593,280
	<u>\$747,603</u>	<u>\$709,236</u>



## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 12. Trust Assets and Liabilities (continued)

##### b) The Manitoba Agro Woodlot Program (MAWP)

On November 1, 2004 the Corporation began providing administrative support to Manitoba Agriculture, Food and Rural Initiatives for the MAWP.

The Corporation provides banking and financial services for MAWP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MAWP for these services. Disbursements, from the funds held in trust, are made at the direction of Manitoba Agriculture, Food and Rural Initiatives. The negative cash balance illustrates that The Corporation is lending cash to the program while their funding is still held up in negotiations.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>(\$4,290)</u>	<u>\$39,060</u>

##### c) Manitoba Forestry/Wildlife Management Project (MFWMP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the MFWMP.

The Corporation provides banking and financial services for MFWMP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MFWMP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch. This project was completed this year.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>Nil</u>	<u>\$12,194</u>

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 12. Trust Assets and Liabilities (continued)

##### d) Prairie Habitat Joint Venture Advisory Board (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The PHJV Board's purpose is to oversee implementation of the NAWMP through a joint venture among participating agencies within the prairie provinces. PHJV agreed that the partner agencies would contribute to the costs of a Policy Committee with MHHC holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>\$161,945</u>	<u>\$134,491</u>

##### e) Oak Hammock Marsh Wildlife Management Area (OHM-WMA)

On October 2, 2003 the Province of Manitoba, MHHC and Ducks Unlimited Canada signed a five year infrastructure agreement. The Province of Manitoba and Ducks Unlimited Canada agreed to contribute to the costs of restoration to the OHM-WMA with MHHC holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>\$141,821</u>	<u>\$134,746</u>



## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 12. Trust Assets and Liabilities (continued)

##### f) Prairie Species at Risk Beneficial Management Practices Project (SAR - BMP)

On July 4, 2006 MHHC entered into a two year agreement with Agriculture and Agri Food Canada under their Greencover Canada Program to hire two consultants to undertake the development and implementation of a "Beneficial Management Practices" package for producers focusing on Species at Risk. MHHC agreed to hold the funds in trust. The negative cash balance illustrates that The Corporation is lending cash to the program while their funding is based on an expense recovery system.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>(\$33,703)</u>	<u>Nil</u>

##### g) Delta Marsh Rehabilitation

On August 3, 2006 MHHC entered into a contract with Wildlife Habitat Canada to sponsor the purchase of additional land to rehabilitate the Delta Marsh on behalf of the Manitoba Conservation's Wildlife and Ecosystem Protection Branch. MHHC agreed to hold the funds in trust. All lands were purchased and transferred to the Province.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	<u>\$3,470</u>	<u>Nil</u>

## THE MANITOBA HABITAT HERITAGE CORPORATION

### Notes to Financial Statements March 31, 2007

#### 13. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2007	2006
RP	\$111,929	\$130,894
MAWP	24,000	25,450
MFWMP	1,295	Nil
CWHP	25,037	31,580
	<u>\$162,261</u>	<u>\$187,924</u>

#### 14. Economic Dependence

MHHC is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

#### 15. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totaled \$4,900 (2006 - \$5,000). Six contract employees were paid the following amounts in the fiscal year:

	2007	2006
T. Sopuck, Manager of Operations	\$77,136	\$72,446
K. Teneycke, Habitat Field Manager	67,679	64,172
G. Forsyth, Field Representative	52,078	50,851
R. Bullion, Field Representative	52,078	50,851
A. Bourrier, Field Representative	52,078	50,851
G. Ouellette, Manager of Financial Services	51,646	N/A

**THE MANITOBA HABITAT HERITAGE CORPORATION  
NORTH AMERICAN WATERFOWL MANAGEMENT PLAN**

**Schedule 1**

**Schedule of Expenses for the year ended March 31, 2007  
(with comparative figures for 2006)**

	2007	2006
Expenses		
Habitat activities		
Salaries and benefits	\$377,969	\$352,637
Field office operations	71,324	77,489
Staff support	82,947	80,206
Nest baskets	51,246	36,698
Land leases	1,981	11,399
Habitat development	9,581	33,910
Property taxes	15,844	12,498
	<u>610,892</u>	<u>604,837</u>
Evaluation	<u>76,471</u>	<u>77,981</u>
Communications		
Salaries and benefits	90,099	84,646
Program delivery	33,924	20,443
	<u>124,023</u>	<u>105,089</u>
Program coordination		
Salaries and benefits	233,515	233,229
Rent	39,556	46,753
Office	51,052	53,407
Other	35,806	36,687
Professional fees	58,239	40,973
Board meetings and remuneration	7,262	11,726
Travel	15,787	19,107
	<u>441,217</u>	<u>441,882</u>
TOTAL EXPENSES	<u>\$1,252,603</u>	<u>\$1,229,789</u>

**THE MANITOBA HABITAT HERITAGE CORPORATION  
RIPARIAN PROGRAM**

**Schedule 2**

**Schedule of Expenses for the year ended March 31, 2007  
(with comparative figures for 2006)**

	2007	2006
<b>EXPENSES</b>		
Habitat activities		
Salaries and benefits	\$23,652	\$19,258
Field office operations	6,126	2,181
Staff support	4,903	5,236
Managed grazing systems		90,918
Workshop expenses	2,639	235
Signage	779	1,429
Habitat management fees	28,887	36,005
	<u>66,986</u>	<u>155,262</u>
Communications		
Salaries and benefits	1,495	
Program delivery	35,244	10,890
Communications management fees	11,596	16,284
	<u>48,335</u>	<u>27,174</u>
Program coordination		
Salaries and benefits	57,501	59,351
Rent	5,757	
Office	4,312	5,897
Other		917
Professional fees	14,810	4,909
Travel	8,760	6,598
Coordination management fees	71,497	78,605
	<u>162,637</u>	<u>156,277</u>
<b>TOTAL EXPENSES</b>	<u><b>\$277,958</b></u>	<u><b>\$338,713</b></u>

# Management Report

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements.

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

Original signed by

Christina Weise  
Executive Director  
April, 2007



**BDO Dunwoody LLP/s.r.l.**  
Chartered Accountants and Advisors  
Comptables agréés et conseillers

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Winnipeg Manitoba Canada R3C 4L5  
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Toll Free/Sans frais: 1-800-268-3337  
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# Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of MANITOBA HEALTH RESEARCH COUNCIL as at March 31, 2007 and the statements of operations and fund balances and cash flows for the year then ended. 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*

Chartered Accountants  
Winnipeg, Manitoba  
April 19, 2007

# Statement of Financial Position

March 31, 2007

2007

2006

## Assets

### Current Assets

Cash and bank (Note 2)	\$ 606,700	\$ —
Short-term investments		
Market value 2007 – \$191,109 (2006 – \$633,684)	188,118	636,874
Accounts receivable	269,193	1,332
Accrued interest receivable	3,045	3,679
Prepaid expenses	2,157	2,156
Deposits	500	500
	1,069,713	644,541

### Capital Assets (Note 3)

4,368 5,064

\$ 1,074,081 \$ 649,605

## Liabilities and Fund Balances

### Current Liabilities

Bank indebtedness (Note 2)	\$ -	\$ 25,167
Accounts payable and accrued liabilities	11,016	12,402
Research grants payable	803,656	269,783
	814,672	307,352

### Commitments (Note 5)

### Fund Balances

General Research Fund (Page 25)	225,198	301,426
Regional Partnerships Program Fund (Page 25)	34,211	40,827
	259,409	342,253
	\$ 1,074,081	\$ 649,605

Approved on behalf of the Board:

Original signed by

Director

Original signed by

Director



# Statement of Operations and Fund Balances

2006 | 2007 Annual Report

For the year ended March 31

2007

2006

	General Research Fund	Regional Partnership Fund	Total	Total
<b>Revenue</b>				
Province of Manitoba grants	\$1,952,600	\$ 892,080	\$2,844,680	\$2,576,929
Grants returned/rescinded	142,571	81,943	224,514	128,512
Investment income	51,858	—	51,858	37,726
Summit grant	25,000	—	25,000	—
	2,172,029	974,023	3,146,052	2,743,167
<b>Expenditures</b>				
Administration (Page 28)	346,061	—	346,061	215,896
Personnel awards	861,800	—	861,800	1,081,150
Research grants	1,040,396	980,639	2,021,035	1,618,482
	2,248,257	980,639	3,228,896	2,915,528
<b>Deficiency of revenue over expenditures for the year</b>	(76,228)	(6,616)	(82,844)	(172,361)
<b>Fund balances, beginning of year</b>	301,426	40,827	342,253	514,614
<b>Fund balances, end of year (Page 24)</b>	\$ 225,198	\$ 34,211	\$ 259,409	\$ 342,253

# Statement of Cash Flows

For the year ended March 31

2007

2006

<b>Cash Flows from Operating Activities</b>		
Deficiency of revenue over expenditures for the year	\$ (82,844)	\$ (172,361)
Adjustments for amortization of capital assets	1,092	1,266
	(81,752)	(171,095)
Changes in non-cash working capital balances		
Short-term investments	448,756	260,620
Accounts receivable	(267,861)	(57)
Accrued interest receivable	634	6,686
Prepaid expenses	(1)	—
Accounts payable and accrued liabilities	(1,386)	(663)
Research grants payable	533,873	23,761
	632,263	119,252
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(396)	(2,204)
<b>Increase in cash and cash equivalents during the year</b>	631,867	117,048
<b>Bank indebtedness, beginning of year</b>	(25,167)	(142,215)
<b>Cash (bank indebtedness) end of year</b>	\$ 606,700	\$ (25,167)
<b>Supplementary Information:</b>		
Interest received	\$ 52,492	\$ 44,410

# Summary of Significant Accounting Policies

March 31, 2007

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

<b>Financial Instruments</b>	The organization's financial instruments consist of cash and bank, accounts receivable, short-term investments, accrued interest receivable, bank indebtedness, research grants payable and accounts payable. 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.
<b>Short-Term Investments</b>	Short-term investments are stated at the lower of cost and market value.
<b>Capital Assets</b>	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
<b>Fund Accounting</b>	<p>The Manitoba Health Research Council follows the restricted fund method of accounting for contributions.</p> <p>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 Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.</p> <p>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.</p>
<b>Revenue Recognition</b>	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 proportionately to the Funds on the basis of monthly Fund balances.
<b>Personnel Awards</b>	Personnel awards and their renewals are charged to expenditures when funding is approved by Council.
<b>Administrative Expenditures</b>	Administration expenses are allocated 100% to the General Research Fund.

# Notes To Financial Statements

2006 | 2007 Annual Report

March 31, 2007

## 1. Entity definition

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.

2. Cash and Bank (Bank Indebtedness)	2007	2006
Bank of Montreal current account	\$ 605,225	\$ 15,599
Wellington West cash account	1,475	(40,766)
	<b>\$ 606,700</b>	<b>\$ (25,167)</b>

3. Capital Assets	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 7,454	\$ 5,738	\$ 7,058	\$ 5,308
Computer equipment	6,955	4,303	6,955	3,641
	\$ 14,409	\$ 10,041	\$ 14,013	\$ 8,949
Cost less accumulated amortization		\$ 4,368		\$ 5,064

## 4. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

	2007	2006
Grant Revenue	\$2,844,680	\$2,576,929
Office Rent at no charge – University of Manitoba	–	–

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.

## 5. Commitments

The Manitoba Health Research Council 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
2007	\$ 851,947	\$ 338,610	\$1,154,557
2008	112,904	–	112,904
	<b>\$928,851</b>	<b>\$ 338,610</b>	<b>\$1,267,461</b>

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	<b>\$ 225,198</b>
Current Regional Partnership Fund Balance	<b>40,827</b>
Future Province of Manitoba grants	<b>1,001,436</b>
	<b>\$1,267,461</b>

## 6. ECONOMIC DEPENDENCE

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

## Schedule of Administrative Expenses

For the year ended March 31	2007	2006
Accounting and audit	\$ 3,754	\$ 3,749
Amortization	1,092	1,266
Bank charges and interest	217	364
Communications	16,584	16,718
Conferences, meetings and travel	5,093	5,033
Council and committee expenses	5,933	4,279
Delivery	2,831	935
GST expense	—	(69)
Insurance	4,272	4,272
Parking	1,681	816
Printing, stationery and office supplies	7,636	7,346
Promotions	4,450	4,300
Repairs and maintenance	1,944	3,976
Salaries and benefits	197,262	161,273
Telephone	1,966	1,638
Summit Expenses	91,346	—
	<b>\$ 346,061</b>	<b>\$ 215,896</b>



## MANAGEMENT REPORT

Management of Manitoba Health and Healthy Living 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, 2007 have been prepared in accordance with accounting principles consistent with prior years. Included in this year's financial statement is the Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act.

Manitoba Health and Healthy Living 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 includes written policies and procedures, an internal audit program and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities. Staff of the Office of the Auditor General review internal controls and report their findings annually to management and to the Minister of Health.

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 has 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

Arlene Wilgosh  
Deputy Minister of Health and  
Healthy Living

Original signed by

Heather D. Reichert, CA  
Chief Financial Officer and  
Associate Deputy Minister

Winnipeg, Manitoba  
July 13, 2007

## AUDITORS' REPORT

To the Legislative Assembly of Manitoba  
To the Minister of Health

We have audited the balance sheet of the Manitoba Health Services Insurance Plan as at March 31, 2007 and the statement of revenue and expenses and net assets for the year then ended. These financial statements reflect the Plan's health program expenses for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants. These financial statements are the responsibility of the management of the Department of Health. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2007 and the revenue and expenses and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba  
June 22, 2007

# Manitoba Health Services Insurance Plan

## Balance Sheet

As at March 31, 2007

### ASSETS

	<u>2007</u> (thousands of dollars)	<u>2006</u> (thousands of dollars)
Cash	\$ 21,383	\$ 25,212
Funds on deposit with the Province of Manitoba	4,176	155,968
Accounts receivable		
Province of Manitoba	151,793	--
Other Provinces and Territories	20,233	18,832
Other	<u>8,237</u>	<u>2,756</u>
	<u>180,263</u>	<u>21,588</u>
Receivable from the Province of Manitoba (Note 3)	249,767	249,767
	<u>\$455,589</u>	<u>\$452,535</u>

### LIABILITIES AND NET ASSETS

	<u>2007</u> (thousands of dollars)	<u>2006</u> (thousands of dollars)
Accounts payable and accrued liabilities		
Health Authorities and Facilities (Note 14)	\$ 81,051	\$ 66,240
Medical services claims (Note 14)	87,987	63,546
Pharmacare claims	12,400	12,329
Province of Manitoba	--	36,016
General (Note 14)	<u>23,584</u>	<u>23,837</u>
	<u>205,022</u>	<u>201,968</u>
Vacation pay and post-employment Benefits (Note 3)	249,767	249,767
Net assets	800	800
	<u>\$455,589</u>	<u>\$452,535</u>

See accompanying notes to financial statements.

# Manitoba Health Services Insurance Plan

## Statement of Revenue and Expenses, and Net Assets

As at March 31, 2007

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
<b>Revenue:</b>		
Grants from the Province of Manitoba	\$3,429,413	\$3,207,998
Third party recoveries	12,775	11,914
Miscellaneous	<u>40</u>	<u>20</u>
<b>Total revenue</b>	<u>3,442,228</u>	<u>3,219,932</u>
<b>Expenses:</b>		
Health Authorities and Facilities (Note 5, 6 and 14)	2,394,075	2,222,814
Medical (Notes 5, 6, 7 and 14)	735,102	690,434
Provincial programs	99,310	100,059
Pharmacare	<u>213,741</u>	<u>206,625</u>
<b>Total expenses</b>	<u>3,442,228</u>	<u>3,219,932</u>
<b>Revenue over expenses</b>	--	--
<b>Net assets beginning of year</b>	<u>800</u>	<u>800</u>
<b>Net assets end of year</b>	<u>\$ 800</u>	<u>\$ 800</u>

See accompanying notes to financial statements.



## **Manitoba Health Services Insurance Plan Notes to the Financial Statements**

For the Year ending March 31, 2007

### **Note 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.

### **Note 2 - Significant Accounting Policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

### **Note 3 - Vacation Pay and Post Employment 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.

Accordingly, the liability for vacation pay and post employment benefits represents the liability as at March 31, 2004. This liability has no fixed terms of repayment. The related receivable from the Province of Manitoba also has no fixed terms of repayment.

### **Note 4 - 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.

### **Note 5 - Inter-provincial Reciprocal Recoveries**

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenses.

For the year ended March 31, 2007 the expenses for Health Authorities and Facilities within the Province, of \$2,394,075,000 (2006 - \$2,222,814,000) are net of reciprocal recoveries of \$44,937,000 (2006 - \$38,608,000). The expenses for Medical program of \$735,102,000 (2006 - \$690,434,000) are net of reciprocal recoveries of \$11,232,000 (2006 - \$10,604,000).



**Note 6 - Regional Health Authorities**

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expense categories of Health Authorities and Facilities and Medical.

<u>Regional Health Authority</u>	<u>2007</u> <u>Facilities</u> (000's)	<u>2007</u> <u>Medical</u> (000's)	<u>2007</u> <u>Total</u> (000's)	<u>2006</u> <u>Total</u> (000's)
Winnipeg	\$1,558,343	\$122,544	\$1,680,887	\$1,585,745
Brandon	141,350	7,620	148,970	140,106
North Eastman	36,880	3,447	40,327	36,275
South Eastman	54,190	3,991	58,181	53,494
Interlake	74,448	6,194	80,642	78,391
Central	132,069	11,081	143,150	134,244
Assiniboine	109,688	12,782	122,470	115,864
Parkland	89,384	3,807	93,191	87,869
Norman	50,417	7,046	57,463	54,751
Burntwood	41,952	13,232	55,184	51,941
Churchill	10,125	-	10,125	9,791
CancerCare	70,667	7,834	78,501	59,387
Total payments	<u>\$2,369,513</u>	<u>\$199,578</u>	<u>\$2,569,091</u>	<u>\$2,407,858</u>

The expense category, Health Authorities and Facilities, in the Statement of Revenue and Expenses, and Net Assets is comprised of the following:

	<u>2007</u> (000's)	<u>2006</u> (000's)
Health Authorities payments	\$2,369,513	\$2,222,367
Accruals and payments to facilities and third parties	69,499	39,055
Reciprocal recoveries	<u>(44,937)</u>	<u>(38,608)</u>
Total expenses	<u>\$2,394,075</u>	<u>\$2,222,814</u>

The expense category, Medical, in the Statement of Revenue and Expenses, and Net Assets is comprised of the following:

	<u>2007</u> (000's)	<u>2006</u> (000's)
Fee for Service Medical payments and accruals	\$520,714	\$490,223
Health Authorities payments	199,578	185,491
Optometric	5,544	5,337
Chiropractic	<u>9,266</u>	<u>9,383</u>
Total expenses	<u>\$735,102</u>	<u>\$690,434</u>

**Note 7 - *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 and Healthy Living.

**Note 8 - Legal Actions**

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2007, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

**Note 9 - Measurement Uncertainty**

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.

**Note 10 -Financial Instruments**

The Manitoba Health Services Insurance Plan's financial instruments consist of cash, funds on deposit, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that Manitoba Health Services Insurance Plan is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

**Note 11 -Statement of Cash Flows**

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

**Note 12 -Economic Dependence**

The Manitoba Health Services Insurance Plan is economically dependent on the Province of Manitoba for its funding.

**Note 13 -Related Party Transactions**

In addition to those related transactions disclosed elsewhere in these financial statements, the Manitoba Health Services Insurance 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.

**Note 14 -Restatement of Prior Year Comparative Figures**

At March 31, 2006, the total liability of Wait List Funding for the amount of \$7,200,000 was recorded as a General Accrual and an expense in Health Authorities and Facilities. This amount has now been restated to Health Authorities and Facilities, and Medical services claims at March 31, 2006. The effects of these restatements are as follows:

	<b>Balance as Previously <u>Reported</u> \$(000s)</b>	<b><u>Restatement</u> \$(000s)</b>	<b>Balance as <u>restated</u> \$(000s)</b>
Accounts payable and accrued liabilities			
Health Authorities and Facilities	\$60,656	\$5,584	\$66,240
Medical services claims	\$61,930	\$1,616	\$63,546
General	\$31,037	(\$7,200)	\$23,837
Expenses			
Health Authorities and Facilities	\$2,224,430	(\$1,616)	\$2,222,814
Medical	\$688,818	\$1,616	\$690,434

## **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.

Original signed by

**Larry Huber**  
**Executive Director**

**Date: May 16<sup>th</sup>, 2007**





OFFICE OF THE  
AUDITOR GENERAL  
MANITOBA

## AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Directors of Manitoba Horse Racing Commission

We have audited the balance sheet of the Manitoba Horse Racing Commission as at March 31, 2007 and the statement of operating revenue and expenditure and fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba  
June 1, 2007

# THE MANITOBA HORSE RACING COMMISSION

## Exhibit A

Balance Sheet  
as at March 31, 2007  
(with 2006 figures for comparison)

(with 2006 figures for comparison)

	General Fund	Capital Asset Fund	Pari-Mutuel Levy Fund	Rural Fund	Restricted Funds		Total	
					H.B.P.A. Fund	C.T.H.S. Fund	Year ended March 31 2007	2006
<b>ASSETS</b>								
Current assets:								
Cash on hand and in bank	\$ 38,053	\$ -	\$ -	\$ 4,584	\$ 115,256	\$ 255,855	\$ 413,748	\$ 284,511
Pari-mutuel levy receivable	-	-	47,394	-	-	-	47,394	30,551
Pari-mutuel levy distribution receivable	4,930	-	-	-	33,557	8,907	47,394	30,551
Pre paid expenses	7,388	-	-	-	-	-	7,388	10,605
Accounts Receivable	15,430	-	-	-	-	-	15,430	32,220
	65,801	-	47,394	4,584	148,813	264,762	531,354	388,438
Long term receivable:								
Province of Manitoba (Note 3)	288,336	-	-	-	-	-	288,336	271,207
Capital assets, net (Note 5)	-	15,255	-	-	-	-	15,255	15,371
	<u>\$ 354,137</u>	<u>\$ 15,255</u>	<u>\$ 47,394</u>	<u>\$ 4,584</u>	<u>\$ 148,813</u>	<u>\$ 264,762</u>	<u>\$ 834,945</u>	<u>\$ 675,016</u>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 15,957	\$ -	\$ -	\$ 4,584	\$ 148,813	\$ 264,762	\$ 434,116	\$ 292,005
Deferred revenue	2,915	-	-	-	-	-	2,915	1,770
Due to C.T.H.S. Fund	-	-	8,907	-	-	-	8,907	5,852
Due to General Fund	-	-	4,930	-	-	-	4,930	3,141
Due to H.B.P.A. Fund	-	-	33,557	-	-	-	33,557	21,558
	18,872	-	47,394	4,584	148,813	264,762	484,425	324,326
Long term liability:								
Provision for employee pension benefits (Note 3)	288,336	-	-	-	-	-	288,336	271,207
	307,208	-	47,394	4,584	148,813	264,762	772,761	595,533
Fund Balances - Exhibit B								
Unrestricted	46,929	-	-	-	-	-	46,929	64,112
Invested in Capital Assets	-	15,255	-	-	-	-	15,255	15,371
	<u>\$ 354,137</u>	<u>\$ 15,255</u>	<u>\$ 47,394</u>	<u>\$ 4,584</u>	<u>\$ 148,813</u>	<u>\$ 264,762</u>	<u>\$ 834,945</u>	<u>\$ 675,016</u>

APPROVED BY THE COMMISSION

Original signed by

Chairman

Original signed by

Comptroller

See accompanying notes to the financial statements

# THE MANITOBA HORSE RACING COMMISSION

## Exhibit B

### Statement of Operating Revenue and Expenditure and Fund Balances for the year ended March 31, 2007 (with 2006 figures for comparison)

	General Fund	Capital Asset Fund	Restricted Funds				Total	
			Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Year ended March 31 2007	2006
Revenue:								
Fees, licenses and fines (Note 4)	\$ 126,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,261	\$ 104,028
Grant from the Manitoba Lotteries	38,000	-	-	462,000	-	-	500,000	502,000
Interest	780	-	-	813	5,166	6,326	13,085	6,309
Pari-mutuel levy	-	-	2,985,302	-	-	-	2,985,302	3,088,613
Pari-mutuel levy fund distribution	309,828	-	-	-	2,112,408	563,066	2,985,302	3,088,613
Sundry	34	-	-	-	-	-	34	90
Employee future benefits - (Note 3)	17,130	-	-	-	-	-	17,130	63,955
	<u>492,033</u>	<u>-</u>	<u>2,985,302</u>	<u>462,813</u>	<u>2,117,574</u>	<u>569,392</u>	<u>6,627,114</u>	<u>6,853,608</u>
Expenditure:								
General Fund expenditures, Exhibit C	507,504	-	-	-	-	-	507,504	532,831
Overnight purse support thoroughbred	-	-	-	-	2,117,574	-	2,117,574	2,186,633
Owners/breeders incentive thoroughbred	-	-	-	-	-	569,392	569,392	586,791
Pari-mutuel levy fund distribution	-	-	2,985,302	-	-	-	2,985,302	3,088,613
Quarter Horse support	-	-	-	12,000	-	-	12,000	12,000
Amortization of capital assets	-	1,828	-	-	-	-	1,828	1,657
Standardbred rural	-	-	-	450,813	-	-	450,813	450,441
	<u>507,504</u>	<u>1,828</u>	<u>2,985,302</u>	<u>462,813</u>	<u>2,117,574</u>	<u>569,392</u>	<u>6,644,413</u>	<u>6,858,966</u>
Excess (deficiency) of revenues over expenses	(15,471)	(1,828)	-	-	-	-	(17,299)	(5,358)
Funds transfer (Note 2F)	(1,712)	1,712	-	-	-	-	-	-
Fund balances at beginning of year	64,112	15,371	-	-	-	-	79,483	84,841
Fund balances end of year	<u>\$ 46,929</u>	<u>\$ 15,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,184</u>	<u>\$ 79,483</u>

See accompanying notes to the financial statements



# THE MANITOBA HORSE RACING COMMISSION

Exhibit C

## Statement of General Fund Operating Expenditure for the year ended March 31, 2007 (with 2006 figures for comparison)

	2007	2006
Expenditure:		(Note 7)
Commissioners' per diem and honoraria	\$ 20,828	\$ 15,364
Drug, alcohol and security	4,705	7,454
Employee benefits	26,736	28,103
Equipment rentals	1,275	1,390
Insurance	968	-
Memberships and dues	6,845	7,145
Office	13,070	5,874
Pension cost	31,402	77,847
Professional fees	8,400	11,933
Recruiting costs	1,927	-
Repairs and maintenance	1,822	2,996
Salaries:		
Administration	125,595	121,206
Security	17,295	17,584
Stewards and judges	153,380	138,315
Veterinarian services	50,124	51,836
Sundry	-	3,602
Support grant	15,823	9,382
Telephone	6,602	7,273
Travel	20,707	25,527
	<hr/>	<hr/>
	\$ 507,504	\$ 532,831



# THE MANITOBA HORSE RACING COMMISSION

## Notes to the Financial Statements for the year ended March 31, 2007

### Nature of operations

The Manitoba Horse Racing Commission (Commission) 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 operating expenditures of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba and a grant from the Manitoba Lotteries Corporation. Administrative grant monies drawn down in excess of actual expenditures are retained by the Commission. However, such retained funds in excess of actual expenditures reduce subsequent administrative grants.

Revenues and expenditures related to program delivery and administrative activities of the Commission are reported in the General Fund.

The Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, the Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of the Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund 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 Manitoba Lotteries Corporation.

The 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.

The 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.

# THE MANITOBA HORSE RACING COMMISSION

## Notes to the Financial Statements for the year ended March 31, 2007

### 2. Significant accounting policies

#### A) Fund accounting

The Commission follows the restricted fund method of accounting for contributions.

#### B) 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.

#### C) Pension costs

These 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, 2004. Experience gains or losses are recognized in the year the actuarial valuation is completed.

#### D) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### E) Financial instruments

The Commission's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the Commission 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.

#### F) Fund transfers

Fund transfers represent allocations from the General fund to the Capital Asset Fund for capital acquisitions.



# THE MANITOBA HORSE RACING COMMISSION

## Notes to the Financial Statements for the year ended March 31, 2007

### 2. Significant accounting policies (continued)

#### G) Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Computer equipment	5 years
Security equipment	10 years
Furniture	10 years

### 3. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

The Province of Manitoba has accepted responsibility for the unfunded portion of the pension liability. Accordingly the provision of employee pension benefits is offset by a receivable from the Province of Manitoba. There are no specific terms of repayment for this receivable.

An actuarial valuation of the employee pension benefit liability as at December 31, 2004 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2001 - 7.25%), 2.50% inflation (2001 - 2.75%), salary rate increases of 3.25% (2001 - 3.5%) 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 extrapolated to March 31, 2007 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 271,207	\$ 207,251
Experience loss	-	47,468
Adjusted beginning balance	271,207	254,719
Benefits accrued	13,198	12,978
Interest accrued on benefits	17,823	17,402
Benefits paid	(13,892)	(13,892)
Balance, end of year	<u>\$ 288,336</u>	<u>\$ 271,207</u>

# THE MANITOBA HORSE RACING COMMISSION

## Notes to the Financial Statements for the year ended March 31, 2007

### 4. Fees, licenses and fines

#### Assiniboia Downs

Daily licenses  
Fees and licenses  
Fines

	2007	2006
	\$ 67,000	\$ 52,880
	39,771	33,263
	17,610	16,253
	<u>124,381</u>	<u>102,396</u>

#### Rural Circuit

Fees and licenses  
Fines

	1,160	995
	720	637
	<u>1,880</u>	<u>1,632</u>
	<u>\$ 126,261</u>	<u>\$ 104,028</u>

### 5. Capital assets

Computer equipment  
Security equipment  
Furniture

	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$ 10,422	\$ 1,818	\$ 8,604	\$ 7,612
	1,629	336	1,293	1,405
	<u>7,571</u>	<u>2,213</u>	<u>5,358</u>	<u>6,354</u>
	<u>\$ 19,622</u>	<u>\$ 4,367</u>	<u>\$ 15,255</u>	<u>\$ 15,371</u>

### 6. Statement of cash flows

A statement of cash flows has not been provided as information about financing and investing activities and their effects on cash resources are readily apparent from the other financial statements.

### 7. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted for the current year.



## MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. 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 July 13, 2007.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

*"Originally Signed By"*

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Henry Bos, Director, Corporate Services

*"Originally Signed By"*

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Joy Cramer, Assistant Deputy Minister

July 13, 2007



## AUDITORS' REPORT

To the Legislative Assembly of Manitoba  
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2007 and the statements of operations, The Manitoba Housing and Renewal Fund Deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*"Originally Signed By"*

Office of the Auditor General

Winnipeg, Manitoba  
July 13, 2007

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2007**

**A S S E T S**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Cash (note 3)	\$ 81,223,893	\$ 75,156,460
Accounts receivable and accruals (note 4)	37,188,932	38,433,543
Prepaid expenses	3,652,360	3,919,879
Loans and mortgages receivable (note 5)	153,052,416	155,989,518
Investment in land and housing:		
Housing projects (note 6)	67,255,946	72,951,628
Housing investment (note 7)	1,245,440	1,666,590
Land development costs	5,657,328	3,532,329
Land (note 9)	<u>15,434,428</u>	<u>11,407,929</u>
	<u>89,593,142</u>	<u>89,558,476</u>
	<u><b>\$364,710,743</b></u>	<u><b>\$363,057,876</b></u>

**LIABILITIES AND FUND BALANCE**

Accounts payable, holdbacks and accruals	37,075,248	\$ 35,239,830
Deferred revenue (note 10)	14,300,951	8,584,234
Long-term debt (note 11)	487,924,706	497,787,420
Risk reserve fund (note 12)	10,848,859	10,430,339
Deferred contributions (note 12)	55,214,863	54,905,797
The Manitoba Housing and Renewal Fund Deficit	<u>(240,653,884)</u>	<u>(243,889,744)</u>
Contingencies (note 21)		
Commitments (note 22)		
Guarantees (note 23)		
	<u><b>\$364,710,743</b></u>	<u><b>\$363,057,876</b></u>
Approved by the Board of Directors:		

\_\_\_\_\_ Director

\_\_\_\_\_ Director

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
Revenue:		
Grants from the Province of Manitoba (note 13)	\$ 52,574,850	\$ 38,830,779
Contributed services (note 14)	2,094,200	2,532,900
Rental revenue (note 15)	63,611,525	63,011,604
Subsidy contributions	62,876,098	68,637,291
Interest:		
Loans and mortgages	15,169,779	15,673,102
Bank and other	<u>99,702</u>	<u>44,934</u>
	<u>15,269,481</u>	<u>15,718,036</u>
Sales of land - joint venture (note 8)	4,755,762	3,896,868
Other	<u>8,078</u>	<u>125,559</u>
	<u>201,189,994</u>	<u>192,753,037</u>
Expenses:		
Housing operations (note 15)	117,379,848	113,295,512
Rental subsidies (note 16)	45,131,521	43,636,491
Grants and subsidies (note 17)	5,292,680	3,225,661
Interest expense (note 18)	15,130,855	15,454,791
Administrative services (note 14)	1,669,800	1,559,700
(Gain) on sale of housing projects and land	(185,833)	(414,035)
(Recovery) of provision for loss and write downs	(13,120)	(68,271)
Cost of land sales - joint venture	2,099,952	2,822,439
Repair and renovation expense (note 14)	10,630,698	9,912,681
Other	593,926	838,511
Pension (note 19)	<u>223,807</u>	<u>851,238</u>
	<u>197,954,134</u>	<u>191,114,718</u>
Excess of revenue over expenses	<u>\$ 3,235,860</u>	<u>\$ 1,638,319</u>

(see accompanying notes)



**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND DEFICIT**  
**YEAR ENDED MARCH 31, 2007**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Deficit at beginning of year as previously reported	\$(243,889,744)	\$(245,528,063)
Add – excess of revenue over expenses	<u>3,235,860</u>	<u>1,638,319</u>
Deficit at end of year	\$( <u>240,653,884</u> )	\$( <u>243,889,744</u> )

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2007**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Cash provided by (used for):		
<u>Operating activities:</u>		
Excess of revenue over expenses	\$ 3,235,860	\$ 1,638,319
Add (deduct) items not involving cash:		
Amortization	7,300,247	8,366,084
(Recovery) of provision for loss and write downs	(13,120)	(68,271)
Gain on sale of housing projects and land	(185,833)	(414,035)
Federal subsidies - housing projects	( 743,433)	( 743,433)
	9,593,721	8,778,664
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	1,244,611	(2,852,458)
Prepaid expenses	267,519	(1,248,915)
Accounts payable, holdbacks and accruals	1,835,418	(1,299,332)
Deferred revenue	5,716,717	6,450,544
Deferred contributions	309,066	(2,328,866)
Land development costs in joint venture (note 8)	(440,106)	764,478
Land in joint venture (note 9)	198,301	248,347
Risk reserve fund	418,520	299,059
	<u>19,143,767</u>	<u>8,811,521</u>
<u>Financing activities:</u>		
Borrowings	6,007,987	4,617,798
Repayment of borrowings	(15,870,701)	(14,683,782)
	<u>( 9,862,714)</u>	<u>(10,065,984)</u>
<u>Investing activities:</u>		
Additions to land and housing	(6,381,535)	(3,555,959)
Additions to loans and mortgages	(510,477)	(42,024)
Proceeds from sale of housing projects and land	230,813	637,870
Proceeds from repayment of loans and mortgages	3,447,579	4,911,172
	<u>(3,213,620)</u>	<u>1,951,059</u>
Increase (decrease) in cash	6,067,433	696,596
Cash at beginning of year	<u>75,156,460</u>	<u>74,459,864</u>
Cash at end of year	<u><u>\$81,223,893</u></u>	<u><u>\$75,156,460</u></u>

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**1. Authority**

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 objects 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.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 15, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**2. Significant accounting policies**

**a) Basis of accounting**

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

**b) Loans and mortgages receivable**

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

**c) Loan forgiveness**

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation 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, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

**d) Allowance for loan impairment**

The Corporation 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 the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.



**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
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Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation'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.

**e) Housing projects and amortization**

- i) Social housing projects are valued at cost less accumulated amortization.
- ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.
- iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.
- iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.
- v) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years

Brick buildings – 40 years

**f) Housing investment**

Housing investment is valued at cost less accumulated amortization. Annual amortization is recorded on a straight-line basis over the estimated useful lives as follows:

Wood buildings – 25 years

Brick buildings – 40 years

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**g) Interest in joint venture**

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata 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.

**h) Land**

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

**i) Land development costs**

Land development costs include interest, planning, development and administrative costs. These costs are capitalized as land development costs to the date of sale of the related land.

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**j) Revenue recognition**

Grants 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.

Subsidy contributions are recognized on an accrual basis in the fiscal period to which they relate.

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

**k) Interest capitalization**

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

**l) Pension costs and obligations**

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation 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 the Corporation on February 8, 2003.

**m) Contributed and administrative services**

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
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services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

**n) Modernization and improvement**

Modernization and improvement costs are recognized as expenses in the fiscal period in which they are incurred.

**o) Financial instruments**

**i) Financial Risk**

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

**ii) Credit Risk**

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

**iii) Fair Value**

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

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**p) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires 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 revenue and expenses during the reporting period.

Actual results could differ from these estimates.

**3. Cash**

	<b><u>2007</u></b>	<b><u>2006</u></b>
On deposit with the Minister of Finance:		
Trust deposits	\$53,787,861	\$51,970,349
Risk reserve fund (note 12)	10,848,859	10,430,339
Mobile home loan guarantee program fund (note 23)	887,007	852,297
Noon meal program	<u>-</u>	<u>240,984</u>
	65,523,727	63,493,969
Bank	15,691,741	11,654,216
Petty cash	<u>8,425</u>	<u>8,275</u>
Cash	<u>\$81,223,893</u>	<u>\$75,156,460</u>

**4. Accounts receivable and accruals**

	<b><u>2007</u></b>	<b><u>2006</u></b>
Canada Mortgage and Housing Corporation	11,553,610	\$16,665,044
Government of the Province of Manitoba and its agencies	8,599,195	5,028,561
Rent receivables - net of allowance of \$6,090,113 (2006 - \$6,020,436)	1,906,895	1,789,690
Accrued interest on loans and mortgages receivable	514,440	465,437
City of Winnipeg - net of allowance of \$67,927 (2006 - \$67,927)	135,332	112,991
Other - net of allowance of \$12,347 (2006- \$12,347)	8,598,015	8,714,222
Government of the Province of Manitoba - pension recoverable (note 19)	<u>5,881,445</u>	<u>5,657,598</u>
Accounts receivable and accruals	<u>\$37,188,932</u>	<u>\$38,433,543</u>



**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**5. Loans and mortgages receivable**

**a) Composition of loans and mortgages receivable**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Federal/Provincial Housing:		
Private Non-Profit Housing Program	\$ 98,623,505	\$100,616,077
Rural and Native Housing Program	9,457	12,030
Urban Native Housing Program	<u>32,334,496</u>	<u>34,513,805</u>
	<u>130,967,458</u>	<u>135,141,912</u>
Market Rental Programs:		
Co-operative HomeStart Program	8,202,736	8,339,559
Co-operative Index Linked Program	7,449,839	7,876,860
Manitoba Rural RentalStart Program	273,887	281,739
Manitoba Senior RentalStart Program	<u>4,390,136</u>	<u>4,487,615</u>
	<u>20,316,598</u>	<u>20,985,773</u>
Other Programs:		
Community Residences Program	3,964,055	4,602,502
Market Homeowner Programs	88,980	103,161
Homeowner Rehabilitation Programs	2,664,384	299,509
Other	<u>1,092,960</u>	<u>910,263</u>
	<u>7,810,379</u>	<u>5,915,435</u>
	<u>159,094,435</u>	<u>162,043,120</u>
Less - allowance for loan impairment	<u>6,042,019</u>	<u>6,053,602</u>
Loans and mortgages receivable	<u><b>\$153,052,416</b></u>	<u><b>\$155,989,518</b></u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

Loans and mortgages receivable bear interest at various rates between 0% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of \$82,613,781 (2006 - \$59,271,881) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

**b) Allowance for loan impairment**

The allowance for loan impairment is comprised of the following specific provisions:

	<u><b>2007</b></u>	<u><b>2006</b></u>
Market rental programs	5,860,840	\$5,878,426
Other programs	<u>181,179</u>	<u>175,176</u>
	<u><b>\$6,042,019</b></u>	<u><b>\$6,053,602</b></u>

**6. Housing projects**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Housing Projects:		
Land	\$ 21,734,065	\$ 21,742,696
Buildings	<u>387,234,098</u>	<u>384,830,672</u>
	408,968,163	406,573,368
Under construction	<u>-</u>	<u>1,962,010</u>
	408,968,163	408,535,378
Less - financing provided by CMHC	<u>3,336,712</u>	<u>4,080,145</u>
	405,631,451	404,455,233
Less - accumulated amortization	<u>338,375,505</u>	<u>331,503,605</u>
Housing projects	<u><b>\$ 67,255,946</b></u>	<u><b>\$ 72,951,628</b></u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**7. Housing investment**

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

**8. Joint venture**

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was \$1,358,901 (2006 - \$1,557,202) and is included in joint venture land in note 9. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed \$2,400,000 (note 23).

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
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The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	<u><b>2007</b></u>	<u><b>2006</b></u>
Current Assets:		
Cash and short term investments	\$1,384,453	\$ 403,336
Accounts receivable from land sales	<u>3,887,450</u>	<u>3,535,415</u>
	<u>5,271,903</u>	<u>3,938,751</u>
Long Term Assets:		
Development in progress	<u>1,466,754</u>	<u>1,026,648</u>
Total Assets	<u>\$6,738,657</u>	<u>\$4,965,399</u>
Current Liabilities:		
Accounts payable and accrued liabilities	<u>80,772</u>	<u>47,781</u>
Net Assets	<u>\$6,657,885</u>	<u>\$4,917,618</u>
 Sales of land	 4,755,761	 3,896,868
Cost of land sales	<u>1,901,651</u>	<u>2,574,091</u>
Gross margin	<u>2,854,110</u>	<u>1,322,777</u>
Expenses:		
Interest on bank indebtedness	21,687	13,421
General	90,794	103,520
Other	<u>123,221</u>	<u>165,390</u>
Total expenses	<u>235,702</u>	<u>282,331</u>
Net income for the year	<u>\$2,618,408</u>	<u>\$1,040,446</u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
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**9. Land**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Future development or sale	\$12,341,135	\$ 8,116,335
Leased to co-operatives	1,734,392	1,734,392
Joint venture	<u>1,358,901</u>	<u>1,557,202</u>
Land	<u>\$15,434,428</u>	<u>\$11,407,929</u>

**10. Deferred revenue**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Manitoba Housing Authority tenant prepaid rent	\$ 1,968,853	\$1,839,015
Other prepaid land lease and subsidy contribution received in advance	280,688	319,641
Affordable Housing Initiative commitments	<u>12,051,410</u>	<u>6,425,578</u>
Deferred revenue	<u>\$14,300,951</u>	<u>\$8,584,234</u>



**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**11. Long-term debt**

	<u>2007</u>	<u>2006</u>
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	\$ 13,237,893	\$ 7,384,038
Long-term advances, at interest rates from 4.75% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of \$38,901,053 (2006 - \$38,893,348)	305,557,467	316,465,298
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.67% to 8.625% maturing at various dates to 2030 and requiring annual principal and interest payments of \$14,988,984 (2006 - \$14,624,154)	166,252,608	170,993,655
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of \$325,260 (2006 - \$325,260)	<u>2,876,738</u>	<u>2,944,429</u>
Long-term debt	<u>\$487,924,706</u>	<u>\$497,787,420</u>

Principal repayments on the long-term debt are estimated as follows:

2008	\$ 16,119,058
2009	17,405,405
2010	18,780,128
2011	20,297,450
2012	21,933,005
Subsequent to 2013	<u>393,389,660</u>
	<u>\$487,924,706</u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**12. Deferred contributions and risk reserve fund**

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. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of \$12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**13. Grants from the Province of Manitoba**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Department of Family Services and Housing:		
MHRC operating programs	\$40,382,570	\$28,438,876
MHRC administration	6,962,530	6,608,724
Grants and subsidies	<u>4,620,951</u>	<u>2,557,967</u>
	51,966,051	37,605,567
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants		
55 Plus Program	384,992	373,974
Pension recovery (note 19)	<u>223,807</u>	<u>851,238</u>
Grants from the Province of Manitoba	<u>\$52,574,850</u>	<u>\$38,830,779</u>

**14. Contributed and administrative services**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	\$ 553,500	\$ 587,100
- included in administration expenses in note 15, Manitoba Housing Authority Housing Operations	1,052,500	1,356,600
- included in administration expenses in note 15, Sponsor Managed Housing Operations	20,100	17,600
- included in Rental Subsidies, note 16	396,600	428,800
- included in Statement of Operations, Repair and renovation expense	<u>71,500</u>	<u>142,800</u>
Total Department of Family Services and Housing administrative services provided	<u>\$2,094,200</u>	<u>\$2,532,900</u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

**15. Housing operations**

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	<u>Manitoba Housing Authority Managed</u>	<u>Sponsor Managed</u>	<u>2007</u>	<u>2006</u>
<u>Revenue</u>				
Rental revenue	\$51,324,693	\$12,286,832	\$ 63,611,525	\$ 63,011,604
<u>Expenses</u>				
Administration (note 14)	15,252,651	1,826,923	17,079,574	15,958,054
Property operating	48,898,208	8,822,310	57,720,518	52,785,823
Grants in lieu of taxes	8,999,291	1,404,038	10,403,329	10,464,895
Amortization and interest	<u>26,772,578</u>	<u>5,403,849</u>	<u>32,176,427</u>	<u>34,086,740</u>
	<u>99,922,728</u>	<u>17,457,120</u>	<u>117,379,848</u>	<u>113,295,512</u>
Operating loss	\$48,598,035	\$ 5,170,288	\$ 53,768,323	\$ 50,283,908

**16. Rental subsidies**

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies are provided through agreements with third parties for which MHRC has assumed operating policy responsibility. The net rental subsidies required by these organizations are:

	<u>2007</u>	<u>2006</u>
Not for profit housing corporations	\$26,705,641	\$26,304,434
Co-operative housing corporations	3,886,377	3,863,318
Private landlords	4,254,259	4,159,927
Property management agreements	<u>10,285,244</u>	<u>9,308,812</u>
Net rental subsidies	<u>\$45,131,521</u>	<u>\$43,636,491</u>

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
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**17. Grants and subsidies**

	<u>2007</u>	<u>2006</u>
Manitoba Shelter Benefit	\$4,008,787	\$ -
Shelter Allowance for Family Renters	233,687	903,757
Shelter Allowance for Elderly Renters	378,477	1,654,211
School Tax Assistance for Tenants 55 Plus Program	384,992	373,973
Elderly & Infirm Persons Housing	155,423	155,423
Co-op Homestart Program	<u>131,314</u>	<u>138,297</u>
	<u>\$5,292,680</u>	<u>\$3,225,661</u>

**18. Interest expense**

In addition to the interest expense of \$15,130,855 (2006 - \$15,454,791), interest expense in the amount of \$25,103,119 (2006 - \$25,814,592) is included in note 15 in the amortization and interest expense.

**19. Pension obligations**

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount 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 MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2007 is \$594,114 (2006 - \$554,038).

The Corporation 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 the Corporation on February 8, 2003. The liability of \$5,881,445 (2006 - \$5,657,598) and the related recoverable amount



**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
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from the Province of Manitoba of \$5,881,445 (2006 - \$5,657,598) are recorded in the financial statements. As well, the increase of \$223,807 (2006 - \$851,238) in the liability and in the recoverable is recorded in the financial statements.

**20. Severance pay benefits**

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. 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 the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of \$877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

The Corporation 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 the Corporation 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. The Corporation recorded, effective April 1, 2003, a receivable in the amount of \$569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

benefits at that date. These receivables from the Province of Manitoba have no terms of repayment and accordingly, the amount of the receivable will remain fixed at \$1,446,105.

**21. Contingencies**

The Corporation 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 Corporation. Any settlement will be recognized in the year the settlement occurs.

The Corporation provided the City of Winnipeg with a letter of credit under a development agreement. At March 31, 2007 the letter of credit amounted to \$2,050,605.

**22. Commitments**

The Corporation has the following commitments as at March 31, 2007.

- |  |              |
|--|--------------|
| a) Housing project modernization and improvement | \$ 2,682,650 |
| b) Repair and renovation expenses                | \$17,571,833 |
| c) Grants and subsidies:                         |              |

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now 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:

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007**

2007	\$21,506,100
2008	44,113,100
2009	47,583,600
2010	53,764,000
2011	56,870,900

**23. Guarantees**

The Corporation 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 outstanding guarantees are as follows:

	<u><b>2007</b></u>	<u><b>2006</b></u>
Joint Venture Investment Guarantee (note 8)	\$2,400,000	\$2,400,000
Mobile Home Loan Guarantee Program	360,684	513,560
Affordable Housing Initiative Loan Guarantee Program	<u>2,598,356</u>	<u>2,768,356</u>
Total guarantees	<u><b>\$5,359,040</b></u>	<u><b>\$5,681,916</b></u>

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2007 are \$887,007 (2006 - \$852,297) and are included in cash (note 3). The trust fund liability is included in accounts payable.

**24. Comparative figures**

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.



**Competitiveness, Training and Trade**  
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## THE MANITOBA OPPORTUNITIES FUND LIMITED

### MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, 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.

BDO Dunwoody LLP have 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 to the Board.

Original signed by

James F. Kilgour, C.A.  
General Manager

Original signed by

Kristine Seier, CMA  
Secretary-Treasurer

**Manitoba**  
spirited energy





**BDO Dunwoody LLP/s.r.l.**  
Chartered Accountants and Advisors  
Comptables agréés et conseillers

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## Auditors' Report

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**To the Board of Directors of  
THE MANITOBA OPPORTUNITIES FUND LTD.**

We have audited the balance sheet of **THE MANITOBA OPPORTUNITIES FUND LTD.** as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*

Chartered Accountants

Winnipeg, Manitoba  
May 29, 2007



# THE MANITOBA OPPORTUNITIES FUND LTD.

## Balance Sheet

March 31 2007 2006

### Assets

#### Current Assets

Short-term investments (Note 2)	\$ 10,154,715	\$ 7,940,089
Accrued interest receivable	59,631	35,935
	<u>10,214,346</u>	<u>7,976,024</u>

Long-term investments (Note 3) 85,854,171 64,419,838

Deferred charges 4,430,534 4,039,380

\$100,499,051 \$ 76,435,242

### Liabilities and Equity

#### Current Liabilities

Accounts payable and accrued liabilities \$ 1,298,693 \$ 559,454

Long-term debt (Note 4) 97,442,148 74,876,561

Retained Earnings 1,758,210 999,227

\$100,499,051 \$ 76,435,242

Approved on behalf of the Board:

Original signed by

Director

Original signed by

Director



## THE MANITOBA OPPORTUNITIES FUND LTD.

### Statement of Income and Retained Earnings

For the year ended March 31	2007	2006
<b>Investment Income</b>	<b>\$ 3,233,192</b>	<b>\$ 2,024,500</b>
<b>Expenses</b>		
Amortization of deferred charges	1,173,897	790,002
Professional fees	4,156	10,272
Program administration	79,576	25,231
	<u>1,257,629</u>	<u>825,505</u>
<b>Operating income for the year</b>	<b>1,975,563</b>	<b>1,198,995</b>
<b>Growing Through Immigration Strategy Support (Note 5)</b>	<b>1,216,580</b>	<b>531,547</b>
<b>Net income for the year</b>	<b>758,983</b>	<b>667,448</b>
<b>Retained earnings, beginning of year</b>	<b>999,227</b>	<b>331,779</b>
<b>Retained earnings, end of year</b>	<b>\$ 1,758,210</b>	<b>\$ 999,227</b>

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



## THE MANITOBA OPPORTUNITIES FUND LTD.

### Statement of Cash Flows

For the year ended March 31	2007	2006
<b>Cash Flows from Operating Activities</b>		
Net income for the year	\$ 758,983	\$ 667,448
Adjustments for		
Amortization of deferred charges	1,173,897	790,002
Increase in present value of long-term investments	(2,863,297)	(1,851,652)
	(930,417)	(394,202)
Changes in non-cash working capital balances		
Accrued interest receivable	(23,696)	(23,753)
Accounts payable and accrued liabilities	739,239	556,955
	(214,874)	139,000
<b>Cash Flows from Investing Activities</b>		
Purchase of long-term investments	(18,571,036)	(30,229,121)
<b>Cash Flows from Financing Activities</b>		
Advances from long-term debt	21,000,536	33,777,652
<b>Increase in cash equivalents during the period year</b>	<b>2,214,626</b>	<b>3,687,531</b>
<b>Cash equivalents, beginning of period year</b>	<b>7,940,089</b>	<b>4,252,558</b>
<b>Cash equivalents, end of period year</b>	<b>\$ 10,154,715</b>	<b>\$ 7,940,089</b>
<b>Represented by</b>		
Short-term investments	\$ 10,154,715	\$ 7,940,089

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



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## THE MANITOBA OPPORTUNITIES FUND LTD.

### Summary of Significant Accounting Policies

March 31, 2007

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<b>Basis of Accounting</b>	The company's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.
<b>Revenue Recognition</b>	Interest revenue on short-term investments is recorded on an accrual basis. Investment income on long-term investments is determined by the difference in the present value of the term note and the cost of the term note.
<b>Contributed Services</b>	During the year, the Province of Manitoba provided office space and other administrative services to the company at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.
<b>Deferred Charges</b>	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.
<b>Short-term Investments</b>	Short-term investments are carried at cost, which approximates market value. Funds available for investment are invested with the Province of Manitoba.
<b>Financial Instruments</b>	The company's financial instruments consist of accrued interest receivable, short and long-term investments, accounts payable, and long-term debt. Unless otherwise noted, it is management's opinion that the company 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.
<b>Long-term Investments</b>	Long-term investments are recorded at cost which represents the discounted value of the term notes. Over time, the value of the long-term investments increase equal to the effective interest rates on the term notes. The increase in the present value of the long-term investments during the year is recorded as an increase in the long-term investments and as investment income.



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## THE MANITOBA OPPORTUNITIES FUND LTD.

### Summary of Significant Accounting Policies

March 31, 2007

---

#### 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.

#### Cash Equivalents

Cash equivalents consists of short-term investments with a term to maturity of 90 days or less.



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## THE MANITOBA OPPORTUNITIES FUND LTD.

### Notes to Financial Statements

March 31, 2007

---

#### 1. Nature of Operations and Economic Dependence

The Manitoba Opportunities Fund Ltd. (the company) was incorporated under the laws of Manitoba on April 3, 2003. The company 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 object of the company 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 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. The funds invested are distributed among participating Provinces. After five years, the company returns the Provincial allocation of the \$400,000 investment, 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 company repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the company 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 company is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the long-term debt payable to the Federal Government.

#### 2. Short-term Investments

The short-term investments consist of 30 - 90 day deposit certificates held by the Province of Manitoba.

#### 3. Long-term Investments

The long-term 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 January 2009 to March 2012. The effective interest rates range from 3.35% to 4.51% 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 interest income.



## THE MANITOBA OPPORTUNITIES FUND LTD.

### Notes to Financial Statements

**March 31, 2007**

#### 4. Long-term Debt

	2007	2006
Government of Canada	<b>\$ 97,442,148</b>	\$ 74,876,561

The long-term debt 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:

2008	\$ -
2009	1,897,286
2010	38,873,526
2011	33,918,052
2012	22,753,284
	<b>\$ 97,442,148</b>

#### 5. Growing Through Immigration Strategy Support

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

	2007	2006
Business Settlement Office	<b>\$ 210,343</b>	\$ 68,647
Internationally Educated Engineers Qualification Program	<b>120,000</b>	120,000
Transfers to the Department of Labour and Immigration	<b>827,100</b>	342,900
Manitoba Agriculture, Food and Rural Initiatives	<b>59,137</b>	-
	<b>\$ 1,216,580</b>	\$ 531,547

#### 6. Related Party Transactions

The Fund paid \$287,420 (2006 - \$93,878) made up of program administration costs of \$77,077 (2006 - \$25,231) and Growing Through Immigration Strategy Support transfers of \$210,343 (2006 - \$68,647) to the Manitoba Development Corporation, which operates under control of a common Board of Directors.



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May 16, 2007

## **THE MANITOBA TRADE AND INVESTMENT CORPORATION MANAGEMENT REPORT**

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Office of the Auditor General of Manitoba, whose opinion is included herein. The 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 to the Board.

Original signed by

Hugh Eliasson  
Chair

Original signed by

Brian Johnston  
Financial Officer

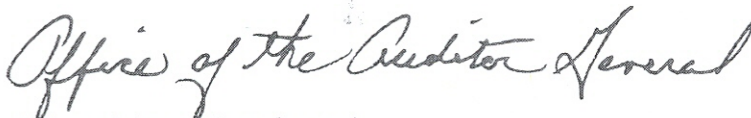
## AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Trade and Investment Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Office of the Auditor General

Winnipeg, Manitoba  
May 16, 2007



**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2007**  
**(With Comparative Figures for 2006)**

	2007	2006
ASSETS	\$	\$
Current Assets:		
Cash	\$ 320,305	\$ 282,836
Short-term investments (Note 3)	500,000	500,000
Accounts Receivable - Trade	6,845	22,767
Accounts Receivable - Province of Manitoba (Note 8)	24,947	20,818
Total Current Assets	852,097	826,421
 TOTAL ASSETS	 \$ 852,097	 \$ 826,421
 LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 32,204	\$ 32,894
Deferred Revenue (Note 4)	16,850	-
Operating Advance Payable (Note 5)	500,000	500,000
Total Current Liabilities	549,054	532,894
 TOTAL LIABILITIES	 \$ 549,054	 \$ 532,894
 RETAINED EARNINGS	 303,043	 293,527
 TOTAL LIABILITIES AND RETAINED EARNINGS	 \$ 852,097	 \$ 826,421

See accompanying notes to financial statements.

Approved by:

Original signed by	Chair of the Board
Original signed by	Financial Officer

**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
**(With Comparative Figures for 2006)**

	2007 \$	2006 \$
Revenue:		
Contract Fees Recoveries (Note 6)	\$ 364,112	\$ 407,293
Participation Fees - Province of Manitoba & Government Enterprises (Notes 2 and 6)	2,833	86,771
Participation Fees - Other (Note 2)	32,760	41,961
Interest (Note 6)	19,696	13,517
Administration Fees	3,095	2,601
Total Income	422,496	552,143
Expenses:		
Contract Fees - Trade	373,215	393,490
Program (Note 2)	30,419	119,704
Audit Fees (Note 6)	6,100	8,500
Administration Expenses	3,095	2,601
Miscellaneous	151	-
Total Expenses	412,980	524,295
Net Income for the Year	9,516	27,848
Retained Earnings, beginning of year as originally stated	270,428	903,737
Add: Restatement of Prior Period (Note 8)	23,099	-
Retained Earnings, beginning of year as restated	293,527	-
Less: Transfer of Provincial Nominee Program for Business to Manitoba Development Corporation	-	(638,058)
Retained Earnings, end of year	\$ 303,043	\$ 293,527

See accompanying notes to financial statements.

**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
**(With Comparative Figures for 2006)**

	2007 \$	2006 \$
Operating Activities:		
Net Income for the year	\$ 9,516	\$ 27,848
Changes in non-cash working capital		
Accounts Receivable - Trade	15,922	(8,219)
Accounts Receivable - Province of Manitoba	(4,129)	15,083
Accrued Interest - Province of Manitoba	-	81,742
Accounts Payable and Accrued Liabilities	(690)	(67,860)
Deferred Revenue	16,850	(1,360)
Net cash flow from (to) operating activities	37,469	47,234
Net increase (decrease) in cash and cash equivalents	37,469	47,234
Cash and cash equivalents, beginning of year	282,836	873,660
Less: Transfer of Provincial Nominee Program for Business to Manitoba Development Corporation	-	(638,058)
Cash and cash equivalents, end of year	\$ 320,305	\$ 282,836
Cash and cash equivalents reconciliation:		
Cash	\$ 320,305	\$ 282,836
Short-term investments	500,000	500,000
Short-term investments, term to maturity greater than 90 days	(500,000)	(500,000)
	320,305	282,836

See accompanying notes to financial statements.

**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Nature of Operations and Economic Dependence**

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The objects 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 shortfalls and deficits incurred by the Corporation are recovered from the Province.

**2. Significant Accounting Policies**

**a. Basis of Accounting**

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

**b. Participation Fees and Program Expenses**

Participation Fees and Program Expenditures are recognized as revenue or expense 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.

**c. 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.

**d. 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 period. Actual results could differ from these estimates.



**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**3. Short-term investments**

Short-term investments are carried at cost which approximates market. Funds available for investment are invested with the Province of Manitoba.

**4. Deferred Revenue**

Deferred revenue represents fees received in advance of event days for specific trade projects. Changes in the deferred balance are as follows:

	2007 \$	2006 \$
Balance, beginning of year	-	1,360
Less amount recognized as revenue in the year	-	(1,360)
Add amounts received and deferred during the year	16,850	-
Balance, end of year	16,850	-

**5. Operating Advance Payable**

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

**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 and records these transactions at the exchange amount, which is the amount agreed upon by both parties.

During the year, the Corporation's transactions with related entities were as follows:

Contract Fee Recoveries	\$364,112
Participation Fees	\$2,833
Interest Revenue	\$19,696
Audit Fees	\$6,100

**7. Financial Instruments**

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.

**MANITOBA TRADE AND INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**8. Restatement of Prior Period**

During the year it was determined that a receivable from the Province of Manitoba was not recorded in the prior year with respect to contract fee recoveries. The correction was accounted for retroactively with a restatement of the prior period. As a result, net income and retained earnings has increased by \$23,099, Accounts Receivable – Province of Manitoba has increased by \$20,818, and Accounts Payable – Province of Manitoba has decreased by \$2,281 as at March 31, 2006.



## **The Manitoba Water Services Board**

### **Management Report**

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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 fulfil 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.

Original signed by R. Menon

R. Menon, P.Eng.  
General Manager

Original signed by C. Brigden

C. Brigden  
Financial Officer

June 1, 2007

**Manitoba**  
spirited energy



## AUDITORS' REPORT

To the Legislative Assembly of Manitoba  
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2007, the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba  
June 1, 2007



**Balance Sheet**

as at March 31, 2007

ASSETS	2007	2006
Current assets		
Cash	\$ 592,107	\$ -
Restricted cash (Note 3)	-	765,292
Accounts receivable	3,689,281	6,409,612
Prepaid supplies	71,379	72,145
Current portion, construction in progress (Note 4)	4,357,354	1,367,486
Accrued interest	41,291	37,515
Current portion of debentures receivable	-	53,216
	<u>8,751,412</u>	<u>8,705,266</u>
Long-term construction in progress (Note 4)	4,458,075	3,160,979
Property plant and equipment (Note 5)	<u>13,304</u>	<u>42,380</u>
	<u>\$ 13,222,791</u>	<u>\$ 11,908,625</u>
LIABILITIES	2007	2006
Current liabilities		
Bank indebtedness	\$ -	\$ 930,966
Accounts payable and accrued charges	4,487,072	4,898,438
Advances from the Province of Manitoba payable on demand	10,200,000	6,800,000
Current portion of long-term debt (Note 6)	3,909	152,570
Infrastructure renewal - Whitemud Conservation District (Note 3)	-	765,292
	<u>14,690,981</u>	<u>13,547,266</u>
Long-term debt (Note 6)		
Advances from the Province of Manitoba	-	3,909
	<u>-</u>	<u>3,909</u>
Funds retained (Notes 7 and 15)	(1,568,190)	(1,742,550)
Interest adjustment fund account (Note 8)	<u>100,000</u>	<u>100,000</u>
	<u>(1,468,190)</u>	<u>(1,642,550)</u>
	<u>\$ 13,222,791</u>	<u>\$ 11,908,625</u>

APPROVED BY THE BOARD

Original signed by Andrew Horosko

**Statement of Operating Revenues and Expenditures**

for the year ended March 31, 2007

	2007	2006
Revenues		
Sale of water	\$ 1,839,914	\$ 1,533,055
Administrative expenses paid by the Province of Manitoba (Note 9)	1,823,808	1,950,193
Interest	127,216	62,523
Total revenues	3,790,938	3,545,771
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	559,431	312,238
- Long-term debt	13,897	27,429
Less: Interest allocated to new construction	(505,171)	(276,041)
	68,157	63,626
Chemicals	37,092	47,242
Amortization	25,528	25,528
Heat, telephone, light and power	228,023	213,399
Professional services	1,209,287	1,123,361
Salaries and benefits	138,281	271,135
Repairs and maintenance	31,330	84,070
Administrative expenses (Note 9)	1,823,808	1,950,193
Total expenditures	3,561,506	3,778,554
Excess (deficiency) of operating revenues over expenditures	229,432	(232,783)
Funds retained, beginning of year	(1,742,550)	(1,500,427)
Disposition of funds (Note 7)	(55,072)	(9,340)
Funds retained, end of year (Note 7)	\$ (1,568,190)	\$ (1,742,550)

The Manitoba Water Services Board  
**Statement of Cash Flows**  
for the year ended March 31, 2007

Exhibit C

	2007	2006
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	\$ 229,432	\$ (232,783)
Expenditure not involving cash - amortization	25,528	25,528
	254,960	(207,255)
Change in accounts receivable	2,720,331	(3,326,685)
Change in prepaid supplies	766	(21,910)
Change in prepaid professional fees	-	288,000
Change in accounts payable and accrued charges	(411,366)	1,198,041
Change in accrued interest	(3,776)	(19,527)
Cash provided by (used for) operating activities	2,560,915	(2,089,336)
Financing activities		
Advances received	14,900,000	16,400,000
Advances repaid	(11,652,570)	(12,239,144)
Debentures receivable principal recoveries	53,216	123,612
Infrastructure Expenditure	(765,292)	(7,484)
Change in bank indebtedness	(930,966)	231,866
Cash provided by (used for) financing activities	1,604,388	4,508,850
Investing activities		
New construction costs	(36,768,011)	(34,463,182)
Funding recovered from:		
Province of Manitoba	11,152,919	11,121,942
Municipalities	21,328,128	20,922,703
Decrease (increase) in construction in progress	(4,286,964)	(2,418,537)
Capital asset disposals	3,548	879
Plant surplus transferred to municipalities on disposition	(55,072)	(9,340)
Change in restricted cash	765,292	(66,192)
Cash provided by (used for) investing activities	(3,573,196)	(2,493,190)
Increase (Decrease) in cash	592,107	(73,676)
Cash, beginning of the year	-	73,676
Cash, end of the year	\$ 592,107	\$ -

Interest paid during the year ended March 31, 2007 amounted to \$574,521 (2006 - \$340,755)

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**The Manitoba Water Services Board**  
**Notes to Financial Statements**  
for the year ended March 31, 2007

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**1. NATURE OF ORGANIZATION**

The Manitoba Water Services 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 owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

**2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) Capital assets

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:

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

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.

(c) Revenue recognition

Revenue from 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.

**3. INFRASTRUCTURE RENEWAL**

The Board, effective March 31, 2007 has transferred the infrastructure renewal account to the Planning and Coordination Branch of the Department of Water Stewardship to be administered on behalf of the Whitemud Conservation District. This account is to be used for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The balance transferred March 31, 2007, was \$765,994.



**The Manitoba Water Services Board**

**Notes to Financial Statements**

for the year ended March 31, 2007

**4. CONSTRUCTION IN PROGRESS**

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 4,528,465	\$ 2,109,928
New construction costs	36,768,011	34,463,182
	<u>41,296,476</u>	<u>36,573,110</u>
Funding recovered from:		
Municipalities	21,328,128	20,922,703
Province of Manitoba	11,152,919	11,121,942
	<u>32,481,047</u>	<u>32,044,645</u>
Balance, end of year	8,815,429	4,528,465
Less: current portion	<u>4,357,354</u>	<u>1,367,486</u>
Long-term Construction in Progress	<u>\$ 4,458,075</u>	<u>\$ 3,160,979</u>

**5. PROPERTY PLANT AND EQUIPMENT**

	<b>2007</b>	<b>2006</b>
Land and easements	\$ <u>13,304</u>	\$ <u>16,852</u>
Buildings	645,771	732,350
Less: accumulated amortization	<u>645,771</u>	<u>706,822</u>
	<u>-</u>	<u>25,528</u>
Equipment	189,970	206,666
Less: accumulated amortization	<u>189,970</u>	<u>206,666</u>
Total property plant and equipment	<u>\$ 13,304</u>	<u>\$ 42,380</u>

**The Manitoba Water Services Board**

**Notes to Financial Statements**

for the year ended March 31, 2007

**6. LONG-TERM DEBT**

<b>Year of Maturity</b>	<b>Annual Payment Date</b>	<b>Interest Rate(%)</b>	<b>2007</b>	<b>2006</b>
Advances from the Province of Manitoba:				
2006	October 31	9.800	\$ -	\$ 26,004
2007	March 31	9.625	-	122,993
2007	October 31	9.400	3,909	7,482
			<hr/>	<hr/>
Total advances payable			3,909	156,479
Less: current portion			3,909	152,570
			<hr/>	<hr/>
Advances payable beyond one year			\$ -	\$ 3,909
			<hr/>	<hr/>

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba

**7. FUNDS RETAINED**

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and 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.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System of \$31,759.

	<b>No.</b>	<b>2007 Amount</b>	<b>No.</b>	<b>2006 Amount</b>
<b>Plants owned by the Board</b>				
Plants with a deficit	6	\$ (1,676,153)	6	\$ (1,845,058)
Plants with a surplus	<u>2</u>	<u>76,204</u>	<u>2</u>	<u>32,170</u>
Total funds retained, water supply plants	<u>8</u>	<u>\$ (1,599,949)</u>	<u>8</u>	<u>\$ (1,812,888)</u>

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The Manitoba Water Services Board

**Notes to Financial Statements**

for the year ended March 31, 2007

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**7. FUNDS RETAINED (continued)**

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	<b>2007 Amount</b>	<b>2006 Amount</b>
<b>Other Funds Retained</b>	\$ 31,759	\$ 70,338
	<hr/>	<hr/>
Total funds retained	\$ (1,568,190)	\$ (1,742,550)
	<hr/>	<hr/>

During 2006/2007 disposition of funds includes the transfer of one water treatment plant to the Village of Somerset capital works approved by the Board for the Inglis Water Treatment Plant, Strathclair Water Treatment Plant and Lynn Lake Water Treatment Plant, and a contingency fund for the Cartier Regional Water Co-operative.

**8. INTEREST 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 cost 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.

**9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA**

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	<b>2007</b>	<b>2006</b>
Professional services	\$ 15,710	\$ 14,898
Salaries and benefits	1,551,392	1,609,412
Telephone and utilities	14,088	19,790
Travel	2,291	9,691
Rental for office premises	175,512	171,253
Other administrative	64,815	125,149
	<hr/>	<hr/>
	\$ 1,823,808	\$ 1,950,193
	<hr/>	<hr/>

## Notes to Financial Statements

for the year ended March 31, 2007

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### 10. COMMITMENTS

	2007	2006
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	\$ 33,122,800	\$ 42,839,034
	<u>                    </u>	<u>                    </u>
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	\$ 15,592,900	\$ 20,002,634
Recovery of construction costs - Municipalities and Cooperatives	17,529,900	22,836,400
	<u>                    </u>	<u>                    </u>
	\$ 33,122,800	\$ 42,839,034
	<u>                    </u>	<u>                    </u>

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2007, the Province had unused authority of \$20,336,900 under *The Loan Act, 2006* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

The Board pays interest to the Province on these unfixed advances. Interest payable is set at Prime Less 0.75%. During 2006/2007 the rate of interest charged was between 4.80% - 5.25% on a quarterly basis.

### 11. 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.

### 12. 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 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.



## Notes to Financial Statements

for the year ended March 31, 2007

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### 13. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

### 14. FINANCIAL INSTRUMENTS

#### Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

#### Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

#### Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

### 15. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

### 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

## Management's Responsibility

To the Board of Directors of Metis Child and Family Services Authority:

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 generally accepted accounting principles. 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 are neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and management to discuss their audit findings.

June 5, 2007

Original signed by

Lisa Champagne  
Chief Executive Officer

## Auditors' Report

To the Board of Directors of Metis Child and Family Services Authority:

We have audited the statement of financial position of Metis Child and Family Services Authority as at March 31, 2007 and the statements of combined programs and changes in net assets and cash flows and related schedules for the twelve month period then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the twelve month period then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

June 5, 2007

*Meyer Norris Penny LLP*

Chartered Accountants

**Metis Child and Family Services Authority**  
**Statement of Financial Position**  
**As at March 31, 2007**

	2007	2006
<b>ASSETS</b>		
Current Assets		
Cash	\$ 235,012	\$ 195,296
Accounts Receivable (Note 6)	2,871,249	1,909,139
Prepaid Expense	21,664	22,449
	<u>3,127,925</u>	<u>2,126,884</u>
Capital Assets (Note 2c, 7)	28,669	11,111
Due from Metis Child, Family and Community Services Agency Inc. (Note 8)	1,088,200	1,088,200
Total Assets	<u><u>\$ 4,244,794</u></u>	<u><u>\$ 3,226,195</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accruals	\$ 106,370	\$ 34,254
Due to Manitoba Metis Federation Inc. (Note 9)	-	10,333
Due to Metis Child, Family and Community Services Agency Inc.	2,833,387	1,881,697
Deferred Contributions (Note 10)	95,791	161,390
	<u>3,035,548</u>	<u>2,087,673</u>
Due to Province of Manitoba (Note 8)	1,088,200	1,088,200
Deferred Capital Contributions (Note 2c)	28,669	11,111
	<u>4,152,417</u>	<u>3,186,984</u>
<b>NET ASSETS</b>		
Unrestricted	92,377	39,211
	<u><u>\$ 4,244,794</u></u>	<u><u>\$ 3,226,195</u></u>

Approved on Behalf of the Board

Original signed by \_\_\_\_\_ Director

Original signed by \_\_\_\_\_ Director

**Metis Child and Family Services Authority**  
**Statement of Combined Programs and Changes in Net Assets**  
**For the Twelve Month Period Ending March 31, 2007**

	2007 Actuals	2006 Actuals	Actuals Variance
<b>REVENUE</b>			
Grant - Province of Manitoba	\$ 16,403,577	\$ 11,032,758	\$ 5,370,819
Interest Income	743	429	314
Other Income	151	4,820	(4,669)
Deferred Revenue - Core	7,418	-	7,418
Deferred Revenue - Education and Training	14,008	-	14,008
Deferred Revenue - Hotel Reduction and Foster Care Initiative	35,485	-	35,485
Deferred Revenue - Transition	105,919	36,512	69,407
Amortization of Deferred Capital Contributions	4,368	3,103	1,265
Total Revenue	16,571,670	11,077,622	5,494,048
<b>EXPENSES</b>			
Agency Education and Training	4,948	-	4,948
Agency Maintenance	10,906,606	7,138,006	3,768,600
Agency Operations	4,858,690	3,332,281	1,526,409
Agency Transition	105,919	40,483	65,436
Amortization of Capital Assets	4,368	3,103	1,265
Annual General Meeting	4,318	6,049	(1,731)
Authority Transition	7,418	-	7,418
Bad Debts	-	-	-
Bank Charges	556	433	123
Board Travel	28,594	23,305	5,289
Communications	5,924	10,542	(4,618)
Insurance	9,547	8,306	1,241
Information Technology	6,554	5,923	631
Office	50,083	40,979	9,104
Other	733	117	615
Professional Development	1,270	899	371
Professional Fees	15,530	27,006	(11,476)
Salaries and Benefits	499,858	379,487	120,371
Staff Travel	7,588	21,493	(13,905)
Total Expenses	16,518,504	11,038,411	5,480,093
Excess of revenue over expenses	\$ 53,166	\$ 39,211	\$ 13,955
Net assets, beginning of the year	39,211	-	39,211
Net assets, end of year	\$ 92,377	39,211	\$ 53,166



**Metis Child and Family Services Authority**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2007**

	2007	2006
CASH PROVIDED (USED BY)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 53,166	\$ 39,211
Add (deduct) items not requiring cash outlay		
Amortization of Capital Assets	4,368	3,103
Amortization of Deferred Contributions	(4,368)	(3,103)
	<u>53,166</u>	<u>39,211</u>
FROM (TO) OPERATIONS		
Accounts Receivable	(962,110)	(1,684,714)
Due to Metis Child, Family and Community Services Agency Inc.	951,690	1,757,783
Prepaid Expenditures	785	(2,101)
Accounts Payable	72,116	(1,466)
Amount due to Manitoba Metis Federation	(10,333)	(35,061)
Deferred Contribution	(65,599)	(36,512)
	<u>(13,450)</u>	<u>(2,071)</u>
INVESTING ACTIVITIES		
Purchase of Capital Assets	(21,925)	(4,907)
Deferred Contributions Capital	21,925	4,907
	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
Receipt of loan from Province of Manitoba	-	995,700
Advance to Metis Child, Family and Community Services Agency Inc.	-	(995,700)
	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>39,716</u>	<u>37,140</u>
CASH, Beginning of Year	\$ 195,296	\$ 158,156
CASH, End of Year	<u>\$ 235,012</u>	<u>\$ 195,296</u>

**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Core Operations**

	2007 Actuals	2006 Actuals	Actuals Variance	2007 Budget	Budget Variance
<b>REVENUE</b>					
Grant - Province of Manitoba	\$ 638,281	\$ 558,500	\$ 79,781	\$ 625,000	\$ 13,281
Interest Income	743	429	314	400	343
Other Income	151	4,820	(4,669)	-	151
Deferred Revenue	7,418	-	7,418	-	7,418
Amortization of Deferred Capital Contributions	4,368	3,103	1,265	-	4,368
Total Revenue	650,961	566,852	84,109	625,400	25,561
<b>EXPENSES</b>					
Amortization of Capital Assets	4,368	3,103	1,265	-	4,368
Annual General Meeting	4,318	6,049	(1,731)	7,000	(2,682)
Authority Transition	7,418	-	7,418	-	7,418
Bad Debts	-	-	-	-	-
Bank Charges	556	433	123	500	56
Board Travel	28,594	23,305	5,289	30,000	(1,406)
Communications	5,781	10,542	(4,761)	6,300	(519)
Insurance	9,547	8,306	1,241	10,000	(453)
Information Technology	6,314	5,923	391	8,000	(1,686)
Office	45,259	40,979	4,280	50,200	(4,941)
Other	713	117	595	500	213
Professional Development	1,186	899	287	4,000	(2,814)
Professional Fees	15,530	27,006	(11,476)	18,000	(2,470)
Salaries and Benefits	460,754	379,487	81,267	473,400	(12,646)
Staff Travel	7,458	21,493	(14,034)	17,500	(10,042)
Total Expenses	597,795	527,641	70,154	625,400	(27,605)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 53,166</u>	<u>\$ 39,211</u>	<u>\$ 13,955</u>	<u>\$ -</u>	<u>\$ 53,166</u>

**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Agency Transition**

	2007	2006
<b>REVENUE</b>		
Province of Manitoba - Grant	\$ -	\$ -
Province of Manitoba - Common Table		3,971
Deferred from Prior Year	153,673	190,185
Deferred to Next Year	(47,754)	(153,673)
	<u>105,919</u>	<u>40,483</u>
<b>EXPENSES</b>		
Transition and Common Table Costs	<u>105,919</u>	<u>40,483</u>
	105,919	40,483
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Hotel Reduction and Foster Care Initiative**

	2007	2006
<b>REVENUE</b>		
Province of Manitoba - Grant	\$ 48,700	\$ -
Deferred from Prior Year	-	
Deferred to Next Year	(13,215)	
	<u>35,485</u>	<u>-</u>
<b>EXPENSES</b>		
Information Technology	240	
Office	4,391	
Salaries and Benefits	30,725	
Staff Travel	130	
	<u>35,485</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Education and Training Initiative**

	2007	2006
<b>REVENUE</b>		
Province of Manitoba - Grant	\$ 54,000	\$ -
Deferred from Prior Year	-	
Deferred to Next Year	(39,992)	
	<u>14,008</u>	<u>-</u>
<b>EXPENSES</b>		
Agency Education and Training	4,948	
Communications	143	
Office	434	
Other	20	
Professional Development	84	
Salaries and Benefits	8,379	
	<u>14,008</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Child Maintenance**

	2007	2006
<b>REVENUE</b>		
Grant - Province of Manitoba	\$ 10,906,606	\$ 7,138,006
<b>EXPENSES</b>		
Eastman Region	328,237	79,140
Interlake Region	899,580	448,099
Norman Region	401,902	291,783
Parklands Region	1,918,787	956,097
Thompson Region	266,558	214,079
Western Region	637,316	509,216
Winnipeg Region	6,454,226	4,639,592
	<u>10,906,606</u>	<u>7,138,006</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>

**Metis Child and Family Services Authority**  
**Schedule of Program Operations**  
**For the Twelve Month Period Ending March 31, 2007**

**Program: Operations**

	2007	2006
<b>REVENUE</b>		
Grant - Province of Manitoba	\$ 4,858,690	\$ 3,332,281
 <b>EXPENSES</b>		
Transfer to Metis Child, Family and Community Services Agency Inc. Re: Operating Expenditures	   <u>4,858,690</u>	   <u>3,332,281</u>
 <b>EXCESS OF REVENUE OVER EXPENSES</b>	   <u><u>\$ -</u></u>	   <u><u>\$ -</u></u>

**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended MARCH 31, 2007**

**1. FORM OF ORGANIZATION**

The Corporation was established as the Metis Child and Family Services Authority under section (4)c of the Child and Family Services Authority Act which statute was proclaimed into law on November 24, 2003.

The Metis Child and Family Services Authority (Authority) is a Corporation without share capital. The Board of Directors of the Authority is appointed by the Board of Directors of the Manitoba Metis Federation Inc. (Federation). The Metis Authority is responsible for administration and provision of child and family services to Metis and Inuit people. The company is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant account policies.

**A. BASIS OF PREPARATION**

The Manitoba Metis Federation Inc. appoints the Board of Directors of the Metis Child and Family Services Authority. The Metis Child and Family Services Authority mandates the Metis Child, Family and Community Services Agency Inc. (Agency). Separate audited financial statements are prepared for the Authority and the Agency.

The Authority has not been consolidated into the Manitoba Metis Federation Inc.'s financial statements.

**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended MARCH 31, 2007**

**B. USE OF ESTIMATES**

The preparation of financial statements in conformity 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 reported amounts of revenues and expenditures during the 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 based on the estimated useful lives of the capital assets.

**C. CAPITAL ASSETS**

Capital assets which are funded by the Government are recorded in the statement of financial position at cost and the related grant funding is recorded as a deferred capital contribution.

The capital assets and deferred contribution funding are amortized on the same basis in accordance with the estimated useful life of the assets.

Capital assets which are not funded by Government are capitalized at cost and are amortized over the estimated useful life of assets.

Capital assets are amortized on a straight-line basis as follows:

Office furniture and equipment	5 years
Computer equipment	5 years



**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended MARCH 31, 2007**

**D. RECOGNITION OF REVENUES**

The organization follows the deferral method of accounting for contributions, which include government grants and donations.

Unrestricted contributions and program grants are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

**E. LONG-LIVED ASSETS**

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in earnings for the year.

**F. RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for the Authority's annual financial statements beginning on October 1, 2007. There have also been numerous consequential amendments made to other Sections. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Authority has not yet determined the effect of these new standards on its financial statements on the type of financial instruments under consideration.



**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended MARCH 31, 2007**

**3. ECONOMIC DEPENDANCE**

The Authority received the majority of its revenues from the Province of Manitoba and its economically dependent on continued government revenues to fund future operations and programs.

**4. RELATED PARTY TRANSACTIONS**

The Authority rents office space from the Manitoba Metis Federation Inc. The annual rental costs were \$27,858. There is not a lease for the rental of the premises. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

**5. COMMITMENTS**

The Metis Child and Family Services Authority (on behalf of the Metis Child, Family and Community Services Agency Inc.) has leased office space from the Metis Land Holding Corporation. The terms of this lease is for three (3) years with one five (5) year renewal term.

The Following is a schedule of minimum lease payments:

	\$
Year ending March 31, 2008	89,720.00

**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended MARCH 31, 2007

**6. ACCOUNTS RECEIVABLE**

	2007	2006
	\$	\$
Province of Manitoba	2,862,412	1,838,435
Metis Child, Family and Community Services Agency Inc.	9,610	57,616
Goods and Services Tax	2,971	16,945
Other Receivables	176	63
	<u>2,875,169</u>	<u>1,913,059</u>
Less: Allowance for Doubtful Accounts	<u>(3,920)</u>	<u>(3,920)</u>
	<u>2,871,249</u>	<u>1,909,139</u>

**7. CAPITAL ASSETS**

	2007	2006
	Net	Net
	Book	Book
	Value	Value
	\$	\$
Office Furniture and Equipment	1,846	1,285
Computer Equipment	11,421	9,827
	<u>13,267</u>	<u>11,111</u>
	<u>28,669</u>	<u>21,112</u>

**8. AMOUNT DUE TO PROVINCE OF MANITOBA/DUE FROM METIS CHILD, FAMILY AND COMMUNITY SERVICES AGENCY INC.**

The Province of Manitoba advanced the Authority a working capital loan of \$1,088,200, which in turn was advanced by the Authority to the Agency. The advance is repayable by the Authority if the Authority's operations cease. The amount due from the Agency has no fixed terms of repayment.

**METIS CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended MARCH 31, 2007**

**9. DUE TO MANITOBA METIS FEDERATION INC.**

Amounts owing are unsecured, non-interest bearing and due upon demand. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

**10. DEFERRED CONTRIBUTIONS**

Province of Manitoba	2007	2006
	\$	\$
Core	523	7,717
Education and Training Initiative	39,992	-
Foster Care and Hotel Reduction Initiative	7,697	-
Transition	47,579	153,673
	<u>95,791</u>	<u>161,390</u>

**11. FINANCIAL INSTRUMENTS**

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The carrying amount of cash, accounts receivable, loans receivable, accounts payable and accruals approximates their fair value due to the short-term maturities of these items







*Office of the Auditor General*

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500 - 330 Portage Avenue  
Winnipeg Manitoba  
CANADA R3C 0C4

**AUDITORS' REPORT**

To the Legislative Assembly of Manitoba  
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2006 and the statement of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba  
November 10, 2006



# THE PUBLIC SCHOOLS FINANCE BOARD

## Statement of Financial Position

As at June 30, 2006

	2006	2005
	(in thousands of dollars)	
<b>Assets</b>		
Cash	\$ 1,539	\$ 1,425
Funds on deposit with the Province of Manitoba	204	252
Accounts receivable:		
Province of Manitoba	12,170	-
Municipal corporations - Education Support Levy	73,257	87,125
Other	632	624
	<u>\$ 87,802</u>	<u>\$ 89,426</u>
<b>Liabilities and Education Support Fund</b>		
Support payable to school divisions	\$ 3,548	\$ 4,479
Accrued interest	972	830
Funds advanced from the Province of Manitoba	-	1,448
Notes payable on demand, at bank prime, Province of Manitoba	76,219	79,021
Other payables	198	183
	<u>80,937</u>	<u>85,961</u>
Education Support Fund	6,865	3,465
	<u>\$ 87,802</u>	<u>\$ 89,426</u>



## THE PUBLIC SCHOOLS FINANCE BOARD

### Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2006

	<u>2006</u>	<u>2005</u>
	(in thousands of dollars)	
<b>Revenue:</b>		
Province of Manitoba - Funding of Schools Program	\$ 726,807	\$ 664,151
Municipal corporations - Education Support Levy	131,486	156,948
Sale of school properties and miscellaneous revenue	-	209
	<u>858,293</u>	<u>821,308</u>
<b>Expenses:</b>		
Operational support program (Note 3)	799,907	779,647
Capital support program (Note 4)	52,166	42,380
Administrative and other expenses (Note 5)	2,820	3,035
	<u>854,893</u>	<u>825,062</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>3,400</b>	<b>(3,754)</b>
Education Support Fund		
Balance, beginning of year	3,465	7,219
Balance, end of year	<u>\$ 6,865</u>	<u>\$ 3,465</u>



# THE PUBLIC SCHOOLS FINANCE BOARD

## Statement of Cash Flow

for the year ended June 30, 2006

	2006	2005
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	\$ 3,400	\$ (3,754)
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	(12,170)	15,427
Municipal Corporations - Education Support Levy	13,868	17,611
Other	(8)	(396)
Prepaid expense	-	179
Support payable to school divisions	(931)	428
Accrued interest	142	(391)
Other payables	15	60
	<u>4,316</u>	<u>29,164</u>
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	(1,448)	1,448
Notes payable on demand, at bank prime, Province of Manitoba	(2,802)	(34,669)
	<u>(4,250)</u>	<u>(33,221)</u>
Net increase(decrease) in cash	66	(4,057)
Cash - beginning of year	1,677	5,734
Cash - end of year	<u>\$ 1,743</u>	<u>\$ 1,677</u>
Consisting of:		
Cash	\$ 1,539	\$ 1,425
Funds on deposit with the Province of Manitoba	204	252
	<u>\$ 1,743</u>	<u>\$ 1,677</u>



# THE PUBLIC SCHOOLS FINANCE BOARD

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## Notes to the Financial Statements

As at June 30, 2006

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### 1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

### 2. Significant Accounting Policies

- (a) The financial statements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.
- (b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2005 levy to the July to December period and 60% of the 2006 levy to the January to June period.
- (c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.
- (d) The Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.



# THE PUBLIC SCHOOLS FINANCE BOARD

## Notes to the Financial Statements

As at June 30, 2006

### 3. Operational support program

	2006	2005
	(in thousands of dollars)	
Instructional Support	\$ 316,959	\$ 316,160
Sparsity Support	11,754	11,804
Curricular Materials	9,466	8,690
Information Technology	6,885	6,952
Library Services	15,834	15,982
Level I - Special Needs	46,126	46,055
Counselling and Guidance	11,525	10,544
Professional Development	6,437	6,107
Occupancy	81,410	78,813
Transportation	39,574	37,194
Board and Room	816	811
Special Needs	78,255	70,468
Senior Years Technology Education	8,120	8,667
English as a Second Language	4,400	4,021
Aboriginal Academic Achievement	6,957	6,235
Heritage Language	229	229
French Language Programs / Instruction	5,803	5,780
Students at Risk	12,325	12,333
Small Schools	1,845	1,846
Enrolment Change Support	4,734	3,315
Remoteness Allowance	5,024	5,069
Early Behaviour Intervention	1,887	1,912
Early Childhood Development Initiative	1,354	667
Early Identification	-	249
Early Literacy Intervention	6,118	6,063
Early Numeracy	858	891
Programme d'accueil	-	-
Equalization Support	110,167	108,135
Adjustment of previous years' support to school divisions from estimated to actual	576	287
Amalgamated School Division Guarantee	1,383	1,862
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	974	394
	<u>\$ 799,907</u>	<u>\$ 779,647</u>



# THE PUBLIC SCHOOLS FINANCE BOARD

## Notes to the Financial Statements

As at June 30, 2006

### 4. Capital support program

#### Capital grants:

	2006	2005
	(in thousands of dollars)	
Major school construction	\$ 46,409	37,436
Minor capital projects	336	193
School buildings "D" support	5,007	4,400
Environmental assistance program	386	333
Air and water quality program	28	18
<b>Total capital support program</b>	<b>\$ 52,166</b>	<b>\$ 42,380</b>

### 5. Administrative and other expenses

#### Board administration:

	2006	2005
	(in thousands of dollars)	
Staff salaries	\$ 805	\$ 762
Service agreement	169	169
Professional services	72	139
Board members' indemnities	67	81
Meetings and travel	40	36
Desktop management	49	43
Rent	40	39
Printing, stationery, postage and supplies	45	35
Telephone and fax	10	11
Computers, software and minor equipment	26	21
<b>Total board administration Expenses</b>	<b>1,323</b>	<b>1,336</b>
<b>Interest charges on notes payable to the Province of Manitoba</b>	<b>1,497</b>	<b>1,699</b>
	<b>\$ 2,820</b>	<b>\$ 3,035</b>



# **THE PUBLIC SCHOOLS FINANCE BOARD**

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## **Notes to the Financial Statements**

**As at June 30, 2006**

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### **6. Commitments**

As at June 30, 2006, the Board had commitments of \$444,915 (2005 - \$684,751). The amount of \$444,915 as at June 30, 2006 (2005 - \$684,751) is committed from the Education Support Fund balance.

### **7. 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 business. These transactions are recorded at the exchange amount.

### **8. 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, the Board reflects no provision in the financial statements relating to its participation in the pension plan.





**KPMG LLP**  
**Chartered Accountants**  
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Canada

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## AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed "KPMG LLP"

Chartered Accountants

Winnipeg, Canada

September 1, 2006

# RED RIVER COLLEGE

Statement of Financial Position  
(In thousands of dollars)

June 30, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 3,979	\$ 6,795
Cash and short-term investments (note 3)	2,265	1,303
Accounts receivable	3,214	2,694
Inventories	958	900
Prepaid expenses (note 4)	3,089	2,083
	13,505	13,775
Long term investments - trust and endowment (note 5)	4,273	248
Due from Province of Manitoba (note 6)	9,253	9,253
Capital assets (note 7)	72,189	71,298
Intangible asset	12	14
	\$ 99,232	\$ 94,588

## Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 8)	\$ 1,340	\$ 765
Accounts payable and accrued liabilities (note 9)	19,754	19,287
Current portion of obligations under capital leases (note 10)	1,458	1,707
Deferred revenue	4,559	4,116
	27,111	25,875
Obligations under capital leases (note 10)	1,350	1,398
Deferred contributions (note 11)	3,087	3,125
Deferred capital campaign contributions (note 12)	3,431	3,523
Deferred contributions related to capital assets (note 13)	53,181	53,899
Net assets:		
Invested in capital and intangible assets (note 14)	12,785	10,785
Restricted for endowments (note 15)	7,078	5,776
Internally restricted (note 15)	1,145	340
Unrestricted net assets	(9,936)	(10,133)
	11,072	6,768
Commitments (note 18)		
	\$ 99,232	\$ 94,588

See accompanying notes to financial statements.

Approved by the Board of Governors:

Original signed by

Chair

Original signed by

Vice-Chair



# RED RIVER COLLEGE

Statement of Operations  
(In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	Budget (Unaudited)	2006	2005
Revenue:			
Academic training fees	\$ 21,332	\$ 24,874	\$ 21,216
Grants and reimbursements	62,772	62,553	60,834
International education	889	776	795
Continuing education	7,817	7,327	7,161
Sundry and other revenue	12,674	9,679	8,751
Gain on disposal of capital assets/investments		2	9
Amortization of deferred contributions	4,752	5,301	5,344
	110,236	110,512	104,110
Expenses:			
Instruction	61,713	60,747	56,527
Library	1,745	1,705	1,643
Administration and general	23,052	18,981	17,959
Physical plant	14,304	13,423	13,861
Student services	3,183	3,662	3,435
Amortization of capital assets	5,964	8,227	9,089
	109,961	106,745	102,514
Excess of revenue over expenses before other items	275	3,767	1,596
Other item:			
Net increase in accrued vacation and severance liability	(275)	(765)	(715)
Excess of revenue over expenses	\$ —	\$ 3,002	\$ 881

See accompanying notes to financial statements.

# RED RIVER COLLEGE

## Statement of Changes in Net Assets (In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ 10,785	\$ 5,776	\$ 340	\$ (10,133)	\$ 6,768	\$ 5,183
Endowment gifts	—	1,227	—	—	1,227	667
Amounts restricted for endowments	—	75	—	—	75	37
Transfer to internally restricted	—	—	805	(805)	—	—
Excess (deficiency) of revenue over expenses	(3,483)	—	—	6,485	3,002	881
Investment in capital assets	5,483	—	—	(5,483)	—	—
Balance, end of year	\$ 12,785	\$ 7,078	\$ 1,145	\$ (9,936)	\$ 11,072	\$ 6,768

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Statement of Cash Flows  
(In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	2006	2005
Operating activities:		
Excess of revenue over expenses	\$ 3,002	\$ 881
Adjustments for:		
Amortization of intangible assets	2	1
Amortization of capital assets	8,227	9,089
Amortization of deferred capital contributions	(4,743)	(4,754)
Other deferred contributions recognized as revenue	(2,282)	(1,980)
Other deferred contributions received	2,319	2,453
Gain on disposal of capital assets	(3)	(9)
Change in non-cash working capital balances (note 16)	(674)	2,848
	5,848	8,529
Investing activities:		
Purchase of capital assets	(7,037)	(4,955)
Capital assets purchased with trust funds	-	(6)
Long-term investment for trust and endowment	(4,025)	(248)
Proceeds on disposal of capital assets	3	99
	(11,059)	(5,110)
Financing activities:		
Endowment gifts received	1,227	667
Contributions received for capital purposes	3,507	1,700
Capital campaign contributions	195	561
Repayment of obligations under capital leases	(2,147)	(3,961)
	2,782	(1,033)
Increase (decrease) in cash and short-term investments	(2,429)	2,386
Cash and short-term investments, beginning of year	7,333	4,947
Cash and short-term investments, end of year	\$ 4,904	\$ 7,333
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 3,979	\$ 6,795
Cash and short-term investments	2,265	1,303
Bank indebtedness	(1,340)	(765)
	\$ 4,904	\$ 7,333

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of \$1,850 (2005 - \$2,179).

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Notes to Financial Statements  
(In thousands of dollars)

Year ended June 30, 2006

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## 1. General:

Red River College operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba.

## 2. Significant accounting policies:

### (a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

### (b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

### (c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

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## 2. Significant accounting policies (continued):

### (d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

### (e) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

### (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 disclosures 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.

## 3. Short-term investments:

Short-term investment activity is transacted with the Department of Finance, Province of Manitoba in short-term deposits. Interest rates on short-term investments range between 3.85 percent and 4.25 percent. Short-term investments mature between July 2006 and September 2006.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 4. Prepaid expenses:

	2006	2005
Property taxes	\$ 1,274	\$ 1,446
Other	1,815	637
	<u>\$ 3,089</u>	<u>\$ 2,083</u>

## 5. Long-term investments:

	2006		2005	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 3,274	\$ 3,274	\$ 248	\$ 248
Equity investments	952	999	—	—
	<u>\$ 4,226</u>	<u>\$ 4,273</u>	<u>\$ 248</u>	<u>\$ 248</u>

Fair value as represent above was derived from the market value of investments.

## 6. Due from Province of Manitoba:

The balance due from the Province of Manitoba is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province of Manitoba to the College.

## 7. Capital assets:

	2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 24,739	\$ 14,745	\$ 9,994	\$ 10,716
Computer equipment and software	18,374	14,383	3,991	2,455
Major renovations	6,002	1,511	4,491	3,422
Buildings	47,882	2,717	45,165	45,420
Vehicles	148	81	67	73
Aircraft	1,716	270	1,446	1,308
Leasehold improvements	4,472	1,876	2,596	2,839
Construction in progress	33	—	33	245
Assets under capital leases	9,569	6,386	3,183	3,597
Library holdings	1,223	—	1,223	1,223
	<u>\$ 114,158</u>	<u>\$ 41,969</u>	<u>\$ 72,189</u>	<u>\$ 71,298</u>

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 7. Capital assets (continued):

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is \$2,263 (2005 - \$3,663).

The increase in net book value of capital assets is due to the following:

	2006	2005
Balance, beginning of year	\$ 71,298	\$ 73,076
Purchase of capital assets:		
Funded by deferred capital contributions	3,507	1,700
Funded by deferred capital campaign contributions	195	561
Internally funded	5,483	6,557
Financed through capital lease proceeds	(301)	(1,781)
Donations of capital assets	231	265
Gain on disposal of capital assets	3	9
Amortization of capital assets	(8,227)	(9,089)
	\$ 72,189	\$ 71,298

## 8. Bank indebtedness:

Bank indebtedness of \$1,340 (2005 - \$765) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a \$5,000 operating line of credit with the province of Manitoba, bearing interest at prime.

## 9. Accounts payable and accrued liabilities:

	2006	2005
Trade payables	\$ 3,105	\$ 3,450
Accrued salaries and benefits	2,166	2,068
Accrued retirement severance pay	7,057	6,704
Accrued vacation pay	7,426	7,065
	\$ 19,754	\$ 19,287

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

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## 9. Accounts payable and accrued liabilities (continued):

Significant actuarial assumptions used in the severance obligations at June 30, 2006 and June 30, 2005 were:

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Interest rate on obligations	7.00%
Employer current service cost as a percentage of salary	.62%

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## 10. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2006 and August 2009 together with the balances of the obligations under capital leases:

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2007	\$	1,569
2008		944
2009		355
2010		100
Total minimum lease payments		2,968
Less amount representing interest (ranging from 5% to 10%)		(160)
Balance of obligations		2,808
Current portion		1,458
	\$	1,350

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Interest expense on the lease obligations amounted to \$184 (2005 - \$271).



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 11. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2006	2005
Deferred provincial operating grant:		
Balance, beginning of year	\$ 1,724	\$ 1,390
Amount recognized as revenue during the year	(1,724)	(1,390)
Amount received related to following year	1,657	1,724
Balance, end of year	1,657	1,724
Deferred other contributions:		
Balance, beginning of year	1,401	1,305
Amount recognized as revenue during the year	(558)	(590)
Amount restricted for endowment	(75)	(37)
Amount used to purchase capital	—	(6)
Amount received related to following year	662	729
Balance, end of year	1,430	1,401
	\$ 3,087	\$ 3,125

## 12. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2006	2005
Balance, beginning of year	\$ 3,523	\$ 3,214
Less amortization of deferred capital campaign contributions during the year	(287)	(252)
Add donations received during the year	195	561
Balance, end of year	\$ 3,431	\$ 3,523

## 13. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 13. Deferred capital contributions (continued):

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2006	2005
Balance, beginning of year	\$ 53,899	\$ 56,435
Less amortization of deferred contributions	(4,456)	(4,501)
Add:		
Contributions received for capital purposes	3,507	1,700
Donations-in-kind	231	265
Balance, end of year	\$ 53,181	\$ 53,899

## 14. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2006	2005
Capital assets	\$ 72,189	\$ 71,298
Intangible assets	12	14
Less:		
Amounts financed by deferred capital campaign contributions	(3,431)	(3,523)
Deferred capital contributions	(53,181)	(53,899)
Amounts financed by capital lease	(2,804)	(3,105)
Balance, end of year	\$ 12,785	\$ 10,785

The change in investment in capital and intangible assets is calculated as follows:

	2006	2005
Purchase of capital assets internally financed	\$ 5,483	\$ 6,556
Amortization of:		
Capital assets	(8,229)	(9,089)
Deferred capital contributions	4,456	4,501
Deferred capital campaign contributions	287	252
Gain on disposal of capital assets	3	9
Increase in investment in capital and intangible assets	\$ 2,000	\$ 2,229

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 15. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

	2006	2005
Princess Street structural reserve	\$ 430	\$ –
Contract training net proceeds	715	340
Balance, end of year	\$ 1,145	\$ 340

Under a college internal best practice guideline, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

## 16. Change in non-cash working capital balances:

	2006	2005
Accounts receivable	\$ (520)	\$ (101)
Inventories	(58)	30
Prepaid expenses	(1,006)	(156)
Accounts payable and accrued liabilities	467	2,290
Deferred revenue	443	785
Change in non-cash working capital	\$ (674)	\$ 2,848

## 17. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the 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, Section 3461.

The expense related to the pension plan was \$587 (2005 - \$376). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

## 18. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2007	\$	3,085
2008		1,950
2009		1,173
2010		1,004
2011		806
	\$	8,018

## 19. Related parties:

### (a) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act of Manitoba*. As at June 30, 2006, net resources of Crecomm amount to \$14.

The net assets and results from operations of Crecomm are not included in the statements of the College.

### (b) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act of Manitoba* and operates on a not-for-profit basis. As at May 31, 2006, net resources of the Blood Bank amount to \$87.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2006

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## **20. Charitable status:**

The College is a registered charity under the *Income Tax Act*.

## **21. Financial instruments:**

Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts.

## **22. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

