
**MANITOBA
DEVELOPMENT
CORPORATION**

Annual Report

March 2021



**MINISTER
OF ECONOMIC DEVELOPMENT AND JOBS**

Room 358
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Her Honour The Honourable Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation
for the fiscal year ended March 31, 2021.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jon Reyes".

Honourable Jon Reyes



Economic Development & Jobs | Advanced Education, Skills & Immigration

Office of the Deputy Minister
Room 352
Legislative Building
Winnipeg MB R3C 0V8

Honourable Jon Reyes
Minister of Economic Development and Jobs
Room 358 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Reyes:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2021 as required by Section 8 of The Manitoba Development Corporation Act.

Respectfully submitted,

Michelle Wallace on behalf of
Tracey Maconachie

MANITOBA DEVELOPMENT CORPORATION

CORPORATE REPORT

CORPORATE PROFILE

Minister Responsible: The Honourable Ralph Eichler

Board of Directors:

Deputy Minister of Economic Development and Jobs (Chair) – Tracey Maconachie

Deputy Minister of Education – Dana Rudy

Assistant Deputy Minister of Finance and Corporate Services of Economic Development and Jobs – Melissa Ballantyne

Amy Jordan

Head office:

1010-259 Portage Avenue
Winnipeg, Manitoba R3B 3P4
Telephone: (204) 945-2770

PROFILE

The Manitoba Development Corporation (MDC) administers programs, provides loans, guarantees and investments under the Manitoba Development Corporation Act. The objectives of MDC are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are two active divisions administered by MDC: Business Support, and the Business Investor Stream of the Provincial Nominee Program (PNP). The MDC activities under the Manitoba Trade and Investment (MTI) division will be revisited once the new provincial Economic Development Agency is established.

Business Support administers the Manitoba Industrial Opportunities Program (MIOP) and the Third-Party Investment Funds Program. PNP includes the funds associated with Manitoba's business stream for international entrepreneurs who wish to establish a business in Manitoba.

MDC requires approval of the Province to provide loans, guarantees, or equity investments and must comply with all Provincial directives.

BUSINESS SUPPORT:

Manitoba Industrial Opportunities Program (MIOP) provided financial support to assist businesses expanding their operations in Manitoba. The financial support is in the form of repayable, secured loans with repayment terms that can be somewhat flexible for businesses that undertake significant investment in fixed assets and/or create new jobs. The loans were usually in excess of \$500,000. Most loan repayment terms are 60 to 84 months. Loan interest rates are charged at the crown rate or at the crown rate plus a premium.

All loans received Treasury Board approval and an Order in Council authorizing the loan.

Program Objectives:

To secure significant business project investment which would not occur in Manitoba without the provision of some level of government assistance.

In certain cases MIOB supports projects that increase the number of jobs created in Manitoba; in other cases MIOB supports projects that increase the number of jobs maintained in Manitoba.

Program Performance and Trends:

From March 31, 2000 to March 31, 2016 MIOB approved 53 business expansion loans totaling \$276 million, which is projected to lever \$640 million in additional capital, for a total Manitoba investment of \$916 million, supporting approximately 11,297 Manitoba jobs.

As at March 31, 2021, the program has 7 active loans to 7 companies totaling \$39.7 million under management, with 1,528 Manitoba full time equivalent jobs required per the loan agreements and 1,456 Manitoba full time equivalent jobs maintained.

MIOB loans made under authority of the Manitoba Development Corporation Act, as published in Volume 3 of Public Accounts, are as follows:

C.P. Loewen Enterprises Ltd	\$	9,369,375
Glacier L.P	\$	3,023,810
HD-Petroleum Inc	\$	2,992,958
Magellan Aerospace Ltd	\$	6,660,000
Sightline Innovation Inc	\$	2,000,000
True North Foods (6381023 Manitoba Ltd.)	\$	1,985,000
Winnipeg Airport Authority Inc	\$	13,288,760
Subtotal	\$	<u>39,319,903</u>
Net accrued and capitalized interest	\$	401,285
Total	\$	<u>39,721,188</u>

Third-Party Investment Funds Program provides equity investment capital to venture capital limited partnerships that are managed by the private sector, who in turn invest this capital in small to medium-sized businesses. The two remaining funds under this program are in divestiture mode and are no longer making investments.

Program Objectives:

- To create pools of equity capital that are managed in Manitoba and available to be invested in Manitoba businesses.
- To create jobs within Manitoba.
- To increase the flow of equity capital to Manitoba businesses.
- To earn a return on investment that exceeds the Province's cost of capital.

Program Performance and Trends:

From its inception in 1996 to March 31, 2021, the Investment Program has advanced \$23.6 million in six limited partnerships.

Third Party Investment Funds Program equity investments net of repayments as published in Volume 3 of the Public Accounts as at March 31, 2021 are:

CentreStone Ventures Fund	\$	3,408,522
Manitoba Science & Technology Fund	\$	1,832,233
Total	\$	<u>5,240,755</u>

From its inception in 1996 to March 31, 2021, in aggregate, the limited partnerships in the Third Party Investment Funds Program have invested approximately \$174.3 million into 78 business entities, of which 67 were Manitoba companies.

MANITOBA PROVINCIAL NOMINEE PROGRAM

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Manitoba Provincial Nominee Program (PNP). The PNP allows Manitoba to recruit and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish, purchase a business, or become partners in an existing business. The Province of Manitoba is committed to help new immigrants settle successfully, identify business opportunities and establish businesses or farms in the province.

Program Objectives:

- Recruit immigrants who will contribute to the province's economy by living in Manitoba and investing in and operating a business in Manitoba.
- Recruit farmers through the Farm Investor Pathway to rural Manitoba to strengthen Manitoba's key agricultural sector.

Program Performance and Trends:

In November 2017, the PNP announced changes to its Business Entrepreneur Pathway (BEP) under the Business Investor Stream (BIS). The BEP allows Manitoba to recruit and nominate qualified business investors and entrepreneurs who have the intent and ability to start or purchase businesses in Manitoba within the first 24 months of arrival in Canada on a temporary work permit. Applicants no longer submit a deposit of \$100,000. Instead, applicants sign a Business Performance Agreement, which details the obligations candidates must fulfill in order to be nominated for Permanent Residence in Canada. Once those conditions are met, candidates receive a Nomination that allows them to apply for Permanent Resident status to Immigration, Refugees and Citizenship Canada. The new criteria and process was launched in May 2018.

PNP has been successful in recruiting 142 farm business immigrants who have invested over \$141 million in Manitoba. This represents only the initial investment and does not account for additional investments made after the farm business is started. The Farm Investor Pathway

(FIP) remains a Direct Nomination immigration model. The Direct Nomination model requires an approved applicant to sign a Deposit Agreement and submit a \$75,000 cash deposit prior to receiving nomination. Once the deposit and deposit agreement has been received, the applicant is nominated and can apply for Permanent Residence. Upon establishing the farm business, the applicant can apply to the PNP for a deposit refund.

The PNP office monitors initial business investments by business immigrants under the program. In 2020/21, the program measured 25 initial business investments totaling \$11.28 million by applicants that created or maintained 50 jobs. Since inception in 2001, 1,064 business investments have been made with investment in excess of \$363 million.

MANITOBA TRADE AND INVESTMENT

Manitoba Development Corporation supported Manitoba Trade and Investment in the facilitation of cost-sharing partnerships for specific projects and provided administrative support for missions by collecting revenues and paying related expenditures. As the new Economic Development Agency for the province is established, funding under this division will be realigned to support strategic initiatives that deliver on its trade and investment mandate.

Financial Statements of

**MANITOBA DEVELOPMENT
CORPORATION**

Year ended March 31, 2021

MANITOBA DEVELOPMENT CORPORATION

Table of Contents

Year ended March 31, 2021

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report.....	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus.....	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
Schedule A - Operations and Accumulated Surplus - PNP-B.....	20
Schedule B - Operations and Accumulated Surplus - Business Support.....	21
Schedule C - Operations and Accumulated Surplus - MTI	22
Schedule D - Report of Assistance Granted or to be Granted	23

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Development Corporation are the responsibility of the management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to September 13, 2021.

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

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

On behalf of Management,

Manitoba Development Corporation



Ms. Amy Jordan, General Manager

September 13, 2021



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Page 2

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

Opinion

We have audited the financial statements of Manitoba Development Corporation (the "Entity"), which comprise the statement of financial position as at March 31, 2021, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

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

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

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

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



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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

September 13, 2021

MANITOBA DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	PNP-B	Business support	MTI	2021 Total	2020 Total
Assets					
Cash and cash equivalents	\$ 79,368,853	\$ 6,203,968	\$ 477,936	\$ 86,050,757	\$ 76,289,317
Accounts receivable (note 3)	12,243	3,783	2,481	18,507	328,575
Loans receivable (note 4)	–	32,064,357	–	32,064,357	36,464,898
Portfolio investments (note 5)	–	–	503,950	503,950	500,000
Restricted funds (note 8)	38,684,247	–	–	38,684,247	54,116,352
	<u>\$ 118,065,343</u>	<u>\$ 38,272,108</u>	<u>\$ 984,367</u>	<u>\$ 157,321,818</u>	<u>\$ 167,699,142</u>
Liabilities and Surplus					
Liabilities:					
Accounts payable and accrued liabilities (note 12)	\$ 3,953,634	\$ 431,592	\$ 3,479	\$ 4,388,705	\$ 5,008,464
Deferred revenue (note 6)	–	316,146	–	316,146	316,146
Operating advance payable (note 7)	–	–	500,000	500,000	500,000
Funds provided by the Province of Manitoba	–	32,064,357	–	32,064,357	36,464,898
Deposits payable (note 8)	38,684,247	–	–	38,684,247	54,116,352
	<u>42,637,881</u>	<u>32,812,095</u>	<u>503,479</u>	<u>75,953,455</u>	<u>96,405,860</u>
Accumulated surplus (note 9)	75,427,462	5,460,013	480,888	81,368,363	71,293,282
Contingencies (note 10)					
Commitments (note 11)					
	<u>\$ 118,065,343</u>	<u>\$ 38,272,108</u>	<u>\$ 984,367</u>	<u>\$ 157,321,818</u>	<u>\$ 167,699,142</u>

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

On behalf of the Board:



Director



Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Income:			
Income from portfolio investments	\$ 5,000	\$ 3,950	\$ 133,133
Interest income	2,902,866	2,213,166	5,069,491
Deposit retentions (note 8)	8,050,000	13,406,618	13,606,125
Application processing fees (note 8)	–	107,139	234,920
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,106,000	(1,159,043)	(1,511,983)
	12,063,866	14,571,830	17,531,686
Expenses:			
Program administration (recovery) (note 8)	700,000	(66,729)	1,195,118
Payment of Business Support interest on loans receivable to the Province of Manitoba	2,247,000	1,775,521	2,509,141
Provision for (reversal of) doubtful loans receivable	1,106,000	(1,159,043)	(1,511,983)
	4,053,000	549,749	2,192,276
Transfers to the Department of Advanced Education, Skills and Immigration (note 12)	4,595,000	3,947,000	3,558,000
Annual surplus	3,415,866	10,075,081	11,781,410
Accumulated surplus, beginning of year		71,293,282	59,511,872
Accumulated surplus, end of year		\$ 81,368,363	\$ 71,293,282

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

MANITOBA DEVELOPMENT CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 10,075,081	\$ 11,781,410
Net financial assets, beginning of year	71,293,282	59,511,872
Net financial assets, end of year	\$ 81,368,363	\$ 71,293,282

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

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 10,075,081	\$ 11,781,410
Adjustments for:		
Provision for (reversal of) doubtful loans receivable	(1,159,043)	(1,511,983)
Deposit retentions	(13,406,618)	(13,606,125)
Amortization of bond premiums	–	57,996
Capitalized interest	(237,038)	–
Recovery (reimbursement) of business support expenses to the Province of Manitoba	1,159,043	1,511,983
Change in non-cash operating working capital:		
Restricted funds	15,432,105	11,422,289
Accounts receivable	310,068	(147,059)
Loan interest receivable	31,527	11,320
Accounts payable and accrued liabilities	(619,759)	413,535
Net change in deposits payable	(2,025,487)	(2,824,328)
Net cash provided by operating activities	9,559,879	7,109,038
Investing activities:		
Loans receivable principal repayments	5,765,095	6,944,661
Purchase of portfolio investments	(503,950)	(500,000)
Redemption of portfolio investments	500,000	10,500,000
Net cash provided by investing activities	5,761,145	16,944,661
Financing activities:		
Funds paid to the Province of Manitoba for Business Support	(5,559,584)	(6,955,981)
Increase in cash and cash equivalents	9,761,440	17,097,718
Cash and cash equivalents, beginning of year	76,289,317	59,191,599
Cash and cash equivalents, end of year	\$ 86,050,757	\$ 76,289,317
Cash and cash equivalents consist of the following:		
Cash	\$ 18,901,969	\$ 16,484,212
Cash equivalents	67,148,788	59,805,105
	\$ 86,050,757	\$ 76,289,317
Supplementary information:		
Cash paid for interest	\$ 1,775,521	\$ 2,509,141
Cash received for interest	2,527,184	5,113,831

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

1. Nature of operations and economic dependence:

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

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

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

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

The Province of Manitoba has directed that the balance of restricted accumulated surplus for the year to be equal to three years' operating expenses of the PNP-B (based on the most recent year's actual expenses) plus 25 percent of the previous year's PNP-B deposit retentions. This is a reserve which is not available for distribution to the Province. Any excess beyond that amount, once it has been released by the Province, would then be transferred to unrestricted accumulated surplus. For the year ended March 31, 2021, the Corporation has complied with these restrictions.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies:

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

(a) Revenue recognition:

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

(b) Cash and cash equivalents:

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

(c) Financial instruments:

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

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

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

(d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

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

(e) Portfolio investments:

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

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

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

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

(f) Restricted funds:

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

(g) Deferred revenue:

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(h) Government transfers:

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

(i) Guarantees:

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

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

(j) Contributed services:

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

(k) Use of estimates:

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Accounts receivable:

	2021	2020
Accrued interest:		
PNP-B	\$ 12,243	\$ 315,450
Business support	3,783	10,644
Other receivables	2,481	2,481
	<u>\$ 18,507</u>	<u>\$ 328,575</u>

4. Loans receivable managed for the Province of Manitoba:

	2021	2020
Business support:		
Manitoba Industrial Opportunities Program - repayable	\$ 39,721,188	\$ 44,321,928
Other loans receivable	3,698,224	7,150,068
	<u>43,419,412</u>	<u>51,471,996</u>
Provision for doubtful loans receivable	(11,355,055)	(15,007,098)
	<u>\$ 32,064,357</u>	<u>\$ 36,464,898</u>

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

	2021
2022	\$ 7,032,558
2023	6,609,703
2024	6,609,703
2025	3,931,901
2026	3,030,654
Subsequent to 2026	12,105,385
Accrued and capitalized interest	401,284
	<u>39,721,188</u>
Provision for doubtful loans receivable	(10,605,055)
	<u>\$ 29,116,133</u>

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

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

	2021	2020
Greater than nil, less than 5%	\$ 21,022,334	\$ 23,850,334
5% or greater, less than 6%	18,297,570	20,275,821
Accrued and capitalized interest	401,284	195,773
	39,721,188	44,321,928
Provision for doubtful loans receivable	(10,605,055)	(14,257,098)
	\$ 29,116,133	\$ 30,064,830

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

At March 31, 2021, other loans receivable include non-interest bearing loans in the amount of \$3,698,224 (2020 - non-interest bearing loans in the amount of \$4,657,068 and an interest bearing loan in the amount of \$2,493,000 bearing interest at 5.30 percent) and maturities ranging from no fixed terms of repayment to December 2022 (2020 - ranging from no fixed terms of repayment to December 2022). At March 31, 2021, the provision for doubtful loans receivable for these loans is \$750,000 (2020 - \$750,000).

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Portfolio investments:

Portfolio investments are comprised of the following:

	2021	2020
Term deposits	\$ 503,950	\$ 500,000
Equity investments	-	-
	<u>\$ 503,950</u>	<u>\$ 500,000</u>

The term deposits, which are included in MTI bear interest at 0.2 percent (2020 - 0.79 percent) and mature March 2022 (2020 - March 2021). Fair values approximate cost. Interest earned on term deposits for the year ended March 31, 2021 totaled \$3,950 (2020 - \$13,051).

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

	2021	2020
CentreStone Ventures Limited Partnership	\$ 3,408,522	\$ 3,408,522
Manitoba Science and Technology Fund	1,832,233	1,832,233
	<u>5,240,755</u>	<u>5,240,755</u>
Provision for decline in value of investments	(5,240,755)	(5,240,755)
	<u>\$ -</u>	<u>\$ -</u>

6. Deferred revenue:

	2021	2020
Business Support		
BFO funding (geothermal program)	\$ 148,782	\$ 148,782
Electric vehicle initiative	143,691	143,691
Manitoba Hydro funding (shallow unconventional shale gas project)	13,968	13,968
Other unearned project receipts	9,705	9,705
Deferred revenue	<u>\$ 316,146</u>	<u>\$ 316,146</u>

7. Operating advance payable:

The Corporation has a \$500,000 (2020 - \$500,000) non-interest bearing working capital advance from the Province of Manitoba for MTI. The advance is payable on demand.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Restricted funds and deposits payable:

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

	2021	2020
Cash and cash equivalents with a chartered bank	\$ 6,466,915	\$ 8,292,699
Amounts invested with the Minister of Finance	32,217,332	45,823,653
	\$ 38,684,247	\$ 54,116,352

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

	2021	2020
Deposits payable	\$ 38,684,247	\$ 54,116,352

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

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

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Restricted funds and deposits payable (continued):

Approved immigrants under the FSRI are required to deposit \$75,000 with the Corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application processing fees collected during the year were \$107,139 (2020 - \$234,920).

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

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

After November 2017, new business investors under the Entrepreneur Pathway are not required to submit a deposit or enter into an agreement with the Corporation. As of March 31, 2021, the PNP-B continues to process a backlog of applications submitted prior to November 2017; however, once this backlog is cleared, there will be no further application fees received and deposits will only be received from individuals under the Farm Investor Pathway (which replaced the FSRI).

During the year ended March 31, 2021, there were nil reversals of amounts previously retained (2020 - nil).

During the year ended March 31, 2021, the Corporation incurred \$714,238 in program administration expenses related to the PNP-B. In addition, the Corporation recorded a recovery of \$799,083 for program administration expenses that related to previous fiscal years resulting in a net recovery of \$84,845 recorded in the year ended March 31, 2021.

9. Accumulated surplus:

Accumulated surplus is made up of the following:

				2021	2020
	PNP-B	Business support	MTI		
Unrestricted surplus	\$ 69,933,095	\$ 5,459,013	\$ 480,888	\$ 75,872,996	\$ 64,434,540
Restricted surplus	5,494,367	–	–	5,494,367	6,857,742
Share capital	–	1,000	–	1,000	1,000
	\$ 75,427,462	\$ 5,460,013	\$ 480,888	\$ 81,368,363	\$ 71,293,282

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Contingencies:

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

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

	Authorized Limit	2021	2020
Friends of the Canadian Museum for Human Rights	\$ 25,000,000	\$ 3,075,000	\$ 3,975,000
Other	2,000,000	835,914	1,114,552
	\$ 27,000,000	\$ 3,910,914	\$ 5,089,552

11. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

	2021	2020
Manitoba Industrial Opportunities Program	\$ 3,475,000	\$ 3,475,000
Manitoba Science & Technology Fund	667,767	667,767
CentreStone Ventures Limited Partnership	1,381,525	1,381,525
	\$ 5,524,292	\$ 5,524,292

12. Growing Through Immigration Strategy and Economic Development Support:

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

	2021	2020
Department of Advanced Education, Skills and Immigration	\$ 3,947,000	\$ 3,558,000

At March 31, 2021, \$3,947,000 is included in accounts payable and accrued liabilities (March 31, 2020 - \$3,558,000).

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Related party transactions:

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

14. Financial risks and concentration of risk:

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable and trust funds.

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

	2021	2020
Cash and cash equivalents	\$ 86,050,757	\$ 76,289,317
Accounts receivable	18,507	328,575
Loans receivable	32,064,357	36,464,898
Portfolio investments	503,950	500,000
Restricted funds	38,684,247	54,116,352
	\$ 157,321,818	\$ 167,699,142

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

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

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

Management has determined that the provision required for loans receivable as at March 31, 2021 is \$11,355,055 (2020 - \$15,007,098).

Management has determined that the provision required for portfolio investments as at March 31, 2021 is \$5,240,755 (2020 - \$5,240,755).

(ii) Interest rate risk:

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

(iii) Liquidity risk:

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

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

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

15. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread to the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

While the duration of the impact of COVID-19 remains uncertain, it has the potential to adversely affect the value of the Corporation's loans receivable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the Corporation is not known at this time.

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Income:			
Income from portfolio investments	\$ -	\$ -	\$ 120,082
Interest income	655,866	344,176	2,365,314
Deposit retentions	8,050,000	13,406,618	13,606,125
Application processing fees	-	107,139	234,920
	8,705,866	13,857,933	16,326,441
Expenses:			
Program administration (recovery) (note 8)	700,000	(84,845)	1,152,072
Transfers to the Department of Advanced Education, Skills and Immigration (note 12)	4,595,000	3,947,000	3,558,000
Annual surplus	3,410,866	9,995,778	11,616,369
Accumulated surplus, beginning of year		65,431,684	53,815,315
Accumulated surplus, end of year		\$ 75,427,462	\$ 65,431,684

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Income:			
Interest from portfolio investments	\$ -	\$ -	\$ 3,826
Interest income	2,247,000	1,868,990	2,704,177
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,106,000	(1,159,042)	(1,511,983)
	<u>3,353,000</u>	<u>709,948</u>	<u>1,196,020</u>
Expenses:			
Program administration	-	15,056	39,914
Payment of Business Support interest on loans receivable to the Province of Manitoba	2,247,000	1,775,521	2,509,141
Provision for (reversal of) doubtful loans receivable	1,106,000	(1,159,042)	(1,511,983)
	<u>3,353,000</u>	<u>631,535</u>	<u>1,037,072</u>
Annual surplus	-	78,413	158,948
Accumulated surplus, beginning of year		5,381,600	5,222,652
Accumulated surplus, end of year		<u>\$ 5,460,013</u>	<u>\$ 5,381,600</u>

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Income:			
Income from portfolio investments	\$ 5,000	\$ 3,950	\$ 9,225
Expenses:			
Program administration	–	3,060	3,132
Annual surplus	5,000	890	6,093
Accumulated surplus, beginning of year		479,998	473,905
Accumulated surplus, end of year		\$ 480,888	\$ 479,998

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2021

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