PUBLIC ACCOUNTS 2011/12

For the Year Ended March 31, 2012

VOLUME 4

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

Manitoba

VOLUME 4

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with *The Financial Administration Act*, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2012 consist of the following volumes:

Volume 1

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

Volume 2

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

Volume 3

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

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

Volume 4

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

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SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	1,160,199	832,738
RECEIPTS:		
Royalties	332,000	318,813
Other Recoveries		-
Interest	12,109	8,648
	344,109	327,461
DISBURSEMENTS:		
Rehabilitation payments	13,065	-
Balance, end of year	1,491,243	1,160,199

THE BIODIESEL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	-	-
RECEIPTS:		
Contributions		-
Interest		-
Miscellaneous	72,091	-
	72,091	-
DISBURSEMENTS:		
Payments		-
Balance, end of year	72,091	-

THE ETHANOL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the four months ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of period	-	-
RECEIPTS:		
Transfer of Gasoline Tax Revenue	28,611,823	14,831,076
DISBURSEMENTS:		
Payments	23,668,288	14,831,076
Balance, end of period	4,943,535	-

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

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

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	530,315	527,920
RECEIPTS:		
Interest Revenue	4,494	2,395
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	534,809	530,315

FINANCIAL LITERACY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 $	2011 $
Balance, beginning of year	42,500	-
RECEIPTS:		
Department of Family Services and Consumer Affairs	25,500	42,500
DISBURSEMENTS:		
Payments	11,500	-
Balance, end of year	56,500	42,500

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

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	298,466	277,374
RECEIPTS:		
Premiums	26,312	22,520
DISBURSEMENTS:		
Claims		1,428
Balance, end of year	324,778	298,466

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	86,509	58,025
RECEIPTS:		
Department of Justice	85,000	85,000
Law Society of Manitoba	-	-
Manitoba Law Foundation	-	-
	85,000	85,000
DISBURSEMENTS:		
Claims	57,343	56,516
Balance, end of year	114,166	86,509

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chartered accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Manitoba Trucking Productivity Improvement Fund, which comprise the statement of financial position as at March 31, 2012 and the statements of earnings and accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Manitoba Trucking Productivity Improvement Fund as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Exchange

chartered accountants, LLP
Winnipeg, Manitoba
September 12, 2012

[illegible] Bannatyne Ave., Winnipeg, MB [illegible]
Telephone [illegible] Fax [illegible]
Toll Free [illegible]
E-mail: [illegible] Website: www.exg.ca

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Financial Position

March 31, 2012

		March 31 **2012**		*March 31* 2011		*April 1* 2010
FINANCIAL ASSETS						
Cash	$	392,115	$	219,197	$	142,182
Portfolio investments		832,436		815,383		715,942
Accounts receivable		38,606		37,623		119,952
Interest receivable		574		559		25
	$	1,263,731	$	1,072,762	$	978,101
LIABILITIES						
Accounts payable and accrued liabilities	$	6,700	$	6,420	$	6,420
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS	$	1,257,031	$	1,066,342	$	971,681

ON BEHALF OF THE BOARD

_______________________ *Director*

_______________________ *Director*

See notes to financial statements

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Earnings and Accumulated Surplus

Year Ended March 31, 2012

	Budget *March* 2012	*March 31* **2012**	*March 31* 2011
REVENUE			
Proponent fees	$ 115,000	$ **195,558**	$ 103,794
Interest income	3,000	**6,868**	4,776
	118,000	**202,426**	108,570
EXPENSES			
Audit fees	6,700	**6,937**	6,420
Highway rehabilitation and improvement	4,800	**4,800**	4,800
Legal fees	-	-	47
Miscellaneous	4,500	-	2,642
	16,000	**11,737**	13,909
EXCESS OF REVENUE OVER EXPENSES	102,000	**190,689**	94,661
ACCUMULATED SURPLUS - BEGINNING OF YEAR	1,066,342	**1,066,342**	971,681
ACCUMULATED SURPLUS - END OF YEAR	$ 1,168,342	$ **1,257,031**	$ 1,066,342

See notes to financial statements

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND

Statement of Cash Flows

Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 190,689	$ 94,661
Changes in non-cash working capital:		
Accounts receivable	(983)	82,330
Interest receivable	(15)	(534)
Accounts payable and accrued liabilities	280	-
	(718)	81,796
Cash flow from operating activities	189,971	176,457
INVESTING ACTIVITY		
Purchase of portfolio investments (net)	(17,053)	(99,442)
INCREASE IN CASH	172,918	77,015
CASH - BEGINNING OF YEAR	219,197	142,182
CASH - END OF YEAR	$ 392,115	$ 219,197

See notes to financial statements

1. DESCRIPTION OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

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

Basis of reporting

As of April 1, 2011, the Fund adopted Public Sector Accounting (PSA) Standards with a transition date of April 1, 2010. More details on this transition are provided in Note 3 to these financial statements.

The adoption of PSA Standards includes the early adoption of PS 1201 Financial Statement Presentation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments, and new PS 3410 Government Transfers.

Revenues

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

Expenses

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

Financial assets

(i) Cash

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

(ii) Receivables

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

(iii) Portfolio investments

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Liabilities

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

3. FIRST-TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

In previous fiscal years, the Fund classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the Canadian Institute of Chartered Accountants Accounting Handbook – Part V. In October 2009, the Public Sector Accounting Board (PSAB) determined that the category will cease to exist for fiscal years ending on or after January 1, 2011, and that GBTOs are required to reclassify themselves in accordance with Public Sector Accounting (PSA) Standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Agency has determined that it is an "other government organization" and has determined that PSA Standards are the most appropriate framework for reporting purposes.

These new standards are required to be applied retroactively. There were no material impacts on the assets, liabilities, or net income of the Fund as a result of this change in standards in the current or prior periods.

PSA Standards require information about designated assets to be disclosed in the notes to the financial statements, and not in the statement of financial position. Therefore, designated assets previously classified as "long-term investments" are reclassified to "portfolio investments" in the statement of financial position.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Measurement

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

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

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

The Fund did not incur any re-measurement gains and losses during the year ended March 31, 2012 (2011 - $nil).

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk management – overview

The Fund has exposure to the following risks from its use of financial instruments: credit risk; market risk; and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Fund to credit risk consist principally of cash, receivables and portfolio investments.

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

Receivables: The Fund is exposed to credit risk from its proponents. The receivable balances are from a large client base, and payment in full is typically collected when it is due. An allowance for doubtful accounts was not recorded as of March 31, 2012.

Market risk

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

Interest rate risk

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

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

5. CONTRIBUTED SERVICES

During the year, the Operating Fund of the Province of Manitoba provided office space and other administrative services to the Fund at nil cost (2011 - $nil). Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

6. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants.

7. RECLASSIFICATION OF COMPARATIVE FINANCIAL STATEMENTS

Certain of the amounts in the financial statements for the year ended March 31, 2011, and in the statement of financial position as of April 1, 2010, all presented for comparative purposes, have been reclassified to conform to the presentation adopted in the financial statements for the year ended March 31, 2012.

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 $	2011 $
Balance, beginning of year	14,097,725	12,677,360
RECEIPTS:		
Transfer of Mining Tax Revenues	3,274,285	3,176,322
Interest received during the year	99,724	74,150
	3,374,009	3,250,472
DISBURSEMENTS:		
Leaf Rapids Town Properties Inc.		321,272
Manitoba Geological Survey's Far North Geomapping Initiative	34,912	408,880
Northern MB Mining Academy - Flin Flon		250,000
Town of Leaf Rapids	205,500	-
Lynn Lake Economic Development Office	32,904	-
Leaf Rapids Municipal Budget Shortfall	40,000	-
Transfer to General Revenue	1,486,710	849,955
	1,800,026	1,830,107
Balance, end of year	15,671,708	14,097,725

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	1,690,158	1,281,538
RECEIPTS:		
Royalties	540,000	550,141
Interest	10,786	5,175
	550,786	555,316
DISBURSEMENTS:		
Payments	351,642	146,696
Balance, end of year	1,889,302	1,690,158

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	5,994,409	6,284,067
RECEIPTS:		
Royalties	1,446,766	2,040,554
Interest	36,243	18,684
	1,483,009	2,059,238
DISBURSEMENTS:		
Rehabilitation payments	2,166,660	2,348,896
Balance, end of year	5,310,758	5,994,409

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	5,048	12,893
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch		555
Repayment of bursaries	15,600	15,600
	15,600	16,155
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	15,600	24,000
Balance, end of year	5,048	5,048

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 $	2011 $
Balance, beginning of year	3,620,714	4,066,118
RECEIPTS:		
Surcharge on Provincial Fines	4,838,168	4,904,560
Interest	20,150	12,706
	4,858,318	4,917,266
DISBURSEMENTS:		
Operating expenses	5,393,277	5,362,670
Balance, end of year	3,085,755	3,620,714

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

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012	2011
	$	$
Balance, beginning of year	174	-
RECEIPTS:		
Levy Revenues	9,723,000	8,542,277
DISBURSEMENTS:		
Municipal Rebates	7,698,335	6,753,648
Program and Operating Expenses	2,024,488	1,788,455
	9,722,823	8,542,103
Balance, end of year	351	174

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

For the Year Ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 $	2011 $
Balance, beginning of year	12,553	13,560
RECEIPTS:		
Department of Labour and Immigration	-	1,400
DISBURSEMENTS:		
Payments	4,369	2,408
Balance, end of year	8,184	12,553

CROWN ORGANIZATIONS

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the accompanying financial statements of Addictions Foundation of Manitoba, which comprise the statement of financial position as at March 31, 2012, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Addictions Foundation of Manitoba as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 28, 2012

Winnipeg, Canada

ADDICTIONS FOUNDATION OF MANITOBA
Statement of Financial Position

March 31, 2012, with comparative figures for 2011

Assets

	2012	2011
Current assets:		
Cash	$ 5,111,059	$ 3,766,466
Accounts receivable	567,202	548,582
Prepaid insurance	97,145	57,719
Vacation pay recoverable from the Province of Manitoba (note 3)	667,567	667,567
	6,442,973	5,040,334
Capital assets (note 4)	11,058,882	11,351,621
Recoverable from the Province of Manitoba:		
Pre-retirement pay (note 6)	1,153,316	1,153,316
Long-term pension funding (note 7)	23,560,122	23,113,494
	24,713,438	24,266,810
	$ 42,215,293	$ 40,658,765

	2012	2011

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	$ 1,019,564	$ 1,255,255
Accrued vacation pay (note 3)	1,513,595	1,361,867
Current obligations under capital lease (note 5)	13,429	10,373
	2,546,588	2,627,495
Obligations under capital lease (note 5)	28,303	33,059
Accrued pre-retirement pay (note 6)	2,182,445	2,109,477
Provision for employee pension benefits (note 7)	23,560,122	23,113,494
Deferred contributions (note 8):		
Future expenses	20,000	41,868
Capital assets	7,897,237	8,433,032
	7,917,237	8,474,900
Net assets:		
Invested in capital assets	3,161,645	2,918,589
Internally restricted (note 9)	150,000	1,164,900
Unrestricted	2,668,953	216,851
	5,980,598	4,300,340
Commitments (note 10)		
	$ 42,215,293	$ 40,658,765

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Chair

________________________ Treasurer

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Revenue and Expenses

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Government of the Province of Manitoba:		
Operating	$ 19,499,000	$ 18,956,700
Contract funding:		
1-800 Phone Line	60,000	–
Brief Intervention Training	262,864	–
Mental Health First Aid Instructor	3,500	–
Long-term pension, net (note 7)	(81,234)	3,253,545
Capital	203,246	346,048
Manitoba Health - interest	–	3,183
Impaired Drivers Program fees	1,097,655	1,037,905
Manitoba Lotteries Corporation	3,383,300	3,238,500
School Support Program	618,692	601,163
Recovery of wages, medical and treatment services and travel expenses	888,722	912,751
Youth Residential Programs	310,900	321,975
Drug Treatment Court Program	471,410	430,005
Drug Treatment Housing Program	43,068	–
Amortization of deferred capital contributions [note 8(b)]	408,946	228,712
Other (schedule A)	271,788	247,360
	27,441,857	29,577,847
Expenses:		
Salaries	14,168,399	13,410,666
Wages	2,891,667	2,911,987
Amortization	720,599	475,506
Drug Treatment Court Program	434,621	393,285
Drug Treatment Housing Program	39,153	–
Employee benefits	1,539,172	1,450,243
Health and post-secondary education tax levy	359,069	343,849
Pension (note 7)	1,428,424	4,618,142
Fees	680,213	691,612
Food supplies	480,315	431,232
Materials, repairs and maintenance	775,994	685,669
Medical services and supplies	476,817	435,777
Rent, insurance and property taxes	464,938	474,961
Other (schedule B)	1,556,332	1,587,688
	26,015,713	27,910,617
Excess of revenue over expenses before the undernoted	1,426,144	1,667,230
Gain on disposal of capital assets	–	5,088
Excess of revenue over expenses	$ 1,426,144	$ 1,672,318

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets	Internally restricted	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	$ 2,918,589	$ 1,164,900	$ 216,851	$ 4,300,340	$ 2,628,022
Excess (deficiency) of revenue over expenses	(311,653)	–	1,737,797	1,426,144	1,672,318
Investment in capital assets	300,595	–	(300,595)	–	–
Transfer of contribution related to land acquired (note 8)	254,114	–	–	254,114	–
Internally imposed restrictions, net (note 9)	–	(1,014,900)	1,014,900	–	–
Balance, end of year	$ 3,161,645	$ 150,000	$ 2,668,953	$ 5,980,598	$ 4,300,340

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 1,426,144	$ 1,672,318
Items not involving cash:		
Amortization	720,599	475,506
Amortization of deferred contributions	(408,946)	(228,712)
Gain on disposal of capital assets	–	(5,088)
Changes in non-cash operating working capital:		
Accounts receivable	(18,620)	(195,081)
Prepaid insurance	(39,426)	2,188
Accounts payable and accrued liabilities	(235,691)	342,548
Accrued vacation pay	151,728	28,478
Net change in accrued pre-retirement pay	72,968	(4,567)
Net change in deferred contributions related to future expenses	(21,868)	(52,907)
	1,646,888	2,034,683
Investing activities:		
Additions to capital assets	(417,640)	(464,200)
Proceeds on disposal of capital assets	–	11,923
	(417,640)	(452,277)
Financing activities:		
Principal payments on capital lease obligations	(11,920)	(1,897)
Deferred contributions received related to capital assets	127,265	–
	115,345	(452,277)
Increase in cash	1,344,593	1,580,509
Cash, beginning of year	3,766,466	2,185,957
Cash, end of year	$ 5,111,059	$ 3,766,466
Supplementary cash flow information:		
Interest received	$ 58,811	$ 32,459
Interest paid	2,686	225
Non-cash financing and investing activities:		
Capital assets acquired through capital lease	10,220	45,329

See accompanying notes to financial statements.

1. Nature of the Foundation:

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

2. Significant accounting policies:

(a) Capital assets:

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

Asset	Method	Rate
Buildings	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Over term of lease

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

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

(b) Revenue recognition:

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

2. Significant accounting policies (continued):

(c) Vacation pay:

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

(d) Pension costs:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Foundation to contribute to the fund 50 percent of the pension obligation upon commencement of an employee's retirement for employees hired prior to October 1, 2002. For employees hired on or after October 1, 2002, the Foundation is required to make an equivalent contribution of 5.1 percent based upon an employee's pensionable earnings up to the yearly maximum pensionable earnings (YPME) as based upon the Canada Pension Plan; and 7 percent on pensionable earnings in excess of the YMPE. These contributions are also recognized as operating expenses. In addition, a provision has been recorded in the accounts of the Foundation for the employer's share of current and past service pension obligations.

(e) Financial instruments:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The Foundation has designated cash as held-for-trading; accounts receivable, vacation pay recoverable, pre-retirement pay recoverable and long-term pension funding recoverable as loans and receivables; and accounts payable and accrued liabilities and accrued vacation pay as other liabilities. The Foundation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of revenue and expenses as incurred.

2. Significant accounting policies (continued):

The Foundation has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation.* In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures,* and Section 3863, *Financial Instruments - Presentation*, the Foundation has elected not to adopt these standards in the financial statements.

(f) Use of estimates:

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

3. Vacation pay recoverable from the Province of Manitoba:

The Province of Manitoba funds a portion of the vacation pay benefits of the Foundation, limited to the amount estimated at March 31, 1995. Accordingly, the Foundation has recorded a receivable in the amount of $667,567 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. The Foundation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

4. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 713,106	$ –	$ 713,106	$ 713,106
Computer equipment	1,640,932	1,153,039	487,893	476,674
Furniture and equipment	653,493	366,013	287,480	339,805
Leasehold improvements	642,125	301,497	340,628	370,658
Buildings	12,444,825	3,346,344	9,098,481	9,397,317
Construction in progress	131,294	–	131,294	54,061
	$ 16,225,775	$ 5,166,893	$ 11,058,882	$ 11,351,621

5. Obligations under capital lease:

	2012	2011
2012	$ –	$ 12,734
2013	15,605	12,734
2014	15,605	12,734
2015	13,483	10,612
2016	1,137	–
Net minimum lease payments	45,830	48,814
Less amount representing interest	4,098	5,382
Present value of net minimum capital lease payments	41,732	43,432
Current portion	13,429	10,373
	$ 28,303	$ 33,059

6. Province of Manitoba pre-retirement pay:

The Foundation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility. At March 31, 2012, the obligation for pre-retirement pay is estimated to be approximately $2,182,445 (2011 - $2,109,477) for which the Foundation has recorded an accrued pre-retirement pay liability on the statement of financial position.

The amount of funding which will be provided by the Province of Manitoba for pre-retirement pay was initially determined based on the pre-retirement pay liability as at April 1, 1998 and was recorded as a receivable from the Province of Manitoba. Since fiscal 1999, the Foundation has received funding on an annual basis from the Province, which includes funding for the change in the pre-retirement pay liability and retirement payments in the year, including an interest component on the pre-retirement pay receivable. The pre-retirement pay recoverable from the Province at March 31, 2012 aggregates $1,153,316 (2011 - $1,153,316) and has no specified terms of repayment.

The fair value of the pre-retirement pay recoverable from the Province approximates its carrying value as the interest component described above is comparable to current market rates.

7. Provision for employee pension benefits:

The Foundation records the actuarial pension liability and the related pension expense including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report as of December 31, 2010, the Foundation has recorded an amount of $23,560,122 (2011 - $23,113,494) in its financial statements, representing the estimated unfunded liability for the Foundation's employees as at March 31, 2012. Total net pension expense of $1,428,424 (2011 - $4,618,142) has been recorded in the statement of revenue and expenses.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense including the interest component. The Foundation has therefore recorded an amount recoverable from the Province of Manitoba of $23,560,122 (2011 - $23,113,494) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded the associated net revenue or expense for the change in the liability in the period. The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

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

	2012	2011
Balance, beginning of year	$ 23,113,494	$ 19,414,276
Change in trust account held by Province of Manitoba	(40,118)	(343,930)
Benefits accrued	1,104,558	1,044,443
Interest accrued (6.5 percent; 2011 - 6.5 percent)	1,499,595	1,844,000
Benefits paid	(1,548,384)	(1,399,013)
Actuarial loss (gain) [1]	(569,023)	2,553,718
Balance, end of year	$ 23,560,122	$ 23,113,494

[1] The actuarial valuations as at December 31, 2010 and 2009 were completed in December 2011 and 2010, respectively, and the resulting adjustment recorded in the year ended March 31, 2012 and 2011, respectively. This resulted in lower (2011 - higher) pension expense and a corresponding adjustment to long-term pension revenue, net in the statement of revenue and expenses in 2012 and 2011.

8. Deferred contributions:

(a) Future expenses:

	2012	2011
Balance, beginning of year	$ 41,868	$ 94,775
Contributions received in the current year	20,000	–
Amount recognized as revenue in the current year	(41,868)	(52,907)
Balance, end of year	$ 20,000	$ 41,868

8. Deferred contributions (continued):

(b) Capital assets:

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

The amortization of capital contributions is recorded as revenue in the statement of revenue and expenses. The changes in the deferred contributions related to capital assets are as follows:

	2012	2011
Balance, beginning of year	$ 8,433,032	$ 8,661,744
Add contributions received for capital purposes	127,265	–
Less:		
Amortization of deferred contributions	(408,946)	(228,712)
Transfer of contribution related to land acquired	(254,114)	–
Balance, end of year	$ 7,897,237	$ 8,433,032

Unamortized capital contributions of $7,897,237 include contributions received from the Province of Manitoba for the purchase of capital assets, including to repay the operating interim construction loan credit facility in prior years. The Foundation has executed a promissory note for this contribution, payable to the Government of Manitoba. Manitoba Health has agreed to fund the principal and interest payments owing on the note payable over the 20 year term of the debt, and accordingly the loan is presented as a deferred contribution by the Foundation. In the event that such payments are not made, the principal outstanding together with interest owing shall, at the Government of Manitoba's option, become due and payable on demand.

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

	2012	2011
Thompson facility:		
Opening balance	$ 8,213,312	$ 8,653,312
Less: payments made by Manitoba Health	(440,000)	(440,000)
	$ 7,773,312	$ 8,213,312

9. Internally restricted net assets:

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

	2012	2011
Balance, beginning of year	$ 1,164,900	$ 848,627
Internal restrictions settled in the current year	(1,014,900)	(84,527)
Internal restrictions imposed for future years	–	400,800
	(1,014,900)	316,273
Balance, end of year	$ 150,000	$ 1,164,900

Internal restrictions have been imposed for the following:

	2012	2011
Ontario Health referrals potential cancellation	$ 150,000	$ 150,000
Software acquisitions	–	150,000
Incremental adjustments	–	336,000
Impaired drivers' program	–	528,900
	$ 150,000	$ 1,164,900

10. Commitments:

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2013 and 2017. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

2013	$ 366,083
2014	259,704
2015	209,686
2016	162,692
2017	146,500

11. Fair value:

The fair value of the pre-retirement pay recoverable and the long-term pension funding recoverable from the Province of Manitoba approximates the carrying value as the interest component (see notes 6 and 7) is comparable to current market rates.

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

ADDICTIONS FOUNDATION OF MANITOBA

Other Revenue

Schedule A

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Training course fees	$ 96,786	$ 93,823
Donations	38,773	36,130
Interest	58,811	29,276
Property rental	5,090	16,110
Parking rentals	27,144	26,259
Manitoba Government and General Employees' Union	13,595	13,949
Miscellaneous	31,589	31,813
	$ 271,788	$ 247,360

ADDICTIONS FOUNDATION OF MANITOBA

Other Expenses

Schedule B

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Advertising and exhibits	$ 57,336	$ 82,186
Audio-visual aids	31,592	20,690
Audit	22,837	26,042
Board of Governors' honorarium	8,142	20,698
Books, newspapers and periodicals	14,883	16,279
Courier and freight	38,343	36,314
Educational literature	52,467	53,725
Household supplies	105,680	98,019
Interest (note 8)	2,686	225
Miscellaneous	2,279	902
Postage and telephone	277,355	262,726
Printing, stationery and office supplies	216,089	223,916
Staff development	90,114	59,329
Training	47,031	44,563
Transportation of patients	35,052	32,647
Travel and automobile	301,857	366,000
Utilities	252,589	243,427
	$ 1,556,332	$ 1,587,688

BDO

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

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

Auditors' Report

To the Directors of
Assiniboine Community College

We have audited the statements of **Assiniboine Community College**, which comprise the statement of financial position as at June 30, 2011 and the statements of operations, net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the **Assiniboine Community College** as at June 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Brandon, Manitoba
October 24, 2011

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011
(in thousand $)

ASSETS	**2011**	**2010**
CURRENT		
Cash and short term investments (note 1)	3,904	4,143
Accounts receivable (note 2)	2,016	4,384
Due from Province of Manitoba (note 3)	1,397	1,397
Inventories (note 4)	57	50
Prepaids	748	460
	8,122	**10,434**
NON-CURRENT		
Due from Province of Manitoba (note 3)	1,124	1,124
CAPITAL ASSETS (note 5)		
Land, buildings and equipment	11,003	8,695
Library holdings	661	761
	11,664	**9,456**
	20,910	**21,013**

LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 6)	3,987	5,310
Deferred revenue (note 7)	1,798	2,853
Current portion of long term loan (note 8)	104	99
	5,888	**8,262**
NON-CURRENT		
Long term loan (note 8)	579	683
Accrued severance liability (note 9)	2,502	2,121
	3,081	**2,804**
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 10)	5,744	4,336
NET ASSETS		
Net assets invested in capital assets	5,237	4,338
Net assets internally restricted (note 11)	595	840
Unrestricted net assets	365	434
	6,197	**5,612**
	20,910	**21,013**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
REVENUES			
Academic training fees	3,227	3,079	3,147
Grants	23,699	23,699	22,739
Market driven training	3,943	3,904	4,503
Continuing studies	1,866	1,864	1,546
Ancillary services	183	180	232
Apprenticeship training	2,361	2,150	1,792
Other revenue	434	446	520
Amortization of deferred contributions	1,261	1,261	1,070
	36,974	**36,583**	**35,550**
EXPENDITURES			
Academic	23,425	22,268	21,467
Administration	5,168	5,075	6,262
Program support	1,945	1,946	1,814
Plant	3,263	3,528	2,856
Management information services	1,420	1,346	1,206
Library	310	394	287
Ancillary services	2	0	6
Amortization of capital assets	1,441	1,441	1,572
	36,974	**35,998**	**35,470**
EXCESS OF REVENUE OVER EXPENDITURES	**-**	**585**	**79**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2011 TOTAL	2010 TOTAL
Balance - beginning of year	4,338	840	434	5,611	5,533
Transfer from Internal Restricted to Unrestricted	-	(245)	245		
Excess of revenue over expenditures	-	-	585	585	79
Add: Amortization of deferred contributions	1,261	-	(1,261)	-	-
Long Term Debt	99	-	(99)	-	-
Investment in donated assets	512	-	(512)	-	-
Investment in capital assets	3,237	-	(3,237)	-	-
Less: Amortization of capital assets	(1,441)	-	1,441	-	-
Deferred contributions - COPSE Annual grant	(1,064)	-	1,064	-	-
Deferred contributions - Donated assets	(250)	-	250	-	-
Deferred contributions - COPSE one time	(801)		801		
Deferred contributions - Other	(554)		554		
Library holdings valuation adjustment	(100)	-	100	-	-
Balance - end of year	5,237	595	365	6,196	5,612

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(in thousand $)

	2011	**2010**
Cash from operating activities		
Excess of revenues over expenditures	585	79
Amortization of capital assets	1,441	1,572
Amortization of deferred capital contributions	(1,261)	(1,070)
Loss on disposal of capital assets	-	-
Change in non-cash working capital items	75	159
Net cash generated through operating activities	**840**	**740**
Financing and investing activities		
Purchase of capital assets	(3,237)	(1,762)
Donated capital assets	(512)	(64)
Donated library holdings	-	-
Contributions received for capital purposes	2,670	1,755
Net cash used in financing and investing activities	**(1,079)**	**(71)**
Net increase (decrease) in cash and short term investments	**(239)**	**669**
Cash and short term investments, beginning of year	4,143	3,474
Cash and short term investments, end of year	**3,904**	**4,143**

Operations

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

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

Financial Instruments

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

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

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

Inventories

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

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at 20% per annum for acquisitions prior to June 30, 2002. For acquisitions after 2002, amortization is provided using the straight-line method at the following rates:

Buildings	2 %
Leasehold improvements	Term equal to the length of the lease plus one renewal term, or 2% per annum if no specified lease term
Computer systems	20 %
Computer equipment	33 %
Furniture and equipment	20 %

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

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant.

Leases

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

Deferred Revenue

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

Revenue Recognition

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

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

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

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

Employee Future Benefits

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

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

June 30, 2011

Use of Estimates

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

New Accounting Pronouncements

The Accounting Standards Board (AcSB) has finalized new accounting standards for not-for-profit organizations. These new standards will be effective for fiscal years beginning on or after January 1, 2012. Under the new standards, the not-for-profit organization may choose to adopt either International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Not-for-Profit Organizations.
The organization is currently assessing the impact of these new standards.

1. Cash and Cash Equivalents

	2011	2010
Cash	**186**	1,142
Term deposits - Manitoba Finance	**3,718**	3,001
	3,904	4,143

Cash and cash equivalents includes bank accounts and term deposits with maturity dates 3 months or less.

2. Accounts Receivable

	2011	2010
Tuition and contract training	**1,963**	4,340
Goods and Services Tax rebate	**63**	53
Allowance for doubtful accounts	**(10)**	(9)
	2,016	4,384

3. Due from Province of Manitoba

	2011	2010
Current		
Property taxes	**331**	331
Accommodation cost-recovery system	**180**	180
10% tuition rebate	**11**	11
Vacation pay	**875**	875
	1,397	1,397
Non-current		
Severance pay	**1,124**	1,124
	2,521	2,521

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of 1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out 1,285,314 in severance pay relating to pre-1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

4. Inventories

	2011	2010
Books and supplies	**57**	50

5. Capital Assets

	2011		2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**4**	**-**	4	-
Buildings	**2,002**	**45**	941	28
Computer systems	**8,685**	**6,581**	7,663	5,849
Furniture and equipment	**15,469**	**10,921**	14,316	10,263
Leasehold improvements	**3,737**	**1,347**	3,224	1,313
Laptop program	**107**	**107**	107	107
	30,004	**19,001**	26,255	17,560
Net book value		**11,003**		8,695

	2011	2010
Library holdings, at estimated value	**661**	761

6. Accounts Payable and Accrued Liabilities

	2011	2010
Trade payables	**1,343**	2,839
Accrued vacation pay	**2,644**	2,471
	3,987	5,310

7. Deferred Revenue

	2011	2010
Opening tuition and commitment fees	**294**	331
Opening contract training fees	**1,215**	1,083
Opening classroom rentals, parking and other deferrals	**644**	253
Opening provincial grant	**700**	100
Total opening deferred revenue	**2,853**	1,767
Tution and commitment fees received	**321**	393
Contract training fees received	**8,716**	13,235
Classroom rentals, parking and other revenue received	**590**	747
Provincial grant received	**3,997**	1,040
Total received	**13,624**	15,415
Tuition and commitment fees recognized	**(393)**	(430)
Contract training fees recognized	**(9,505)**	(13,103)
Classroom rentals, parking and other deferrals recognized	**(753)**	(356)
Provincial grant recognized	**(4,028)**	(440)
Total recognized	**(14,679)**	(14,329)
Ending tuition and commitment fees	**222**	294
Ending contract training fees	**426**	1,215
Ending classroom rentals, parking and other deferrals	**481**	644
Ending provincial grant	**669**	700
	1,798	2,853

8. Long-term Debt

	2011	2010
Loan payable to Province of Manitoba at the rate of 4.75%, due in 2017, repayable in monthly instalments of $11,193 principal and interest.	**683**	782
Less amounts due within one year included in current liabilities	**104**	99
	579	683

8. Long-term Debt (continued)

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

2012	104
2013	109
2014	114
2015	121
2017	131
Thereafter	-
	579

9. Accrued Severance Liability

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

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

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

	2011	2010
Accrued severance liability to date	**$ 2,668**	**$ 2,308**
Less: unadjusted liability at June 30, 2010	**(166)**	**(187)**
Accrued severance liability on statement of financial position	**2,502**	**2,121**
Interest cost	**162**	**133**
Current service cost	**206**	**204**
Current year severance expense	**368**	**337**
Accumulated benefits paid	**1,285**	**1,112**

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

	2011	2010
Discount rate (accrued severance obligation)	**6.5**	6.5
Rate of compensation increase (weighted average)	**3.25**	3.25

10. Deferred Contributions Related to Capital Assets

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

	2011	2010
Net book value, beginning of year	**4,338**	3,654
Add: Capital contributions during the year		
Contributions	**2,666**	1,754
Less: Current year amortization	**(1,260)**	(1,070)
Net book value, end of year	**5,744**	4,338

11. Net Assets Internally Restricted

	General Operating Reserve	**General Capital Reserve**	**General Technology Reserve**	**Total Reserve**
Opening balance	**435**	**64**	**341**	**840**
Appropriations	**-**	**-**	**-**	-
Withdrawals	**-**	**(245)**	**-**	**(245)**
Ending balance	**435**	**(181)**	**341**	**595**

12. Grants

	2011	2010
Grants Received	**25,423**	24,353
Add:		
Deferred contributions recognized	**45**	-
Less:		
Deferred capital contributions	**(1,264)**	(1,065)
	24,204	23,288
Represented by:		
Base	**23,699**	22,740
Market Driven Training	**265**	295
Continuing Studies	**240**	245
Apprenticeship	**-**	8
	24,204	23,288

13. Pension Costs and Obligations

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

14. Related Party Transactions

During the year the College provided a grant of 7,850 (2010 - 7,850) to Assiniboine Community College Foundation Inc. (in actual $), a grant of 5,000 (2010 - 5,000) to Assiniboine Campus Radio Society Inc. (in actual $), and a grant of 18,500 (2010 - 18,500) to the student association (in actual $). Transactions with the Assiniboine Community College Foundation Inc., Assiniboine Campus Radio Society Inc., and the Assiniboine Community College Student Association are measured at the exchange amount. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. There were no intercompany payables or receivables outstanding at fiscal year-end.

15. Commitments

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

2010/11	83
2011/12	32

16. Economic Dependence

The College presently receives annual funding of approximately 23,698,956 (22,738,956 in 2010) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured. Transactions with the Province of Manitoba are measured at the exchange amount.

17. Cash Flows - Supplemental Information

The college paid interest on long term debt in the year of 35,022 (2010 - $39,619) (in actual $). In the year, the college received interest 59,730 (2010 - 5,600) (in actual $).

18. Financial Risk Management

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

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

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

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

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

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

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

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

19. Capital

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

20. Income Taxes

The College is exempt from income taxes.

21. Prior Year's Figures

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

22. Consolidation

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

	Increase (Decrease)
Cash	7,381
Accounts receivable	26,945
Investments	2,262,068
Equipment	12,750
Bank overdraft	35,056
Accounts payable	5,941
Deferred revenue	388
Deferred contributions	955,452
Unrestricted net assets	(4,252)
Endowment funds	1,303,809
Invested in capital assets	12,750
Revenue	542,721
Expenditures	535,525

BDO

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

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

Auditors' Comments on Supplementary Financial Information

To the Directors of
Assiniboine Community College

The audited financial statements of the organization as at June 30, 2011 and our report thereon dated October 24, 2011 are presented in the preceding section of this annual report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Canada LLP

Chartered Accountants

Brandon, Manitoba
October 24, 2011

ASSINIBOINE COMMUNITY COLLEGE Schedule 1
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
Academic Training Fees			
Day program tuition fees	3,227	3,079	3,147
Grants			
Provincial (note 12)	23,699	23,699	22,739
	23,699	23,699	22,739
Market Driven / Contract Training (schedule 2)	3,943	3,904	4,503
Continuing Studies (schedule 3)	1,867	1,864	1,546
Ancillary Services (schedule 4)	183	180	232
Apprenticeship Training (schedule 5)	2,361	2,150	1,792
Sundry and Other Revenue			
Interest	4	60	7
Other	431	386	513
	434	446	520
Amortization of deferred capital contributions	1,261	1,261	1,070
Total Revenue	36,975	36,583	35,549

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2011
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2011	2010
Academic			
Salaries			
Instructional	13,573	13,192	12,348
Administrative	3,325	3,248	2,915
Program Support	244	248	267
Fringe Benefits	2,065	1,963	1,711
Operating	4,218	3,617	4,226
	23,425	22,268	21,467
Administration			
Salaries	2,535	2,425	3,510
Fringe Benefits	840	876	900
Operating	1,793	1,774	1,852
	5,169	5,075	6,262
Program Support			
Salaries	1,538	1,577	1,471
Fringe Benefits	205	202	175
Operating	202	168	168
	1,945	1,947	1,814
Plant			
Salaries	593	538	482
Fringe Benefits	87	74	61
Operating	2,583	2,915	2,313
	3,263	3,528	2,856
Management Information Services			
Salaries	814	828	764
Fringe Benefits	107	107	87
Operating	499	410	355
	1,419	1,345	1,206
Library			
Salaries	197	192	185
Fringe Benefits	28	26	25
Operating	85	176	77
	310	394	287
Ancillary Services (schedule 4)	2	0	6
Amortization of Capital Assets	1,441	1,441	1,572
Total Expenditures	36,974	35,998	35,470

ASSINIBOINE COMMUNITY COLLEGE Schedule 2
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
Revenue			
Tuition fee contracts	58	105	1,437
Contract training	2,859	2,650	2,401
Grants	1,026	1,090	630
Other revenue	0	59	35
Total Revenue	3,943	3,904	4,503
Expenditures			
Direct Expenditures			
Instructional salaries	1,582	1,851	1,724
Fringe benefits	189	197	163
Operating	708	473	1,130
	2,479	2,521	3,017
Indirect Expenditures			
Administrative salaries	224	150	137
Fringe benefits	37	23	26
Operating	39	22	34
	300	195	197
Total Expenditures	2,779	2,716	3,214
Excess of Revenue over Expenditures	1,164	1,187	1,289

ASSINIBOINE COMMUNITY COLLEGE Schedule 3
CONTINUING STUDIES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
Revenue			
Brandon campus	620	836	371
Dauphin campus	163	143	183
Winnipeg campus	127	98	145
Regional centres	717	547	607
Grants	240	240	240
Total Revenue	1,867	1,864	1,546
Expenditures			
Direct Expenditures			
Instructional salaries	698	570	427
Fringe benefits	66	56	34
Operating	292	254	214
	1,056	880	675
Indirect Expenditures			
Administrative salaries	507	481	451
Fringe benefits	77	68	61
Operating	111	90	99
	695	639	611
Total Expenditures	1,752	1,519	1,286
Excess of Revenue over Expenditures	115	345	260

ASSINIBOINE COMMUNITY COLLEGE Schedule 4
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
Revenue	183	180	232
Expenditures			
Salaries & benefits	0	0	0
Operating	2	0	5
Total Expenditures	2	0	5
Excess of Revenue over Expenditures	181	180	227

ASSINIBOINE COMMUNITY COLLEGE Schedule 5
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2011
(in thousand $)

	Budget (unaudited)	2011	2010
Revenue			
Tuition Revenue	2,361	2,150	1,792
Expenditures			
Direct Expenditures			
Instructional salaries	1,740	1,674	1,425
Fringe benefits	231	202	156
Operating	507	404	353
Total Expenditures	2,479	2,280	1,934
Deficiency of revenue over expenditures	(117)	(131)	(142)

Assiniboine Community College
Schedule 6 - Schedule of Board Member Compensation

For the year ended June 30	2011
Barry French	1,500
Doug Crookshanks	2,400
Harvey Armstrong	3,000
Henry Bart	1,800
Janet Chaboyer	2,400
Janet Smith	1,350
Jessica Spanjer	1,500
Joyce Koke	150
Curtis Dixon	300
Robin Paulishyn	1,200
Michael Cox	1,800
Raymond Berthelette	1,800
Sandra Mulvihill	600
Vickie Harwell-McLean	1,800
	$ 21,600

(In actual dollars)

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

BRANDON UNIVERSITY

Responsibility for Financial Statements

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

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

Laura McDougald-Williams	Scott J. B. Lamont, FCGA, MBA
Chair, Board of Governors	Vice-President (Administration & Finance)

June 23, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brandon University as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original document signed by
Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

June 23, 2012
Winnipeg, Manitoba

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

Brandon University

Statement of Financial Position
as at March 31, 2012

ASSETS

	2012	2011
Current Assets		
Cash and short term investments (note 3)	$ 3,367,225	$ 9,310,429
Accounts receivable (note 4)	7,830,858	1,717,484
Inventories (note 9)	536,034	502,730
Prepaid expenses	275,723	256,291
	12,009,840	11,786,934
Capital Assets and Collections (notes 2G and 10)	51,582,729	44,710,193
	$ 63,592,569	$ 56,497,127

LIABILITIES & NET ASSETS

	2012	2011
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,031,365	$ 3,887,942
Unearned revenue	123,632	269,116
Deferred contributions (note 11)	4,125,050	3,519,057
Current portion of long term debt (note 13)	101,217	134,050
	8,381,264	7,810,165
Long Term Liabilities		
Unfunded employee future benefits (note 17)	1,403,000	1,244,000
Unfunded pension liability (note 12)	4,498,000	3,631,000
Mortgages payable (note 13)	835,823	937,039
	6,736,823	5,812,039
Deferred Capital Contributions (note 11)	-	503,600
Unamortized Deferred Capital Contributions (note 11)	40,423,554	33,405,535
Net Assets		
Unrestricted net assets	(3,064,779)	(2,166,655)
Internally restricted net assets (note 8)	893,569	898,874
Investment in capital assets and collections	10,222,138	10,233,569
	8,050,928	8,965,788
	$ 63,592,569	$ 56,497,127

Approved by the Brandon University
Board of Governors on June 23, 2012

Chair, Board of Governors

Vice-President (Administration & Finance)

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

Brandon University

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

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2012	Total 2011
Balance, beginning of year	$ (2,166,655)	$ 898,874	$ 10,233,569	$ 8,965,788	$ 9,140,205
Net deficit	(914,860)			(914,860)	(176,137)
Direct increases to net assets					
Donations of capital assets					1,720
Transfers					
Internally funded					
Capital asset additions	(1,007,910)		1,007,910		
Capital asset disposals (net book value)	1,067		(1,067)		
Amortization	1,152,324		(1,152,324)		
Repayment of long term debt	(134,050)		134,050		
Allocation to internally restricted net assets	(208,105)	208,105			
Internally restricted net asset purchases	213,410	(213,410)			
Balance, end of year	$ (3,064,779)	$ 893,569	$ 10,222,138	$ 8,050,928	$ 8,965,788

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

Brandon University

Statement of Operations
for the Year Ended March 31, 2012

	2012	2011
Revenues		
Tuition fees and other student fees	$ 8,002,778	$ 9,208,805
Grants		
Council on Post-Secondary Education	36,546,281	34,614,847
Province of Manitoba	1,004,992	348,161
Government of Canada	1,558,768	1,734,803
Sales of goods and services	6,239,459	7,060,993
Brandon University Foundation	1,868,467	1,899,819
Amortization of deferred capital contributions	1,738,699	1,902,976
Interest income	144,449	110,114
Miscellaneous	679,029	686,476
	57,782,922	57,566,994
Expenses		
Salaries - academic	20,473,564	22,247,571
Salaries - support	12,626,147	12,529,327
Benefits	10,659,271	7,218,316
Travel	1,516,935	1,637,955
Supplies and consumable expenses	6,144,271	6,592,325
Major renovations	292,465	179,077
Property taxes	142,381	132,527
Utilities	853,805	979,389
Cost of goods sold	1,735,017	1,948,228
Scholarships and bursaries	1,279,739	1,060,509
Interest on long term debt	82,536	90,736
Amortization expense	2,891,023	3,056,407
Loss on disposal of capital assets	628	70,764
	58,697,782	57,743,131
Net deficit	$ (914,860)	$ (176,137)

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

Brandon University

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

	2012	2011
Cash Provided By (Used In) Operating Activities		
Net deficit before interest	$ (976,773)	$ (195,515)
Interest received	144,449	110,114
Interest paid	(82,536)	(90,736)
Deficiency of revenues over expense	(914,860)	(176,137)
Items not affecting cash flow		
Amortization of deferred capital contributions	(1,738,699)	(1,902,976)
Amortization of capital assets	2,891,023	3,056,407
Loss on disposal of capital assets	(628)	(70,764)
Increase in non-cash operating working capital	(4,536,173)	832,590
	(4,299,337)	1,739,120
Cash Provided By (Used In) Investing Activities		
Capital asset additions	(9,764,626)	(3,735,560)
(Purchase)/sale of short term investments	3,598,525	(3,732,230)
Proceeds on disposal of capital assets	1,691	145,801
	(6,164,410)	(7,321,989)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(134,050)	(125,852)
Capital contributions	8,253,118	2,311,605
	8,119,068	2,185,753
Decrease in cash and cash equivalents	(2,344,679)	(3,397,116)
Cash and cash equivalents, beginning of year	3,905,740	7,302,856
Cash and cash equivalents, end of year	$ 1,561,061	$ 3,905,740
Cash and Cash Equivalents		
Cash	$ 1,561,061	$ 2,443,860
Cash equivalents		1,461,880
	$ 1,561,061	$ 3,905,740

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

Brandon University

Notes to the Financial Statements
for the year ended March 31, 2012

1. Authority and Purpose

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

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Fund Accounting

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

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

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

C. Revenue Recognition

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

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

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

D. Capital Grants

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

E. **Short Term Investments**

Short term investments are recorded at fair value and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments are classified as held for trading. These investments are acquired principally for the purpose of selling in the near term and are part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. The valuation of publicly traded investments is based on quoted market bid prices at the close of business as of March 31, 2012.

F. **Brandon University Foundation**

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

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

G. **Capital Assets and Collections**

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

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

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

H. **Inventories**

Inventories are measured at the lower of cost and net realizable value. When circumstances which previously caused an inventory to be written down below cost no longer exists, the amount of the write-down will be reversed.

I. **Pension Plan**

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

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

The University's pension liability is the net of pension obligations less Plan assets.

J. Employee Future Benefits

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

The transitional obligation arising from the adoption of the accounting standard was fully recognized as at the adoption date of April 1, 2000. Subsequent actuarial gains or losses are fully recognized in the year immediately following the year in which they arise.

K. Use of Estimates

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

L. Financial Instruments

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

Initially, all financial assets and liabilities must be recorded on the Statement of Financial Position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

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

M. Future Accounting Policy Changes

Public Sector Accounting Standards

The CICA's Public Sector Accounting Board announced government controlled not-for-profit organizations will adopt public sector accounting (PSA) standards, which include not-for-profit accounting standards, effective for fiscal years beginning on or after January 1, 2012. The transition date for Brandon University of April 1, 2011 will require the restatement of the March 31, 2012 figures in the March 31, 2013 financial statements. Although PSA standards use a conceptual framework consistent with the current basis of financial reporting, some differences in accounting standards are expected.

3. Cash and Short Term Investments

	2012	2011
Cash	$ 1,561,061	$ 2,443,860
Short term investments	1,806,164	6,866,569
	$ 3,367,225	$ 9,310,429

4. Accounts Receivable

	2012	2011
Student receivables	$ 637,179	$ 568,893
Brandon University Foundation	4,937,692	560,455
Government of Canada	1,128,803	122,637
Province of Manitoba	925,164	350,000
Miscellaneous	202,020	115,499
	$ 7,830,858	$ 1,717,484

5. Financial Instruments

Fair Value
The fair value of cash and short term investments, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short term nature. The determination of the fair value of mortgages payable is not practical due to their underlying terms and conditions.

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

i) Market Risk

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

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

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

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

ii) Liquidity Risk

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

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

iii) Credit Risk

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

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

	Carrying Amount	
	2012	**2011**
Financial assets held for trading:		
Cash and short term investments	$ 3,367,225	$ 9,310,429
Loans and receivables:		
Accounts receivable	7,830,858	1,717,484
Totals	$ 11,198,083	$ 11,027,913

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

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

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

6. Capital Management

The capital of Brandon University is comprised of its deferred contributions, unamortized deferred capital contributions and net assets.

The long term objective of the University is to manage the capital in such a way as to protect the value of the investments.

Restricted contributions for non-capital and capital purposes are received with externally imposed stipulations. The University has complied with the externally imposed stipulations of any capital grants or donations received and to those placed on deferred contributions.

	2012	2011
Total Liabilities	$ 10,993,037	$ 10,103,147
Total Net Assets & Deferred Contributions	$ 52,599,532	$ 46,393,980
Debt to capital ratio	20.90 %	21.78 %

There have been no significant changes to the University's capital management objectives, policies and processes in the year nor had there been any changes in what the University considers to be its capital.

7. Brandon University Foundation

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

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

The Foundation follows the deferral method of accounting for contributions. The investments of the Foundation are recorded at fair value. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

	2011	2010
Assets	$43,528,550	$45,261,725
Liabilities	$ 338,700	$ 554,041
Deferred contributions	9,583,087	8,608,624
Net Assets		
Unrestricted and internally restricted net assets	3,371,636	6,756,634
Endowment funds	30,235,127	29,342,426
	33,606,763	36,099,060
Total Liabilities and Net Assets	$43,528,550	$45,261,725

Statement of Operations

	2011	2010
Revenue		
Realized income	$ 275,715	$ 1,083,041
Unrealized income	(3,438,430)	3,552,791
Net investment income	(3,162,715)	4,635,832
Donations	1,179,805	400,027
Other contributions	407,819	108,093
	(1,575,091)	5,143,952
Expense		
Grants to Brandon University	1,139,828	794,570
Scholarships and bursaries	632,437	728,762
Campaign expenses	5,035	4,653
Other expenses	37,642	39,915
	1,814,942	1,567,900
Net income/(loss) for the year	$(3,390,033)	$ 3,576,052

The net result of the transactions from January 1, 2012 to March 31, 2012 was a gain of $848,284 (2011 - $548,418) and an unrealized investment gain of $2,802,939 (2011 - $932,333).

The value of outstanding pledges to the Foundation as at March 31, 2012 is $572,173 (2011 - $741,183). These will be recorded as revenue in the Foundation when received.

8. Internally Restricted Net Assets

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

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

Brandon University

Notes to the Financial Statements
for the year ended March 31, 2012

9. Inventories

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

	2012 Cost of Sales	2011 Cost of Sales	2012 Carrying Values	2011 Carrying Values
Bookstore	$ 1,205,781	$ 1,288,316	$ 467,914	$ 423,054
Food Services	529,236	659,912	37,732	45,143
Print Shop	36,707	52,757	30,388	34,533
	$ 1,771,724	$ 2,000,985	$ 536,034	$ 502,730

10. Capital Assets and Collections

	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value	2011 Cost	2011 Accumulated Amortization	2011 Net Book Value
Land	$ 498,680	$	$ 498,680	$ 498,680	$	$ 498,680
Buildings	78,626,233	(37,611,886)	41,014,347	69,898,761	(36,259,294)	33,639,467
Furniture & equipment	21,639,310	(15,458,725)	6,180,585	21,044,443	(14,456,991)	6,587,452
Library collections	10,710,697	(8,023,752)	2,686,945	10,277,685	(7,495,263)	2,782,422
Collections	1,202,172		1,202,172	1,202,172		1,202,172
	$112,677,092	$(61,094,363)	$ 51,582,729	$102,921,741	$(58,211,548)	$ 44,710,193

Capital asset additions during the year included donations in kind in the amount of $ - (2011- $1,720).

Buildings include assets under construction of $8,196,609 (2011 - $ 457,376)

11. Deferred Contributions and Unamortized Deferred Capital Contributions

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

	2012 Deferred Contributions	2012 Unamortized Deferred Capital Contributions	2011 Deferred Contributions	2011 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 4,022,657	$ 33,405,535	$ 3,036,513	$ 33,268,518
Contributions received	15,965,368		9,612,636	
Transfers to revenue				
Tuition, grants and contributions	(7,106,257)		(6,586,499)	
Amortization of assets acquired from capital assets		(1,738,699)		(1,902,976)
Transferred to acquire capital assets	(8,756,718)	8,756,718	(2,039,993)	2,039,993
Balance, end of year	$ 4,125,050	$ 40,423,554	$ 4,022,657	$ 33,405,535
Balance consists of:				
Research	$ 2,614,985		$ 2,374,841	
Special programs	1,510,065		1,144,216	
Deferred contributions	4,125,050		3,519,057	
Deferred capital contributions	-		503,600	
	$ 4,125,050		$ 4,022,657	

12. Pension Plan

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

An actuarial valuation of the plan, as required by The Pension Benefits Act of Manitoba, was conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2011. The next actuarial valuation is required as at December 31, 2012 and will be completed in 2013.

The defined benefit obligation has been calculated pursuant to CICA Handbook section 3461, using the projected unit credit actuarial method and assumptions developed using management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality.

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

Plan assets are comprised of:

	(in thousands of dollars) December 31 2011	December 31 2010
Accounts receivable and other	$ 352	$
Cash and short term investments	5,458	969
Bonds and debentures	37,673	37,490
Canadian equities	38,352	41,997
Foreign equities	27,705	28,344
Total Assets	$ 109,540	$ 108,800

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

	(in thousands of dollars) December 31 2011	December 31 2010
Accrued Benefit Obligation		
Actuarial present value of accrued pension benefits, beginning of year	$ 139,177	$ 112,797
Interest accrued on benefits	7,360	6,470
Benefits accrued	5,098	4,825
Benefits paid	(5,734)	(5,379)
Actuarial gain	(1,934)	(166)
Change in actuarial assumptions	17,653	20,630
Actuarial present value of accrued pension benefits, end of year	$ 161,620	$ 139,177

	(in thousands of dollars) December 31 2011	December 31 2010
Plan Assets		
Fair value, beginning of year	$ 108,800	$ 98,722
Actual return on plan assets (net of expenses)	(1,789)	10,466
Employer contributions	6,328	2,943
Employee contributions	1,935	1,921
Transfers from other plans		127
Benefits paid	(5,734)	(5,379)
Fair value, end of year	$ 109,540	$ 108,800

	(in thousands of dollars) December 31 2011	December 31 2010
Reconciliation		
Accrued benefit obligation	$ (161,620)	$ (139,177)
Plan assets	109,540	108,800
Plan deficit	(52,080)	(30,377)
Unamortized plan amendments	4,071	4,652
Unamortized net actuarial losses	41,804	20,635
Employer contribution after measurement date	1,707	1,459
Pension liability	$ (4,498)	$ (3,631)

	(in thousands of dollars) December 31 2011	December 31 2010
Pension Liability		
Pension liability, beginning of year	$ (3,631)	$ (3,318)
Employer contributions	6,576	4,403
Net benefit plan expense	(7,443)	(4,716)
Pension liability, end of year	$ (4,498)	$ (3,631)

	(in thousands of dollars) December 31 2011	December 31 2010
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 3,163	$ 2,777
Interest accrued on benefits	7,360	6,470
Expected return on plan assets	(5,833)	(5,665)
Amortization of actuarial loss	2,172	553
Amortization of plan amendments	581	581
Net benefit plan expense	$ 7,443	$ 4,716

Significant Long Term Actuarial Assumptions Used in Measurement of the Pension Expense

	2011	2010
Discount rate	5.30 %	5.75 %
Expected rate of return on assets	5.30 %	5.75 %
Rate of salary increase	3.40 %	4.00 %
Mortality rate	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted to reduce the probability of death by 25% at each age	UP1994 Table projected with Scale AA to 2015

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

	2011	2010
Discount rate	4.40 %	5.30 %
Rate of salary increase	3.00 %	3.40 %
Mortality rate	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted to reduce the probability of death by 25% at each age	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted to reduce the probability of of death by 25% at each age

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

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

Funding of Going-Concern Deficiencies
With the exemption, the Plan will continue to be subject to the going-concern funding provisions of the Act. The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs. The funding deficit of $38,623,000 will have to be funded over a maximum of 15 years. Special payments totaling $3,783,000 will be made in 2012 (2011 - $3,326,624). The next going-concern valuation will be performed as at December 31, 2012 and will be completed in 2013.

13. Long Term Liabilities

Mortgages Payable

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

	2012	2011
Darrach Hall & Flora Cowan Hall Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 40,578	$ 118,698
McMaster Hall Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	896,462	952,391
	937,040	1,071,089
Current portion of long term debt	101,217	134,050
	$ 835,823	$ 937,039
Interest expense	$ 82,536	$ 90,736

Principal payments in the next five years are as follows:

2013	$ 101,217
2014	$ 65,745
2015	$ 71,281
2016	$ 77,283
2017	$ 83,780

14. Brandon Centennial Auditorium Corporation Inc.

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

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

15. Knowles-Douglas Student Union Centre

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

16. Contractual Obligations

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $0 for the year ended March 31, 2012 (2011 - $33,747).

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

17. Employee Future Benefits

Brandon University provides certain severance and retiring allowance benefits payable upon retirement. An actuarial valuation, using the accrued benefit method, to determine the value of severance pay and retiring allowance benefits is carried out every four years. The most recent actuarial valuation was as at March 31, 2009 with the next valuation due at at March 31, 2013.

The accrued benefit liability for employee future benefits is reported in the University's Statement of Financial Position under accounts payable and accrued liabilities.

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

	2012	2011
Accrued benefit liability	$ 1,298,000	$ 1,332,000
Accrued benefit obligation	1,403,000	1,244,000
Unamortized actuarial gain/(loss)	$ (105,000)	$ 88,000
Net benefit cost	$ 28,000	$ 278,000
Employer's contributions	62,000	24,000
Benefits paid	62,000	24,000

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

	2012	2011
Discount rate (accrued benefit obligation)	4.0%	5.0%
Rate of compensation increase (weighted average)	4.6%	5.3%

18. Disclosure and Presentation of Financial Instruments

The University continues to apply Section 3861 Financial Instruments - Disclosure and Presentation in place of Sections 3862 and 3863.

19. Related Party Transactions

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

20. Comparative Figures

Comparative figures for the year ended March 31, 2011 have been reclassified where necessary to conform with the presentation adopted for the year ended March 31, 2012.

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of CancerCare Manitoba

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

June 21, 2012

Winnipeg, Canada

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2012 Total	2011 Total
Assets					
Current assets:					
Cash	$ –	$ –	$ 3,599	$ 3,599	$ 1,903,127
Restricted cash (note 3)	2,041,296	–	–	2,041,296	2,020,952
Short-term investments (schedule 1)	4,275,899	–	794,713	5,070,612	1,159,004
Due from Manitoba Health (note 4)	4,628,756	–	–	4,628,756	6,681,205
Accounts receivable (note 5)	2,929,377	–	9,058,321	11,987,698	7,744,818
Inter-fund accounts	130,387	2,928,805	(3,059,192)	–	–
Prepaid expenses	748,500	–	–	748,500	572,689
Vacation entitlements receivable (note 15)	1,730,141	–	–	1,730,141	1,730,141
	16,484,356	2,928,805	6,797,441	26,210,602	21,811,936
Restricted cash (note 3)	3,636,629	–	–	3,636,629	3,600,385
Retirement entitlement obligation receivable (note 6)	1,419,400	–	–	1,419,400	1,419,400
Investments (schedule 2)	6,246,400	–	3,180,334	9,426,734	12,489,692
Capital assets (note 7)	–	63,519,829	370,270	63,890,099	68,707,598
	$ 27,786,785	$ 66,448,634	$ 10,348,045	$ 104,583,464	$ 108,029,011
Liabilities, Deferred Contributions and Fund Balances					
Current liabilities:					
Bank indebtedness	$ 1,452,998	$ –	$ –	$ 1,452,998	$ –
Accounts payable and accrued liabilities (note 15)	12,413,090	7,234	55,620	12,475,944	9,648,369
Due to Manitoba Health (note 4)	617,624	–	–	617,624	6,883,645
Deferred contributions - expenses of future periods [note 8(a)]	2,546,438	–	–	2,546,438	2,686,318
	17,030,150	7,234	55,620	17,093,004	19,218,332
Deferred contributions - capital assets [note 8(b)]	–	66,280,951	–	66,280,951	70,373,401
Retirement entitlement obligations (note 6 and note 15)	5,127,100	–	–	5,127,100	4,672,554
	22,157,250	66,288,185	55,620	88,501,055	94,264,287
Fund balances:					
Invested in capital assets (note 9)	–	160,449	370,270	530,719	697,427
Externally restricted (note 10)	–	–	9,031,773	9,031,773	8,385,950
Internally restricted	2,041,296	–	890,382	2,931,678	2,747,402
Unrestricted	3,588,239	–	–	3,588,239	1,933,945
	5,629,535	160,449	10,292,425	16,082,409	13,764,724
Commitments (note 12)					
Contingencies (note 13)					
	$ 27,786,785	$ 66,448,634	$ 10,348,045	$ 104,583,464	$ 108,029,011

See accompanying notes to financial statements.

Approved by the Members:

____________________ Member ____________________ Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative figures for 2011

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2012 Total	2011 Total
Revenue:					
Manitoba Health (note 14)	$ 112,525,003	$ –	$ 501,062	$ 113,026,065	$ 101,546,058
Other recoveries	1,773,420	–	–	1,773,420	1,349,563
Grants (note 16)	–	–	14,635,077	14,635,077	13,113,622
Amortization of deferred contributions (note 8)	–	5,883,659	–	5,883,659	6,609,597
Amortization of deferred contributions - expenses of future periods (note 8)	–	–	–	–	179,920
	114,298,423	5,883,659	15,136,139	135,318,221	122,798,760
Expenses:					
Compensation	46,791,502	–	8,469,625	55,261,127	52,286,000
Medical remuneration	15,432,799	–	–	15,432,799	15,200,416
Building occupancy	1,782,767	–	–	1,782,767	1,844,448
Amortization of capital assets	–	5,883,659	204,135	6,087,794	6,992,715
General administration	3,276,697	–	–	3,276,697	3,208,420
Equipment rentals and maintenance	1,154,096	–	232,385	1,386,481	1,158,749
Supplies and other departmental expenses	5,129,566	–	5,593,071	10,722,637	9,175,646
Drugs:					
Provincial oncology drug program	34,666,451	–	–	34,666,451	29,235,446
Other	1,014,467	–	–	1,014,467	836,393
Referred-out services	3,869,681	–	155,663	4,025,344	3,742,871
	113,118,026	5,883,659	14,654,879	133,656,564	123,681,104
Excess (deficiency) of revenue over expenses before the undernoted	1,180,397	–	481,260	1,661,657	(882,344)
Investment income	494,241	–	161,787	656,028	442,527
Excess (deficiency) of revenue over expenses	1,674,638	–	643,047	2,317,685	(439,817)
Fund balances, beginning of year	3,954,897	160,449	9,649,378	13,764,724	14,204,541
Fund balances, end of year	$ 5,629,535	$ 160,449	$ 10,292,425	$ 16,082,409	$ 13,764,724

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

				2012	2011
	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	$ 1,674,638	$ –	$ 643,047	$ 2,317,685	$ (439,817)
Amortization of capital assets	–	5,883,659	204,135	6,087,794	6,992,715
Amortization of deferred contributions related to capital assets	–	(5,883,659)	–	(5,883,659)	(6,609,597)
Amortization of deferred contributions - expenses of future periods	–	–	–	–	(179,920)
Unrealized loss (gain) on investments	26,308	–	(6,692)	19,616	149,443
Change in non-cash operating working capital (note 17)	(2,417,491)	7,234	(3,394,431)	(5,804,688)	(10,040,308)
Increase in retirement entitlement obligations	454,546	–	–	454,546	348,008
	(261,999)	7,234	(2,553,941)	(2,808,706)	(9,779,476)
Investing activities:					
Inter-fund accounts	(2,188,270)	(565,575)	2,753,845	–	–
Additions to capital assets	–	(1,232,868)	(37,427)	(1,270,295)	(9,045,288)
Purchase of investments	(1,083,435)	–	(943,835)	(2,027,270)	(5,208,225)
Proceeds on disposal of investments	502,014	–	656,990	1,159,004	7,514,053
Change in investment classification	3,773,885	–	137,723	3,911,608	(4,006,394)
	1,004,194	(1,798,443)	2,567,296	1,773,047	(10,745,854)
Financing activities:					
Increase in restricted cash	(56,588)	–	–	(56,588)	(1,035,519)
Deferred contributions related to capital assets	–	1,370,509	–	1,370,509	14,039,574
Deferred contributions related to expenses of future periods	280,820	–	–	280,820	807,000
Transfer to deferred contributions related to capital assets	(420,700)	420,700	–	–	–
	(196,468)	1,791,209	–	1,594,741	13,811,055
Increase (decrease) in cash and short-term investments	545,727	–	13,355	559,082	(6,714,275)
Cash and short-term investments, beginning of year	2,277,174	–	784,957	3,062,131	9,776,406
Cash and short-term investments, end of year	$ 2,822,901	$ –	$ 798,312	$ 3,621,213	$ 3,062,131
Cash and short-term investments are comprised of:					
Cash	$ –	$ –	$ 3,599	$ 3,599	$ 1,903,127
Short-term investments	4,275,899	–	794,713	5,070,612	1,159,004
Bank indebtedness	(1,452,998)	–	–	(1,452,998)	–
	$ 2,822,901	$ –	$ 798,312	$ 3,621,213	$ 3,062,131
Supplementary cash flow information:					
Interest received	$ 494,073	$ –	$ 167,645	$ 661,718	$ 645,705

See accompanying notes to financial statements.

1. Purpose of the organization:

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

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

2. Significant accounting policies:

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

(a) Fund accounting:

The organization follows the deferral method of accounting for contributions.

The General Fund accounts for the organization's revenues and expenses related to program delivery and administrative activities. The organization has internally restricted $2,041,296 for future expansion.

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

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

(b) Revenue recognition:

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

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

2. Significant accounting policies (continued):

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

(c) Financial instruments:

All financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available for sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in investment income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The organization has designated cash, restricted cash, short-term investments and investments as held-for-trading; due from Manitoba Health, accounts receivable, vacation entitlements receivable, and retirement entitlement obligation receivable as loans and receivables; and accounts payable and accrued liabilities and due to Manitoba Health as other liabilities. The organization has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations and changes in fund balances as incurred.

The organization has elected to continue to apply the requirements of Section 3861, *Financial Instruments - Disclosure and Presentation* in place of Sections 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* as permitted for not-for-profit organizations.

(d) Investments:

Short-term and long-term investments (investments) are classified as held-for-trading and are carried at fair value. Fair value of investments is determined based on period end quoted market prices. Unrealized gains or losses on investments, representing the change in the difference between the fair value and the cost of investments at the beginning and end of each year, are reflected in investment income in the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution.

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

(f) Contributed services:

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

(g) Future employee benefits:

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

(h) Deferred contributions:

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

(i) Use of estimates:

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

3. Restricted cash:

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

4. Manitoba Health funding:

(a) In-globe funding:

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

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

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

(b) Out-of-globe funding:

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

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

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

4. Manitoba Health funding (continued):

At March 31, 2012, the organization had a balance of $617,624 (2011 - $6,883,645) payable to Manitoba Health, representing repayment of out-of-globe medical remuneration ($513,695) and capital interest ($103,929) and a balance of $4,628,756 (2011 - $6,681,205) receivable from Manitoba Health as follows:

	2012	2011
Provincial oncology drug program	$ 3,268,524	$ 4,799,154
Employee salary and benefits	837,863	450,144
Wait time funding	–	377,338
Colorectal screening program	–	343,844
Manitoba breast prostheses program	98,597	89,163
Other	299,653	497,443
Approved capital funding	124,119	124,119
	$ 4,628,756	$ 6,681,205

5. Accounts receivable:

	2012			2011
	General Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
CancerCare Manitoba Foundation Inc. (note 16)	$ –	$ 6,843,953	$ 6,843,953	$ 4,328,603
Province of Manitoba	–	300,201	300,201	–
Government of Canada	–	–	–	13,399
Winnipeg Regional Health Authority	–	750,142	750,142	316,122
University of Manitoba	–	222,591	222,591	20,100
University Medical Group	2,797,985	–	2,797,985	1,520,943
Other	131,392	941,434	1,072,826	1,545,651
	$ 2,929,377	$ 9,058,321	$ 11,987,698	$ 7,744,818

6. Retirement entitlement obligation receivable:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2012, based on an actuarial estimate, the retirement entitlement obligations are estimated to be approximately $5,127,100 (2011 - $4,672,554) for which the organization has recorded retirement entitlement obligations on the statement of financial position (note 15).

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

The fair value of the retirement entitlement obligation receivable from Manitoba Health approximates its carrying value as the interest component is comparable to current market rates.

7. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Capital Fund:				
Building	$ 62,492,298	$ 16,616,311	$ 45,875,987	$ 47,433,750
Equipment	45,105,416	27,461,574	17,643,842	20,736,870
	107,597,714	44,077,885	63,519,829	68,170,620
Clinical, Basic Research and Special Projects Fund:				
Equipment	2,815,956	2,445,686	370,270	536,978
	$ 110,413,670	$ 46,523,571	$ 63,890,099	$ 68,707,598

8. Deferred contributions:

(a) Expenses of future periods:

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

	2012	2011
Balance, beginning of year	$ 2,686,318	$ 2,757,477
Add amount received related to future periods	280,820	807,000
Less amounts transferred to deferred contributions - capital assets	(420,700)	(698,239)
Less amounts amortized to revenue	–	(179,920)
Balance, end of year	$ 2,546,438	$ 2,686,318

(b) Capital assets:

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

	2011	2011
Balance, beginning of year	$ 70,373,401	$ 62,245,185
Additional contributions received	1,370,509	14,039,574
Add amounts transferred from deferred contributions - expenses of future periods	420,700	698,239
Less amounts amortized to revenue	(5,883,659)	(6,609,597)
Balance, end of year	$ 66,280,951	$ 70,373,401

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

	2012	2011
Unamortized capital asset contributions used to purchase capital assets	$ 65,069,190	$ 69,343,329
Unspent contributions	1,211,761	1,030,072
	$ 66,280,951	$ 70,373,401

8. Deferred contributions (continued):

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

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

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

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

8. Deferred contributions (continued):

	2012	2011
6.25% maturing March 31, 2020, repayable in monthly installments of $76,754, plus interest	$ 7,368,421	$ 8,289,473
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly installments of $50,439, plus interest	6,002,193	6,607,456
4.80% maturing November 30, 2016, repayable in monthly installments of $50,000, plus interest	2,800,000	3,400,000
3.95% maturing November 30, 2025, repayable in monthly installments of $77,778, plus interest	12,755,556	13,688,889
	$ 28,926,170	$ 31,985,818

9. Invested in capital assets:

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

	2012	2011
Capital assets	$ 63,890,099	$ 68,707,598
Amounts financed by:		
Unamortized deferred contributions	(66,280,951)	(70,373,401)
Inter-fund accounts	2,928,805	2,363,230
Accounts payable and accrued liabilities	(7,234)	–
	$ 530,719	$ 697,427

9. Invested in capital assets (continued):

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

	2012	2011
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	$ 5,883,659	$ 6,609,597
Amortization of capital assets	(6,087,794)	(6,992,715)
	(204,135)	(383,118)
Invested in capital assets:		
Purchase of capital assets	1,270,295	9,045,288
Amounts funded by:		
Deferred contributions	(1,370,509)	(14,039,574)
Inter-fund balances	565,575	146,332
Amount transferred from deferred contributions - expenses of future periods	(420,700)	(698,239)
Accounts payable and accrued liabilities	(7,234)	5,689,408
	37,427	143,215
Total	$ (166,708)	$ (239,903)

10. Externally restricted fund balances:

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

	2012	2011
Restricted for research projects, education purposes and other specific purposes	$ 9,031,773	$ 8,385,950

11. Fair value of financial instruments:

The fair value of cash, restricted cash, due from Manitoba Health, accounts receivable, vacation entitlements receivable, accounts payable and accrued liabilities and due to Manitoba Health approximates their carrying value because of the relatively short period to maturity of the instruments. Investments disclosed in schedule 1 and 2 are recorded at fair value.

12. Commitments:

The Organization has a commitment for training and software and hardware support for purchased linear accelerators of US$2,007,825 at March 31, 2012 (2011 - US$2,539,948).

13. Contingencies - HIROC:

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

14. Economic dependence:

The organization received approximately 84 percent (2011 - 83 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

15. Employee future benefits:

(a) Retirement entitlement obligations:

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

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

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

15. Employee future benefits (continued):

(iii) retire at or after age 65; or

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

The organization undertook an actuarial valuation of the accrued retirement entitlements as at March 31, 2012. The significant actuarial assumptions adopted in measuring the organization’s accrued retirement entitlements include mortality, disability and withdrawal rates, a discount rate of 4.1 percent (2011 - 4.7 percent) and a rate of salary increase of 3.0 percent plus age-related merit/promotion scale (2011 - rate of salary increase of 3.5 percent plus age related merit/promotion scale). The actuarial valuation established the retirement entitlement obligations in the amount of $5,127,100 (2011 - $4,672,554) (note 6).

(b) Employee entitlements:

The cost of the organization’s vacation, overtime and statutory holiday entitlements is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. Manitoba Health provides funding for these employee benefits payable on an annual basis and this amount is reported as vacation entitlements receivable on the statement of financial position.

(c) Pension plans:

Most of the employees of the organization are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants’ Handbook, Section 3461.

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

15. Employee future benefits (continued):

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent actuarial valuation of the Plan as at December 31, 2010, reported that the Plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits. This deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

Actual contributions to the Plan made during the year by the organization on behalf of its employees amounted to $3,439,608 (2011 - $2,993,507) and are included in the statement of operations and changes in fund balances. Employer contribution rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE.

Some of the employees of the organization are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for organization employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the Civil Service Superannuation Plan by the organization and its employees. No contributions were made during 2012 or 2011 by the organization to the Civil Service Superannuation Plan on behalf of its employees.

16. CancerCare Manitoba Foundation Inc.:

The organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2012, net resources of CCMF Inc. amounted to $34,794,185 (2011 - $34,773,227), of which $16,296,459 (2011 - $16,863,518) are restricted contributions. CCMF Inc.'s purpose is to support the organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $4,395,203 (2011 - $5,361,007) to the organization which are recorded in grant revenue in the statement of operations and changes in fund balances. Unpaid grants from fiscal 2010 and prior years amount to $6,843,953 at March 31, 2012 (2011 - $4,328,603).

17. Change in non-cash operating working capital:

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

	2012	2011
General Fund		
Due from Manitoba Health	$ 2,052,449	$ (2,684,497)
Accounts receivable	(815,814)	533,974
Prepaid expenses	(175,811)	(146,121)
Vacation entitlements receivable	–	252,278
Accounts payable and accrued liabilities	2,787,706	(1,707,490)
Due to Manitoba Health	(6,266,021)	(341,869)
	(2,417,491)	(4,093,725)
Capital Fund		
Accounts payable and accrued liabilities	7,234	(5,689,408)
Clinical, Basic Research and Special Projects Fund		
Accounts receivable	(3,427,066)	(265,790)
Accounts payable and accrued liabilities	32,635	8,615
	(3,394,431)	(257,175)
	$ (5,804,688)	$ (10,040,308)

CANCERCARE MANITOBA

Short-Term Investments

Year ended March 31, 2012, with comparative figures for 2011

March 31, 2012

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

March 31, 2011

Description	Interest rate %	Maturity date MM-DD-YYYY		Net cost		Fair value
General Fund:						
Municipal	4.125%	05-25-2011	$	502,750	$	502,014
Total short-term investments - General Fund			$	502,750	$	502,014
Special Projects Fund:						
Municipal	4.20%	02-16-2012	$	155,001	$	153,214
Corporate	5.75%	06-01-2011		528,534		503,776
Total short-term investments - Special Projects Fund			$	683,535	$	656,990

CANCERCARE MANITOBA

Schedule of Investments

Year ended March 31, 2012, with comparative figures for 2011

March 31, 2012

Par value	Description	Interest rate %	Maturity date MM-DD-YYYY	Net cost	Fair value
General Fund:					
Bonds:					
$ 3,122,000	Provincial	2.75 to 4.80%	09-08-2014 to 09-08-2015	$ 3,189,724	$ 3,259,936
2,250,000	Corporate	2.70 to 5.20%	05-24-2013 to 03-11-2018	2,367,568	2,302,528
5,372,000				5,557,292	5,562,464
Deposit Notes:					
665,000	Corporate	2.65 to 3.43%	07-16-2014 to 11-08-2016	673,362	683,936
$ 6,037,000	Total investments - General Fund			$ 6,230,654	$ 6,246,400
Special Projects Fund:					
Bonds:					
$ 620,000	Provincial	4.30 to 5.05%	12-03-2013 to 12-03-2015	$ 660,422	$ 665,200
655,000	Municipal	3.00 to 4.90%	11-06-2013 to 12-01-2016	680,360	674,339
1,315,000	Corporate	3.36 to 5.48%	06-06-2013 to 04-02-2020	1,378,472	1,397,443
2,590,000				2,719,254	2,736,982
Deposit Notes:					
276,000	Corporate	3.10 to 4.56%	10-30-2013 to 03-02-2015	286,309	286,894
Medium Term Notes:					
150,000	Corporate	3.79%	11-03-2014	157,295	156,458
$ 3,016,000	Total investments - Special Project Fund			$ 3,162,858	$ 3,180,334

CANCERCARE MANITOBA

Schedule of Investments (continued)

Year ended March 31, 2012, with comparative figures for 2011

March 31, 2011

Par value	Description	Interest rate %	Maturity date MM-DD-YYYY	Net cost	Fair value
General Fund:					
Bonds:					
$ 5,740,000	Provincial	2.75 to 5.25%	12-02-2012 to 09-08-2015	$ 5,983,055	$ 5,912,012
2,944,000	Corporate	2.70 to 5.50%	06-10-2012 to 03-11-2018	3,084,392	3,045,377
8,684,000				9,067,447	8,957,389
Deposit Notes:					
500,000	Corporate	3.43%	07-16-2014	506,000	507,783
$ 9,184,000	Total investments - General Fund			$ 9,573,447	$ 9,465,172
Special Projects Fund:					
Bonds:					
$ 470,000	Provincial	5.05 to 5.25%	12-03-2012 to 12-03-2013	$ 495,412	$ 500,971
410,000	Municipal	3.00 to 4.90%	11-06-2013 to 12-02-2014	432,702	426,765
1,115,000	Corporate	2.40 to 6.25%	06-01-2011 to 04-02-2020	1,161,206	1,163,328
1,995,000				2,089,320	2,091,064
Deposit Notes:					
450,000	Corporate	4.03 to 5.18%	10-30-2013 to 06-10-2015	479,514	472,271
Medium Term Notes:					
450,000	Corporate	3.97 to 5.00%	11-13-2012 to 11-03-2014	470,710	461,185
$ 2,895,000	Total investments - Special Project Fund			$ 3,039,544	$ 3,024,520

BDO

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

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

Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Le Centre Culturel Franco-Manitobain** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 20, 2012

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash and bank	$	**33,562**	$	5,669
Grants receivable		**65,827**		103,093
Accounts receivable		**104,410**		97,345
Accounts receivable - Province of Manitoba (Note 3)		**25,891**		25,891
Inventory		**11,665**		5,664
Prepaid expenses		**21,282**		29,406
		262,637		267,068
Non-Current Assets				
Capital assets (Note 4)		**91,398**		62,526
	$	**354,035**	$	329,594
Liabilities and Fund Balances				
Current Liabilities				
Bank indebtedness (Note 5)	$	**-**	$	21,476
Accounts payable and accrued liabilities		**220,786**		184,690
Deferred revenue (Note 6)		**8,874**		11,524
Rental and damage deposits		**20,980**		21,305
		250,640		238,995
Deferred contributions related to capital assets (Note 7)		**60,147**		60,135
		310,787		299,130
Commitments (Note 8)				
Fund Balances				
Unrestricted Funds				
Operations		**99,354**		175,078
Cultural programs		**(97,357)**		(147,005)
Invested in capital assets		**31,251**		2,391
Internally Restricted Fund		**10,000**		-
		43,248		30,464
	$	**354,035**	$	329,594

Approved on behalf of the Board of Directors:

_______________________ Director

_______________________ Director

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

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

For the year ended March 31

	Operations	Cultural Programs	Invested in capital assets	Internally Restricted	2012 Total	2011 Total
Revenue						
Grants						
Province of Manitoba	$ 427,600	$ 125,000	$ 25,385	$ -	$ 577,985	$ 540,500
Government of Canada	-	223,943	-	-	223,943	281,235
Other	8,246	30,106	-	-	38,352	48,294
Amortization of deferred contributions	-	-	12,487	-	12,487	15,472
Hall rental sales	250,148	-	-	-	250,148	206,472
Cost recoveries and other	100,296	3,882	-	-	104,178	55,746
Rent (Note 10)	101,093	-	-	-	101,093	79,514
340 Provencher Blvd. project (Note 9)	-	83,600	-	-	83,600	-
Technical services	78,773	-	-	-	78,773	84,239
Admission fees	-	74,804	-	-	74,804	56,659
Sale of office supplies	14,939	-	-	-	14,939	16,477
Sponsorships and donations	600	8,750	-	-	9,350	7,925
Administration fees	5,619	-	-	-	5,619	9,372
Interest income	2,969	-	-	-	2,969	1,341
	990,283	550,085	37,872	-	1,578,240	1,403,246
Expenses						
Operations and cultural programs fund expenses (Note 12)	891,103	416,760	-	-	1,307,863	1,248,086
Hall rental	107,339	-	-	-	107,339	112,730
340 Provencher Blvd. project (Note 9)	-	83,677	-	-	83,677	-
Technical services	27,691	-	-	-	27,691	30,829
Capital fund expenses (Note 11)	-	-	25,385	-	25,385	20,300
Amortization of capital assets	-	-	13,501	-	13,501	16,069
	1,026,133	500,437	38,886	-	1,565,456	1,428,014
Excess (deficiency) of revenue over expenses for the year	(35,850)	49,648	(1,014)	-	12,784	(24,768)
Fund balances, beginning of year	175,078	(147,005)	2,391	-	30,464	55,232
Interfund transfer	(39,874)	-	29,874	10,000	-	-
Fund balances, end of year	$ 99,354	$ (97,357)	$ 31,251	$ 10,000	$ 43,248	$ 30,464

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

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenses for the year	$	12,784	$	(24,768)
Amortization of capital assets		13,501		16,069
Amortization of deferred charges		-		766
Amortization of deferred contributions related to capital assets		(12,488)		(15,472)
Net change in non-cash working capital items				
Grants receivable		37,266		(17,524)
Accounts receivable		(7,065)		(12,268)
Inventory		(6,001)		932
Prepaid expenses		8,124		(4,633)
Accounts payable and accrued liabilities		36,096		(1,460,338)
Deferred revenue		(2,650)		190
Rental and damage deposits		(326)		10,830
		79,241		(1,506,216)
Cash Flows from Financing and Investing Activities				
Purchase of capital assets		(42,372)		(23,884)
Contributions related to capital assets		12,500		23,884
		(29,872)		-
Increase (decrease) in cash and bank for the year		49,369		(1,506,216)
Cash and bank (bank indebtedness), beginning of year		(15,807)		1,490,409
Cash and bank (bank indebtedness), end of year	$	33,562	$	(15,807)

Represented by				
Cash and bank	$	33,562	$	5,669
Bank indebtedness		-		(21,476)
	$	33,562	$	(15,807)

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

1. General Information

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

2. Accounting Policies

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants ("CICA") using the deferral method of accounting.

Revenue Recognition

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

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

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

Financial Instruments

The corporation's financial instruments consist of cash and bank, grants receivable, accounts receivable, accounts receivable - Province of Manitoba, bank indebtedness, and accounts payable and accrued liabilities.

All transactions related to financial instruments are recorded on a settlement date basis.

2. Accounting Policies (continued)

Financial Instruments (continued)

The corporation has designated its financial instruments as follows:

Cash and bank and bank indebtedness are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in the statement of operations and changes in fund balance.

Grants receivable, accounts receivable and accounts receivable - Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Inventory

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

Capital Assets

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

Technical equipment	20%
Computer equipment	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

Use of Building

The use of the building is accounted for as described in Note 10.

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.

2. Accounting Policies (continued)

New Accounting Pronouncements

In December 2010, the Accounting Standards Board ("AcSB") and Public Sector Accounting Board ("PSAB") issued new standards for not-for-profit organizations ("NPOs"). Government (public sector) NPOs have a choice of Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes or Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current CICA Handbook – Accounting Part V – Pre-Changeover Standards.

3. Vacation Pay Receivable

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

4. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Technical equipment	**$ 190,335**	**$ 156,458**	$ 190,335	$ 147,989
Computer equipment	**131,973**	**125,253**	126,973	124,516
Kitchen equipment	**14,107**	**12,420**	14,107	11,999
Cash registers	**8,999**	**5,097**	5,200	5,072
Furniture and fixtures	**49,235**	**14,101**	16,735	12,772
Security system	**30,420**	**24,194**	30,420	22,638
Maintenance equipment	**27,484**	**23,632**	26,411	22,669
	$ 452,553	**$ 361,155**	$ 410,181	$ 347,655
Net book value		**$ 91,398**		$ 62,526

5. Bank Indebtedness

The corporation has a line of credit with Caisse Groupe Financier Ltée for a maximum of $100,000 bearing interest at prime (3.25% at March 31, 2012). The line of credit is secured by a general security agreement. At March 31, 2012, the line of credit has a balance of $Nil ($Nil at March 31, 2011) before deduction of outstanding cheques.

6. Deferred Revenue

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

	2012	2011
Balance, beginning of year	$ 11,524	$ 11,334
Grants and other amounts received during the year		
Province of Manitoba	552,600	515,200
Province of Manitoba - Capital	37,885	49,269
Government of Canada	223,943	309,233
Other	119,302	45,784
Less amounts recognized as revenue during the year		
Cultural programs	(462,649)	(399,702)
Operations Fund	(435,846)	(470,325)
Capital Fund (Note 11)	(25,385)	(25,385)
Transfer to capital assets (Note 7)	(12,500)	(23,884)
Balance, end of year	$ 8,874	$ 11,524

7. Deferred Contributions Related to Capital Assets

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

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

	2012	2011
Balance, beginning of year	$ 60,135	$ 51,723
Transfer from deferred revenue	12,500	23,884
Amount amortized to revenue	(12,488)	(15,472)
Balance, end of year	$ 60,147	$ 60,135

8. Commitments

The corporation has a joint line of credit with Le Cercle Molière with a maximum of $400,000 bearing interest at prime plus 0.5% (3.75% at March 31, 2012). The line of credit will provide temporary financing to reimburse costs related to preliminary stages of Le Cercle Molière theatre construction. The line of credit is secured by a general security agreement. At March 31, 2012, the line of credit was unutilized.

9. 340 Provencher Blvd. Project

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

Revenue	
Canadian Heritage - Strategic Funds	$ 80,600
Cercle Molière	3,000
	83,600
Expenses	
Professional fees	33,440
Advertising and promotion	25,163
Technology	11,379
Material Resources	5,143
Administrative expenses	5,000
Translation	1,952
Salaries	1,600
	83,677
Deficiency of revenue over expenses	$ (77)

10. Use of Building

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

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

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

11. Capital Fund Expenses

	2012	2011
Repairs and maintenance	$ 25,385	$ 20,300

12. Operations and Cultural Programs Fund Expenses

	2012			2011
	Operations	Cultural Programs	Total	Total
Salaries and benefits	$ 438,572	$ 204,330	$ 642,902	$ 620,699
Employment and other contracts	51,900	118,606	170,506	177,458
Repairs and maintenance	128,329	4,497	132,826	71,223
Utilities	121,010	-	121,010	91,336
Meetings and travel	4,575	40,199	44,774	27,163
Insurance and permits	31,113	6,013	37,126	27,492
Telephone and office expenses	24,872	8,791	33,663	29,339
Service contracts	32,107	-	32,107	36,692
Professional and consulting fees	29,093	1,963	31,056	53,588
Advertising and promotion	1,061	16,334	17,395	36,279
Bad debts	14,699	-	14,699	-
Supplies	-	10,639	10,639	15,055
Other expenses	1,832	5,388	7,220	54,787
Computer and technology	6,816	-	6,816	2,817
Bank charges and interest	5,124	-	5,124	4,158
	$ 891,103	$ 416,760	$ 1,307,863	$ 1,248,086

13. Financial Risk Management

The corporation is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The corporation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the corporation's activities.

Credit Risk

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

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

	2012	2011
Grants receivable	$ 65,827	$ 103,093
Accounts receivable	104,410	97,345
Accounts receivable - Province of Manitoba	25,891	25,891
	$ 196,128	$ 226,329

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

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

Market Risk

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

13. Financial Risk Management (continued)

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

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

Fair Value

The carrying values of cash and bank, bank indebtedness, grants receivable, accounts receivable, accounts receivable - Province of Manitoba and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

14. Capital Management

The corporation considers its capital to be comprised of its Fund Balances Invested in Capital Assets in the amount of $31,251 ($2,391 in 2011) and its Unrestricted Fund Balances, which include its Operations Fund totalling $99,354 ($175,078 in 2011) and Cultural Programs Fund totalling $(97,357) ($(147,005) in 2011). There have been no changes to what the corporation considers to be its capital since the previous period.

The Board's capital management policy is to maintain sufficient capital to cover its costs of operations and to meet its objectives. As a not-for-profit entity, the corporation's operations are reliant on revenues generated annually. The corporation has accumulated unrestricted funds over its history, which are included in the Operations fund in the Statement of Operations and Changes in Fund Balances. A portion of the accumulated unrestricted 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 remaining unrestricted funds are available for the use of the corporation at the Board's discretion.

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

Unrestricted Funds

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

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

14. Capital Management (continued)

Restricted Funds

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

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

15. Economic Dependence

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

16. Comparative Balances

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

Tel/Tél.: 204 956 7200
Fax/Téléc.: 204 926 7201
Toll-free/Sans frais: 800 268 3337
www.bdo.ca

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

Independent Auditor's Report

To the Directors of COMMUNITIES ECONOMIC DEVELOPMENT FUND

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

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 10, 2012

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash	$	**257,865**	$	13,201
Trust deposits - Province of Manitoba		**1,997,834**		954,057
Due from the Province of Manitoba (Note 2)		**3,187,151**		2,641,918
Accounts receivable		**104,851**		86,219
Property held for resale		**4,425**		4,425
Prepaid expenses		**3,404**		5,804
		5,555,530		3,705,624
Loans receivable (Note 3)		**19,967,408**		20,796,710
Capital assets (Note 4)		**985,447**		1,006,357
	$	**26,508,385**	$	25,508,691
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,083,853**	$	864,625
Funds held in trust		**-**		297,464
Deferred contributions (Note 5)		**199,672**		199,672
Interest payable to the Province of Manitoba		**388,997**		395,280
		1,672,522		1,757,041
Accrued pension liability (Note 6)		**2,456,041**		2,289,950
Advance by the Province of Manitoba (Note 7)		**22,379,822**		21,461,700
Commitments and contingency (Note 8)				
	$	**26,508,385**	$	25,508,691

Approved on behalf of the Board of Directors:

_______________________ Director

_______________________ Director

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

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Loan interest		
Business program	**$ 721,599**	$ 851,149
Fisheries program	**764,625**	855,424
Investment income	**50,030**	23,282
	1,536,254	1,729,855
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	**428,850**	478,813
Fisheries program	**384,148**	425,777
Life insurance	**105,228**	79,566
Trust line of credit	**44,301**	40,425
Other -	**37**	159
	962,564	1,024,740
Gross margin	**573,690**	705,115
Operating expenditures (see schedule)	**1,667,652**	1,753,186
	(1,093,962)	(1,048,071)
Other Revenue		
Administration fees	**158,173**	133,959
Deficiency of revenue over expenditures before provision for doubtful loans	**(935,789)**	(914,112)
Provision for Doubtful Loans		
Regular operations	**533,666**	555,100
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	**(1,469,455)**	(1,469,212)
Subsidy due from the Province of Manitoba	**1,469,455**	1,469,212
Excess of revenue over expenditures for the year	**$ -**	$ -

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

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	**$ (1,469,455)**	$ (1,469,212)
Adjustments for non-cash items		
Amortization of capital assets	**27,348**	29,206
Provision for doubtful loans	**533,666**	555,100
	(908,441)	(884,906)
Net changes in work capital balances		
Accounts receivable	**(18,632)**	2,719
Prepaid expenses	**2,400**	674
Accounts payable and accrued liabilities	**219,228**	367,066
Funds held in trust	**(297,464)**	(182,124)
Deferred contributions	**-**	(328)
Interest payable to the Province of Manitoba	**(6,283)**	(80,575)
Accrued pension liability	**166,091**	142,804
	(843,101)	(634,670)
Cash Flows from Financing Activities		
Net decrease in amounts due from the Province of Manitoba	**(545,233)**	(310,809)
Net increase (decrease) in Advance by the Province of Manitoba	**918,122**	(847,439)
Subsidy due from the Province of Manitoba	**1,469,455**	1,469,212
	1,842,344	310,964
Cash Flows from Investing Activities		
Loans receivable, net of repayments	**295,636**	416,829
Acquisition of capital assets	**(6,438)**	(3,322)
	289,198	413,507
Net increase in cash and cash equivalents	**1,288,441**	89,801
Cash and cash equivalents, beginning of year	**967,258**	877,457
Cash and cash equivalents, end of year	**$ 2,255,699**	$ 967,258
Represented by		
Cash	**$ 257,865**	$ 13,201
Trust deposits - Province of Manitoba	**1,997,834**	954,057
	$ 2,255,699	$ 967,258
Supplementary Information		
Interest paid	**$ (913,901)**	$ (1,077,187)
Interest received	**1,313,127**	1,458,951

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

Revenue Recognition

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

Investment revenue is recorded on an accrual basis.

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

Financial Instruments

The Fund recognizes and measures financial assets and financial liabilities on the Statement of Financial Position when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or other financial liabilities.

The Fund classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liabilities	Category	Measurement
Cash	Held for trading	Fair value
Trust deposits	Held for trading	Fair value
Due from the Province of Manitoba	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Funds held in trust	Other financial liabilities	Amortized cost
Interest payable to the Province of Manitoba	Other financial liabilities	Amortized cost
Accrued pension liability	Other financial liabilities	Amortized cost
Advance by the Province of Manitoba	Other financial liabilities	Amortized cost

Held for trading items are carried at fair value, with changes in their fair value recognized in the Statement of Operations.

Financial Instruments (continued)

Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other financial liabilities are carried at amortized cost, using the effective interest method.

Transaction costs for financial instruments are expensed as incurred.

Allowance for Doubtful Loans

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

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

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

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

Capital Assets

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

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

Use of Estimates and Measurement Uncertainty

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Significant estimates are involved in the valuation of loans receivable. Actual results may differ from those estimates.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and Public Sector Accounting Board (the "Boards") issued new standards for not-for-profit organizations (NPOs) whereby public sector NPOs have a choice of Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes, or Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

The Fund anticipates adopting Public Sector Accounting Standards with NPO-specific standards for its March 31, 2013 year end.

1. Nature of the Fund

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

2. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $3,187,151 ($2,641,918 in 2011) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2012	2011
Department of Aboriginal and Northern Affairs		
Subsidy, refundable	**$ (66,249)**	$ (178,731)
Order in Council pending	**731,959**	465,299
Pension, unfunded	**2,435,729**	2,269,098
Pension, funded	**20,312**	20,852
Severance accrual, unfunded	**65,400**	65,400
	$ 3,187,151	$ 2,641,918

3. Loans Receivable

Loans receivable by program are as follows:

	2012	2011
Business Loans Program		
Interest rates applied range from 5.00% to 6.60%		
Principal	**$ 10,625,433**	$ 10,968,871
Accrued interest	**1,185,848**	1,087,643
	11,811,281	12,056,514
Allowance for doubtful loans	**2,330,888**	2,271,285
Total Business Loans Program	**9,480,393**	9,785,229
Fisheries Loans Program		
Interest rates applied range from 4.25% to 6.25%		
Principal	**12,937,798**	13,323,841
Accrued interest	**1,180,314**	1,105,422
	14,118,112	14,429,263
Allowance for doubtful loans	**3,625,182**	3,417,782
Allowance for insurance	**5,915**	-
Total Fisheries Loans Program	**10,487,015**	11,011,481
Total Business and Fisheries Loans Programs	**$ 19,967,408**	$ 20,796,710

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

	2012		2011	
	Gross Loan Balances	**Total Allowance**	Gross Loan Balances	Total Allowance
Business Loans Program				
Impaired	**$ 3,467,801**	**$ 1,913,714**	$ 4,170,414	$ 1,876,980
Performing	**8,343,480**	**417,174**	7,886,100	394,305
	$ 11,811,281	**$ 2,330,888**	$ 12,056,514	$ 2,271,285
Fisheries Loans Program				
Impaired	**$ 3,625,182**	**$ 3,625,182**	$ 3,417,782	$ 3,417,782
Performing	**10,492,930**	**-**	11,011,481	-
	$ 14,118,112	**$ 3,625,182**	$ 14,429,263	$ 3,417,782

3. Loans Receivable (continued)

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

			2012	2011
	Specific	**Non-specific**	**Total**	Total
Business Loans Program				
Balance, beginning of year	**$ 1,876,980**	**$ 394,305**	**$ 2,271,285**	$ 2,167,479
Provision for the year	**303,395**	**22,869**	**326,264**	455,100
	2,180,375	**417,174**	**2,597,549**	2,622,579
Loans written-off	**(266,661)**	**-**	**(266,661)**	(351,294)
Balance, end of year	**$ 1,913,714**	**$ 417,174**	**$ 2,330,888**	$ 2,271,285

	2012	2011
Fisheries Loans Program		
Balance, beginning of year	**$ 3,417,782**	$ 3,360,732
Provision for the year	**207,400**	100,000
	3,625,182	3,460,732
Loans written-off	**-**	(42,950)
Balance, end of year	**$ 3,625,182**	$ 3,417,782

The provision for fisheries loans losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2012 by $Nil ($1,250 in 2011).

	2012	2011
Loan Loss Provision		
Per accounts	**$ 3,625,182**	$ 3,417,782
Per net present value calculation	**(3,625,182)**	(3,416,532)
	$ -	$ 1,250

4. Capital Assets

	2012			2011
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 92,482**	**$ -**	**$ 92,482**	$ 92,482
Building	**931,236**	**60,530**	**870,706**	889,330
Office furniture and equipment	**156,012**	**133,753**	**22,259**	24,545
Parking lot	**73,000**	**73,000**	**-**	-
Total	**$ 1,252,730**	**$ 267,283**	**$ 985,447**	$ 1,006,357

5. Deferred Contributions

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

6. Accrued Pension Liability

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the Fund's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2009 indicated the accrued liability is in line with the obligation forecast in the report.

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

	2012	2011
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**3.75**%	3.75%

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

7. Advance by the Province of Manitoba

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to The Loan Act, 2011. The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

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

	2012	2011
Business Loans Program		
Advances, beginning of year	**$ 13,812,216**	$ 14,756,358
Loan advances	**3,990,000**	3,207,171
Loan advance repayments	**(3,111,021)**	(4,151,313)
Advances, end of year	**14,691,195**	13,812,216
Unfunded allowance, beginning of year	**2,674,762**	2,219,584
Provision for doubtful loans	**326,264**	455,100
Loans written-off as approved by Order in Council	**(43,325)**	78
Unfunded allowance for doubtful loans, end of year	**2,957,701**	2,674,762
Net advances balance, end of year	**$ 11,733,494**	$ 11,137,454

	2012	2011
Fisheries Loans Program		
Advances, beginning of year	**$ 12,845,369**	$ 12,172,185
Loan advances	**2,980,000**	673,184
Loan repayments	**(2,428,094)**	-
Advances, end of year	**13,397,275**	12,845,369
Unfunded allowance for doubtful loans, beginning of year	**3,479,579**	3,379,579
Provision for doubtful loans	**207,402**	100,000
Unfunded allowance for doubtful loans, end of year	**3,686,981**	3,479,579
Net advances balance, end of year	**$ 9,710,294**	$ 9,365,790

7. Advance by the Province of Manitoba (continued)

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

	2012	2011
Business Loans Program	**$ 11,733,494**	$ 11,137,454
Fisheries Loans Program	**9,710,294**	9,365,790
Building mortgage	**936,034**	958,456
	$ 22,379,822	$ 21,461,700

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. The Fund has an authorized line of credit of $2,000,000 from the Province of Manitoba bearing interest at 2.25% which is fully utilized at year end. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 0.75%. At year end, the advances bore rates ranging from 2.05% to 5.50% with a weighted cost of capital of 2.96%.

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

2013	$ 7,495,278
2014	7,157,593
2015	4,899,429
2016	3,398,157
2017	2,808,251

8. Commitments and Contingency

Loan Commitments - Total undisbursed balances of approved loans are $1,319,949 at March 31, 2012 ($433,529 at March 31, 2011).

Lease Commitments - The Fund has entered into lease agreements for various office equipment. Lease expire in the fiscal years ending 2013 and 2016 with annual lease payments of $4,000 for 2013 and $1,160 for 2014 to 2016.

Contingency - The Fund has been named as a defendant in a statement of claim. At the time of approval of these financial statements, the outcome of this claim is not determinable and, accordingly, no provision for settlement, if any, has been recorded in these financial statements. Settlement amounts if any will be charged to operations in the year of settlement.

9. Loan Act Authority

Amounts authorized for advances under The Loan Act, 2011 are as follows:

	2012
Schedule A of The Loan Act, 2011	$ 10,849,900
Schedule B of The Loan Act, 2010	6,800,000
Direct loans	17,649,900
Authority used	6,970,000
Unused Loan Act capital available	$ 10,679,900

10. Economic Dependence

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

11. Capital Management

The Fund considers its capital to be comprised of advances by the Province of Manitoba which is unchanged from the previous years. The Fund manages its capital to ensure it retains sufficient cash resources to enable it to carry out its strategic plan. The Fund endeavours to manage its subsidy from the Province of Manitoba within $1,500,000 on an annual basis.

12. Financial Instrument Risk Management and Exposures

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

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

Credit Risk

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

12. Financial Instrument Risk Management and Exposures (continued)

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's and business' ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements is $19,967,408 ($20,796,710 in 2011).

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds $21,965,242 ($21,750,767 in 2011) in interest bearing deposits and loans receivable at March 31, 2012. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis based on its weighted average cost of capital.

Liquidity Risk

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

Fair Value

The carrying values of cash, trust deposits, amounts due from the Province of Manitoba, accounts receivable and accounts payable and accrued liabilities and interest payable to the Province of Manitoba approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Management uses its best estimate to determine fair value of loans receivable. Factors considered in the determination of fair value include underlying collateral value, market conditions, financial data and financial projections prepared by the borrower. In many circumstances, the fair value of specific loans receivable are not practicable to determine due to limited availability of comparable market information, and the uncertainly of the timing of the loan repayments.

The carrying value of the accrued pension liability approximates the fair value as an annual calculation and update of the liability is done.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Schedule of Operating Expenditures

For the year ended March 31	2012	2011
Amortization of capital assets	$ 27,348	$ 29,206
Collection costs	45,797	80,058
Communications	35,415	39,350
Credit reports	2,234	2,370
Directors' fees and expenses	59,589	64,294
Government vehicles	27,733	25,657
Insurance	6,944	6,707
Legal costs	28,673	32,947
MAFRI	87,975	91,663
Mortgage interest	49,967	50,975
Office supplies and expenses	43,860	32,788
Pension	211,106	207,852
Professional fees	28,829	25,379
Rent and utilities	28,334	27,908
Repairs and maintenance	11,840	11,990
Salaries and benefits	922,159	968,757
Sundry	14,465	17,612
Travel	35,384	37,673
	$ 1,667,652	$ 1,753,186

Housing and Community Development

The Co-operative Loans and Loans
Guarantee Board
203-280 Broadway
Winnipeg MB R3C 0R8

August 30, 2012

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31, 2012, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule of Loan Guarantees.

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

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

Original signed by Joy Cramer

Joy Cramer,
Chairperson

Manitoba
spirited energy

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying schedule of loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Schedule

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the schedule presents fairly, in all material respects, the loan guarantee transactions of Co-operative Loans and Loans Guarantee Board as at March 31, 2012 in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General
August 30, 2012
Winnipeg, Manitoba

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

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2012

	Loan Guarantees at March 31, 2011 $	Additions $	Cancellations $	Loans Guarantees at March 31, 2012 $
Loan Guarantees: (Note 3)				
Organic Producers Association of Manitoba Co-op Inc.	85,000		34,000	51,000
Founding Nations of Manitoba Tribal Village/Artisans Co-op	16,800		16,800	-
	101,800	-	50,800	51,000

Approved by the Board:

Original Signed by Joy Cramer Chairperson

Original signed by Craig Marchinko Secretary

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2012

1. Nature of Operations

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

2. Significant Accounting Policies

a) **General**
This schedule is prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit entities.

b) **Future Accounting Changes**
Effective April 1, 2012 the Board will be adopting government not-for-profit standards issued by the Public Sector Accounting Board (PSAB). The Board is currently in the process of quantifying the impact these changes will have on its financial position.

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

d) In the event of a default on a loan guarantee, the Province of Manitoba is responsible for the payout of the guaranteed amount.

3. Loan Guarantees

a) Organic Producers Association of Manitoba Co-op Inc.

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

b) Founding Nations of Manitoba Tribal Village/Artisans Co-op.

On February 16, 2010, the Board approved a maximum of $45,000 loan guarantee. The Assiniboine Credit Union accepted the loan guarantee and signed an agreement with Founding Nations of Manitoba Tribal Village/Artisans Co-op dated April 22, 2010.

On April 13, 2011, the Lender advised that the loan had not been repaid. The amount agreed to be paid by the Board, was paid out on May 12, 2011 ($16,786, which includes interest).

The Board and the Lender completed an Assignment Agreement on April 28, 2011 in consideration of the payment. The Assignor (Lender) assigned to the Government of Manitoba, as represented by the Co-operative Loans and Loans Guarantee Board, the debt of the new business operator (Co-op), the line of credit agreement, the promissory note and all its interests to the Assignee absolutely. The loan was recorded at nil for financial reporting purposes at March 31, 2012, as it was not deemed to be recoverable.

Subsequent to March 31, 2012 an amount of $455 was collected by the original lender on the Board's behalf and remitted to the Province on April 16, 2012. The Board determined that the Borrower was not in a position to pay off the remaining portion of the loan and the Board approved forgiveness of the outstanding loan balance of $16,331 on July 11, 2012.

4. Loan Act Authority

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

Authority	Outstanding Expenditure Authority
The Loan Act, 2011	
Guarantees	$3,500,000
Less: Amounts committed by the Board	51,000
	$3,449,000

5. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to The Co-operative Loans and Loans Guarantee Board members and of individual compensation paid to board members or staff where such compensation is $50,000 or more per year. For the period from April 1, 2011 to March 31, 2012, The Co-operative Loans and Loans Guarantee Board paid Board members an aggregate of $553 (2011 - $158). This amount is included in Note 6. No individuals received compensation of $50,000 or more.

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2012

6. Contributed Services

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff services for 2012 is estimated at $11,030 (2011 - $4,642) with another $20,810 (2011 - $20,086) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

The Cooperative Promotion Board
2nd Floor - 406 Edmonton
Winnipeg MB R3B 2M2

June 22, 2012

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2012, are the responsibility of management and have been approved by the Board. The financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in the Annual Report conforms to these financial statements.

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

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

Original signed by Cindy Coker
Cindy Coker

Chairperson of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying schedule of loan guarantee transactions of the Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Schedule

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the schedule presents fairly, in all material respects, the loan guarantee transactions of Co-operative Loans and Loans Guarantee Board as at March 31, 2012 in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General
August 30, 2012
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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THE COOPERATIVE PROMOTION BOARD

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	2012	2011
ASSETS		
General Account		
Current Assets		
Cash (Note 3)	$ 40,043	$ 84,762
Account Receivable	2,397	2,699
Prepaid Expenses	373	-
Investments (Note 4)	218,800	204,512
Total Current Assets	261,613	291,973
Total General Account	261,613	291,973
Commercial Fishing Account		
Current Assets		
Cash (Note 3)	74,158	73,235
Total Current Assets	74,158	73,235
Investment (Note 4)	555	544
Total Commercial Fishing Account	74,713	73,779
Total Assets	$ 336,326	$ 365,752
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable - General Account	$ -	$ 1,000
Fund Balances		
General Account - Contributed Capital	128,800	128,800
General Account	132,813	162,173
Commercial Fishing Account (Note 5)	74,713	73,779
	336,326	364,752
Total Liabilities and Fund Balances	$ 336,326	$ 365,752

Approved on behalf of the Board

Original signed by Cindy Coker _______________ Chairperson

Original Signed by Joy Goertzen _______________ Secretary

THE COOPERATIVE PROMOTION BOARD

GENERAL ACCOUNT
STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
Revenue		
Interest	$ 5,384	$ 5,615
Administrative expenses paid for by the Province of Manitoba (Note 2e)	22,858	24,658
Total Revenue	28,242	30,273
Expense		
Grants (Schedule 1)	29,610	28,796
General and Administrative		
Annual Report	1,359	1,543
Board Members' Remuneration	2,157	1,099
Board Members' Meals and Travel	1,809	1,920
Liability Insurance	789	1,032
Membership Fee	874	849
Miscellaneous	265	61
Professional Fees	3,410	3,449
Seminars & Workshops	1,048	-
Administrative Expenses (Note 2e)	16,281	15,837
Total General and Administrative	27,992	25,790
Total Expense	57,602	54,586
Excess of Expense over Revenue	(29,360)	(24,313)
Fund Balance, beginning of year	162,173	186,486
Fund Balance, end of year	$ 132,813	$ 162,173

THE COOPERATIVE PROMOTION BOARD

COMMERCIAL FISHING ACCOUNT
STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
Revenue		
Interest	$ 923	$ 582
Dividend	11	11
Total Revenue	934	593
Expense		
Miscellaneous	-	1
Total Expense	-	1
Excess of Revenue over Expense	934	592
Fund Balance, beginning of year	73,779	73,187
Fund Balance, end of year	$ 74,713	$ 73,779

THE COOPERATIVE PROMOTION BOARD

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2012

	General Account	Commercial Fishing Account	2012	2011
Excess of Revenue Over (Under) Expense	$ (29,360)	$ 934	$ (28,426)	$ (23,721)
Cash Flows from Operating Activities				
Changes in working capital balances				
(Increase)/Decrease in Accounts Receivable	302		302	(49)
(Increase)/Decrease in Prepaid Expenses	(373)		(373)	587
(Decrease)/Increase in Accounts Payable	(1,000)		(1,000)	(2,500)
Cash Flows from Investing Activities				
Purchase of GIC	(218,800)		(218,800)	(4,512)
Maturity of GIC	204,512		204,512	-
Dividend from ACU Shares		(11)	(11)	(11)
Increase/(Decrease) in Cash	(44,719)	923	(43,796)	(30,206)
Cash Balance at Beginning of the Year	84,762	73,235	157,997	188,203
Cash Balance at End of the Year	$ 40,043	$ 74,158	$ 114,201	$ 157,997
Supplementary Information:				
Interest Received	$ 5,685	$ 923	$ 6,608	$ 6,148

THE COOPERATIVE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED MARCH 31, 2012

1. Nature and Objectives of the Board

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

General Account

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

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

Commercial Fishing Account

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

2. Significant Accounting Policies

a) **General**
These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit entities.

b) **Future Accounting Changes**
Effective April 1, 2012 the Board will be adopting government not-for-profit standards issued by the Public Sector Accounting Board (PSAB). The Board is currently in the process of quantifying the impact these changes will have on its financial position.

c) **Financial Instruments**

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sales; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balance, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial instruments of the Board consist of cash, accounts receivable, investments and accounts payable.

The Board has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the redeemable nature of this financial asset, carrying value is considered to be fair value.

Investment held in the General Account is classified as financial assets held to maturity and is measured at amortized cost using the effective interest method. At March 31, 2012, the fair value of the investment approximates its carrying value due to its short period to maturity.

Investment held in the Commercial Fishing Account is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the lack of an active market, cost is considered to be fair value.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest method.

Accounts payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

It is management's opinion that the Board is not exposed to significant credit, liquidity, interest rate or foreign currency risk arising from these financial instruments.

The fair value of accounts receivable and accounts payable approximates their carrying values due to their short-term nature.

The Board continues to apply *Section 3861 Financial Instruments – Disclosure and Presentation*.

d) **Use of Estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

e) **Revenue Recognition**
Interest Revenue – Interest revenue earned from cash balances on hand and the Guaranteed Investment Certificate (GIC) are recorded on an accrual basis.

Administrative Expenses Paid for by the Province of Manitoba – The Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff for 2012 is estimated at $16,281 (2011-$15,837) with another $6,577 (2011-$8,821) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

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

3. Cash

General Account

The cash balance for the General Account includes $38,989 (2011-$84,592) held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 1.00% effective March 31, 2012. Interest is paid monthly.

Commercial Fishing Account

The cash balance for the Commercial Fishing Account is held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 1.25% effective March 31, 2012. Interest is paid monthly.

THE COOPERATIVE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED MARCH 31, 2012

4. Investments

General Account	2012	2011
Assiniboine Credit Union – Non-cashable GIC Term October 5, 2009 – October 5, 2011 Interest Rate 2.25%, compounded daily Interest paid annually		$204,512
Assiniboine Credit Union – Non-cashable GIC Term November 2, 2011 – November 1, 2012 Interest Rate 2.15%, compounded daily Interest paid annually	$128,800	
Assiniboine Credit Union – Non-cashable GIC Term November 2, 2011 – November 1, 2012 Interest Rate 2.15%, compounded daily Interest paid annually	$90,000	
	$218,800	$204,512

Commercial Fishing Account	2012	2011
Assiniboine Credit Union – Surplus Shares	$555	$544

5. Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2012 is $74,713 (2011 $73,779).

6. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Cooperative Promotion Board members and of individual compensation paid to board members or staff where such compensation is $50,000 or more per year. For the period of April 1, 2011 to March 31, 2012, the Cooperative Promotion Board paid Board members an aggregate of $2,157 and held four board meetings. No individuals received compensation of $50,000 or more.

7. Commitments

As of March 31, 2012, the Board has approved grants in the amount of $42,066, for which the grant applicants had not yet met the payment conditions. If the payment conditions relating to these grants are met in the future, the commitments will be funded by the General Account.

8. Capital Disclosures

The Board's objective when managing its capital is to maintain sufficient capital to cover its costs of operations. The Board's capital consists of Contributed Capital, the General Account Fund Balance as well as the Commercial Fishing Account Fund Balance.

The Board meets its capital objectives through interest revenue earned.

The Board is subject to externally imposed capital requirements as imposed by Section 4(6) of The Act. This Section requires that the Board maintain a minimum realizable value of $129,000, essentially the amount of the Contributed Capital. The Board complied with the externally imposed capital requirements during the year.

Schedule 1

THE COOPERATIVE PROMOTION BOARD

SCHEDULE OF GRANTS
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
General Account		
A Pyramid of Angels Health Care Worker Co-op	$ 2,925	$ -
Bed & Breakfast Marketing Co-op	500	-
Canadian CED Network	10,000	3,000
Canadian Worker Cooperative Federation	3,500	3,600
Conseil de Developpement Economique des Municipalites	-	5,000
Co-op Ventures Worker Co-op	700	3,000
CoopZone	-	800
Manitoba Cooperative Association Inc.	1,500	4,000
Manitoba Organic Marketplace Trade Association Co-op	800	-
Par IT	2,600	-
Parkland Agricultural Resource Co-op	3,600	-
Pollock's Hardware Co-op	-	5,000
S E E D Winnipeg Inc.	-	2,400
South Osborne Community Cooperative	1,246	-
University of Winnipeg - Summer Institute	1,239	-
Western Feed Grain Development Co-op Ltd	1,000	1,996
Total of Grants	$ 29,610	$ 28,796

Management's Report

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

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

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

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

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

On behalf of Council on Post-Secondary Education

_"Original Signed by Carlos Matias"_____
Carlos Matias
Acting Secretary/Chief Financial
Officer

July 13, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Council on Post-Secondary Education, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council on Post-Secondary Education as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations, the changes in its net financial assets, and its cash flows for the years ended March 31, 2012 and March 31, 2011, in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
July 13, 2012
Winnipeg, Manitoba

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

Council on Post-Secondary Education

Statement of Financial Position

	March 31, 2012	March 31, 2011	April 1, 2010
		(Note 2B)	(Note 2B)
FINANCIAL ASSETS			
Cash and cash equivalents	$ 371,370	$ 670,839	$ 633,473
Accounts receivable, Province of Manitoba	3,400,583	1,609,400	2,009,348
Loan Receivable, Province of Manitoba (Note 4)	1,308,018	1,240,006	1,235,663
Total Financial Assets	5,079,971	3,520,245	3,878,484
LIABILITIES			
Accounts payable and accrued liabilities	110,935	99,134	143,727
Grants Payable	3,368,952	1,837,400	2,293,629
Provision for employees' severance benefits (Note 7)	119,156	106,605	131,662
Provision for employer's share of employees' pension benefits (Note 8)	1,203,877	1,135,865	1,131,522
Total Liabilities	4,802,920	3,179,004	3,700,540
NET FINANCIAL ASSETS	277,051	341,241	177,944
NON-FINANCIAL ASSETS			
Prepaid Expenses	-	-	63,500
Tangible Capital Assets (Note 6)	41,729	48,302	46,278
Total Non-Financial Assets	41,729	48,302	109,778
ACCUMULATED SURPLUS	$ 318,780	$ 389,543	$ 287,722

Contractual Obligations (Note 9)

"Original signed by Curtis Nordman"
Dr. Curtis Nordman, Chair

"Original signed by Rex Masesar"
Rex Masesar, Vice-Chair

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

Statement of Operations
For the years ended March 31, 2012 and March 31, 2011

	Budget	2012	2011
			(Note 2B)
REVENUE			
Province of Manitoba grants:			
Department of Advanced Education & Literacy	$ 601,357,000	$ 589,424,151	$ 558,549,482
Other	-	2,196,474	2,026,331
Interest	-	4,906	2,979
Total Revenue	601,357,000	591,625,531	560,578,792
EXPENSES			
Operating grants	528,113,000	516,663,373	492,658,353
Support programs	1,691,000	1,864,628	1,765,367
College Expansion Initiative grants	42,060,000	40,890,074	34,612,421
Post-Secondary Strategic Initiatives	500,000	538,900	520,000
Equipment and Renovations grants	7,096,000	6,246,000	6,846,000
Capital grants	4,475,000	8,349,324	7,271,727
ACCESS grants	9,881,000	9,840,000	9,312,700
Inter-Provincial Training Agreements	6,130,000	5,633,646	5,278,234
Administrative and Other, Schedule 1	1,411,000	1,670,349	2,212,169
Total Expenses	601,357,000	591,696,294	560,476,971
ANNUAL SURPLUS (DEFICIT)	-	(70,763)	101,821
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	389,543	389,543	287,722
ACCUMULATED SURPLUS AT END OF YEAR	$ 389,543	$ 318,780	$ 389,543

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

Council on Post-Secondary Education

Statement of Change in Net Financial Assets
For the years ended March 31, 2012 and March 31, 2011

	Budget	2012	2011
			(Note 2B)
Annual surplus (deficit)	$ -	$ (70,763)	$ 101,821
Tangible Capital Assets			
Acquisition of tangible capital assets	-	-	(8,931)
Amortization of tangible capital assets	7,000	6,573	6,907
(Increase) decrease in Tangible Capital Assets	7,000	6,573	(2,024)
Other Non-Financial Assets			
Decrease in prepaid expenses	-	-	63,500
Net Acquisition of Other Non-Financial Assets	-	-	63,500
(Increase) decrease in net financial assets	7,000	(64,190)	163,297
Net financial assets at beginning of year	341,241	341,241	177,944
Net financial assets at end of year	$ 348,241	$ 277,051	$ 341,241

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

Council on Post-Secondary Education

Statement of Cash Flows
For the years ended March 31, 2012 and March 31, 2011

	2012	2011
		(Note 2B)
Cash provided by (used in)		
Operating Activities		
Net (deficit) surplus for the year	$ (70,763)	$ 101,821
Changes in non-cash items:		
Amortization	6,573	6,907
Prepaid Expenses	-	63,500
Accounts Receivable	(1,791,183)	399,948
Accounts Payable	11,801	(44,593)
Grants Payable	1,531,552	(456,229)
Cash provided by (used in) operating activities	(312,020)	71,354
Capital Activities		
Acquisition of tangible capital assets	-	(8,931)
Cash used in capital activities	-	(8,931)
Financing Activities		
Loan Receivable - Province of Manitoba	(68,012)	(4,343)
Provision for Employees' Severance Benefits	12,551	(25,057)
Provision for Employer's Share of Employees' Pension Benefits	68,012	4,343
Cash provided by (used in) financing activities	12,551	(25,057)
Increase (decrease) in cash and cash equivalents	(299,469)	37,366
Cash and cash equivalents, beginning of year	670,839	633,473
Cash and cash equivalents, end of year	$ 371,370	$ 670,839

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

The Council on Post-Secondary Education

Schedule 1 - Administrative and Other Expenditures for the years ended March 31, 2012 and March 31, 2011

	2012	2011
Amortization	$ 6,573	$ 6,907
Automobile and travelling	23,347	30,523
Computer operating & lease costs	60,323	60,894
Course and membership fees	8,880	10,107
Furniture and equipment	-	2,782
Labour Market - Bridge Programs	158,728	765,917
Meetings - Council	3,559	3,605
Miscellaneous grants	5,427	20,029
Office rental	116,907	112,841
Postage and telephone	18,046	18,161
Printing and stationery supplies	17,349	21,093
Professional fees	39,244	39,849
Program for the International Assessment of Adult Competencies	-	60,000
Remuneration of Council members	37,643	40,704
Salaries and employee benefits	1,110,749	976,831
Subscriptions and books	1,375	1,083
Sundry	62,199	40,843
Total administrative and other expenditures	$ 1,670,349	$ 2,212,169

Notes to Financial Statements
for the years ended March 31, 2012 and March 31, 2011

1. Nature of Operations

The Council on Post-Secondary Education (COPSE) was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

On April 11, 2006, Treasury Board authorized the reorganization of the Council on Post-Secondary Education Secretariat. This included the integration of the College Expansion Initiative into the Council on Post-Secondary Education Secretariat.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

B. Conversion to Public Sector Accounting Standards

Commencing with the 2011/12 fiscal year, the Council on Post-Secondary Education has adopted Canadian public sector accounting standards. These financial statements are the first financial statements that the Council on Post-Secondary Education has applied Canadian public sector accounting standards. The Council has early adopted the accounting standards contained in section PS 1201 – *Financial statement presentation,* section PS 3410 – *Government transfers*, section PS 2601 – *Foreign currency translation* and section PS 3450 – *Financial instruments* in the preparation of these financial statements.

There is no impact on the opening balances as at April 1, 2010 or the balances for the year ended March 31, 2011, as previously reported, as a result of the conversion to Canadian public sector accounting standards.

C. Financial Instruments

Financial Instruments consist of cash and cash equivalents, accounts receivable, loan receivable, accounts payable and accrued liabilities and grants payable. The loan receivable is measured at amortized cost using the effective interest rate method; all other financial assets and financial liabilities are measured at cost. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

D. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

E. Grant Expense

Operating, support program, college expansion initiative, access, and strategic initiatives grants reflect payments/payables to Manitoba universities and community colleges for their annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

Equipment and renovation grants are provided to Manitoba universities and community colleges based on the cash flow requirements of those institutions.

F. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation is recorded based on the Council's best estimates. The liability for severance benefits is based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are amortized over the expected average remaining service life of employees (EARSL). EARSL is estimated at 15 years.

G. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are amortized over the expected average remaining service life of employees (EARSL). EARSL is estimated at 15 years.

H. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Amortization is provided on a straight-line basis over the assets' estimated useful lives, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Office Equipment	10 years
Computer Equipment	4 years

I. Measurement Uncertainty

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

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

1. Change in Accounting Policy

The Council changed its accounting policy for the amortization of actuarial gains and losses related to the provisions for the employer's share of employees' pension benefits and employee severance benefits from recognition in the year incurred to amortization over the expected average remaining service life of employees. This change was applied prospectively in 2011/12. As a result of this change, the expense and liability for severance benefits increased $26,715 and for pension benefits decreased $17,845 in the current year.

2. Loan Receivable – Province of Manitoba

The loan receivable from the Province of Manitoba represents the following recoverable amounts.

	2012	2011
Severance Pay	$ 104,141	$ 104,141
Pension	1,203,877	1,135,865
	$ 1,308,018	$ 1,240,006

The amount recorded as a receivable from the Province for funding of the severance pay liability was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance pay liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The Province has accepted responsibility for providing the funding for the Council's pension liability and related expense which includes an interest component. The Council has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability of $1,203,877 (2011 - $1,135,865) and has recorded revenue for the year ended March 31, 2012 equal to its pension expense of $126,809 (2011 - $65,666). The Province will make payments on the receivable when it is determined that the cash is required to discharge the related pension obligations.

3. Risk Management

Interest Rate and Foreign Currency Risk

The Council's exposure to interest rate risk is considered low because of the short-term nature of its cash equivalents and accounts receivable. The majority of the balance of the loan receivable is not subject to interest rate risk because it is derived from the provision for employer's share of employees' pension benefits.

The Council is not exposed to foreign currency risk as it has no foreign currency denominated financial instruments.

Credit Risk

Credit risk is the risk of potential loss to the Council if a counterparty to a financial instrument fails to discharge an obligation. The Council's credit risk is primarily attributable to its cash, cash equivalents, accounts receivable and loan receivable. The credit risk on cash and cash equivalents is considered low as the counterparty is a high credit quality institution. The credit risk on accounts receivable and the loan receivable is considered low because the counterparty is the Province of Manitoba.

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

	Carrying Amount	
	2012	**2011**
Financial Assets		
Cash and cash equivalents	$371,370	$670,839
Loans and Receivables:		
Accounts Receivable	3,400,583	1,609,400
Loan Receivable – Province of Manitoba	1,308,018	1,240,006
	$5,079,971	$3,520,245

6. Tangible Capital Assets

	2012		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 64,482	$ 53,037	$ 11,445
Leasehold Improvements	33,580	8,132	25,448
Office Equipment	12,810	10,737	2,073
Computer Equipment	29,598	26,835	2,763
	$ 140,470	$ 98,741	$ 41,729

	2011		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 64,482	$ 51,496	$ 12,986
Leasehold Improvements	33,580	4,774	28,806
Office Equipment	12,810	10,414	2,396
Computer Equipment	29,598	25,484	4,114
	$ 140,470	$ 92,168	$ 48,302

7. Provision for Employees' Severance Benefits

	2012	2011
Balance at beginning of year	$ 106,605	$ 131,662
Unamortized actuarial gains	26,715	-
Actuarial (gain)	(28,623)	(8,569)
Benefits accrued	7,530	8,001
Interest accrued on obligations	6,929	7,511
Benefits paid	-	(32,000)
Balance at end of year	$ 119,156	$ 106,605

Severance Benefit Expense

	2012	2011
Current service costs	$ 7,530	$ 7,511
Interest costs	6,929	8,001
Amortization of actuarial gains	(1,908)	(8,569)
Total	$ 12,551	$ 6,943

An actuarial valuation of the severance obligations as at March 31, 2011 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used in that valuation were a discount rate of 6.0%, inflation rate of 2.0% and salary rate increases of 2.75%. The liability has been extrapolated to March 31, 2012 using a formula provided by the actuary. The next actuarial valuation will be as at March 31, 2014.

8. Provision for Employer's Share of Employees' Pension Benefits

	2012	2011
Balance at beginning of year	$ 1,135,865	$ 1,131,522
Unamortized actuarial losses	(17,845)	-
Actuarial loss (gain)	19,120	(49,646)
Benefits accrued	49,866	44,680
Interest accrued on obligations	75,668	70,632
Benefits paid	(58,797)	(61,323)
Balance at end of year	$ 1,203,877	1,135,865

Pension Benefit Expense

	2012	2011
Current service costs, net of employee contributions	$ 49,866	$ 44,680
Interest costs	75,668	70,632
Amortization of actuarial losses (gains)	1,275	(49,646)
Pension Benefit Expense	$ 126,809	$ 65,666

An actuarial valuation of the pension obligations as at December 31, 2010 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used in that valuation were a discount rate of 6.0%, inflation rate of 2.0%, salary rate increases of 2.75% and post retirement indexing at 2/3 of the inflation rate. The liability has been extrapolated to March 31, 2012 using a formula provided by the actuary. The next actuarial valuation will be as at December 31, 2012.

9. Contractual Obligations

The Council on Post-Secondary Education has approved funding of $307,600 for various new programs and system restructuring which will be provided over fiscal years 2012/13 to 2015/16.

10. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

11. <u>Budget Figures</u>

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Council.

BDO

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

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

Independent Auditor's Report

To the Members of
CROWN CORPORATIONS COUNCIL

We have audited the accompanying financial statements of Crown Corporations Council, which comprise the balance sheet as at December 31, 2011, and the statement of changes in net assets and statement of income for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Corporations Council as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
April 10, 2012

CROWN CORPORATIONS COUNCIL

BALANCE SHEET

	December 31	
	2011	2010
ASSETS	(thousands of dollars)	
Current:		
Cash	**$ 689**	$ 578
Accounts receivable	**86**	9
	775	587
Capital assets (note 4)	**26**	32
	$ 801	$ 619
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	**$ 145**	$ 115
Levies received in advance	**177**	76
Due to Manitoba Crown corporations (note 3)	**232**	217
	554	408
Retirement allowances and other benefits payable (notes 2 (f) and 5)	**148**	179
	702	587
Net Assets		
Net investment in capital assets	**26**	32
Director Training program	**73**	-
	99	32
	$ 801	$ 619

Approved by the Board

Chairman

Director

(see accompanying notes)

CROWN CORPORATIONS COUNCIL

STATEMENT OF CHANGES IN NET ASSETS

	Net investment in capital assets	Director Training program	December 31 2011	2010
			(thousands of dollars)	
Balance, beginning of year	$ 32	$ -	$ 32	$ -
Excess (deficiency) of income over expenses	(6)	73	67	32
Balance, end of year	$ 26	$ 73	$ 99	$ 32

(see accompanying notes)

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME

	December 31 2011	2010
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	**$ 797**	$ 802
Director Training program	**89**	-
Interest	**3**	1
	889	803
Expenses		
Salaries and benefits (notes 2 (f) and 5)	**505**	507
Professional fees	**93**	66
Rent	**84**	77
Board remuneration and expenses	**82**	83
Director Training program	**16**	-
Depreciation	**13**	7
Office supplies and printing	**9**	8
Communications	**7**	7
Professional development	**4**	3
Equipment, computer, maintenance	**3**	2
Industry conferences	**2**	-
Insurance and miscellaneous	**2**	2
Automobile expense	**1**	8
Travel	**1**	1
	822	771
Excess of income over expenses	**$ 67**	$ 32

(see accompanying notes)

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Financial Instruments

The Council utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit, liquidity, interest rate or currency risks arising from these financial instruments (Note 9).

All transactions related to financial instruments are recorded on a trade date basis.

The Council classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to Manitoba Crown Corporations	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transition costs are expensed as incurred.

b) Recoveries of expenses from Crown corporations

Council's ongoing general operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

c) Net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

d) Director Training program

The Director Training program for Manitoba Agencies, Boards and Commissions is funded through program-related recoveries. The reserve reflects funding from Government and recoveries from participants less related expenses. Funding from Government is recognized when received and recoveries from participants are recognized when services are provided.

e) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis over five years on the office furniture and equipment and over three years on the computer equipment.

f) Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $20,100 (2010 - $23,600).

In addition, a former employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

g) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

h) **New Accounting Pronouncements**

Accounting Standards for Not-for-Profit Organizations

In December 2010, the Accounting Standards Board and the Public Sector Accounting Board (the "Boards") issued new standards for not-for-profit organizations ("NPOs") as follows:

For government (private sector) NPOs, they have a choice of:

1. Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes; or
2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

3. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31 2011	2010
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$ 62	$ 62
Computer equipment	39	32
	$101	$ 94
Accumulated depreciation		
Office furniture and equipment	$ 52	$ 49
Computer equipment	23	13
	$ 75	$ 62
Net book value	$ 26	$ 32

5. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report for the retirement allowance was at December 31, 2008 and the most recent finalized and approved actuarial valuation report for the enhanced pension benefits was at December 31, 2009.

(a) Information about the Council's retirement allowance benefit plan is as follows:

(thousands of dollars)	2011 $	2010 $
Accrued benefit obligation		
Balance, beginning of year	**86**	77
Current service cost	**4**	4
Interest cost	**6**	5
Benefits paid	**(37)**	-
Experience gain on triennial adjustment	**-**	-
Accrued benefit obligation, December 31	**59**	86
Unamortized transitional amount, December 31	**-**	-
Accrued retirement allowance, December 31	**59**	86

The Council's retirement allowance expense consists of the following:

(thousands of dollars)	2011 $	2010 $
Current service costs	**4**	4
Interest cost	**6**	5
Accrued earned interest	**-**	-
Experience gain on triennial adjustment	**-**	-
Amortization of transitional amount	**-**	-
Total retirement allowance expense	**10**	9

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2011 %	2010 %
Benefit costs for the year ended December 31		
Discount rate	6.50	6.00
Rate of compensation increase	4.00	4.00

(b) Information about the Council's enhanced pension benefit plan is as follows:

(thousands of dollars)	2011 $	2010 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	**93**	77
Actuarial adjustment	**(4)**	3
Current service cost	**-**	8
Interest cost	**5**	5
Benefits paid	**(6)**	-
Experience gain on triennial adjustment	**-**	-
Accrued benefit obligation and accrued pension liability, Dec. 31	**88**	93

The Council's enhanced pension expense (income) consists of the following:

(thousands of dollars)	2011 $	2010 $
Current service costs	-	8
Interest cost	5	5
Experience gain on triennial adjustment	-	-
Employee contributions	-	(3)
Total enhanced pension expense	5	10

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2011 %	2010 %
Benefit costs for the year ended December 31		
Discount rate	**6.00**	6.00
Rate of compensation increase	**4.00**	4.00

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2016 to annual basic rental payments of approximately $46,508 and annual common area and operating costs of approximately $38,867.28.

The lease payments excluding annual common area and operating costs are estimated as follows:

Year	Base Rent
2012	$46,507.92
2013	46,507.92
2014	46,507.92
2015	46,507.92
2016	15,502.64
	$201,534.32

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

8. Capital management

The Council considers its capital to comprise its net investment in capital assets and the net assets of the Director Training program.

The Council manages its investment in capital assets to break even with the reserve reflecting funding of unamortized balance of capital assets owned by the Council. The Council manages the delivery of the Director Training program to break even with the reserve reflecting the related excess of income over expenses retained by the Council.

9. Financial risk management

The Council is exposed to different types of risk in the normal course of operations, including credit, liquidity and interest rate risk. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of accounts receivable. The Council is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due.

Liquidity Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Council's cash is held in short-term products. Thus, the Council is not exposed to significant interest rate risk.

Fair Value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to Manitoba Crown corporations approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

INDEPENDENT AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the accompanying financial statements of **Diagnostic Services of Manitoba Inc.** which comprise the statement of financial position as at March 31, 2012 and the statements of operations, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2012 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,
June 14, 2012.

Chartered Accountants

Diagnostic Services of Manitoba Inc.
Incorporated under the laws of Manitoba

STATEMENT OF FINANCIAL POSITION

[Expressed in thousands of dollars]

As at March 31

	2012 $	2011 $
ASSETS		
Current		
Cash and cash equivalents	**4,109**	1,028
Accounts receivable *[note 3]*	**15,105**	17,280
Prepaid expenses	**533**	1,157
Vacation pay recoverable from		
Manitoba Health	**619**	619
Regional Health Authorities of Manitoba	**903**	637
Total current assets	**21,269**	20,721
Capital assets, net *[note 4]*	**49,149**	79,241
Pre-retirement benefits recoverable *[note 5]*	**12,238**	11,953
	82,656	111,915
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness *[note 6]*	—	2,905
Accounts payable and accrued liabilities *[note 7]*	**10,429**	8,548
Current portion of obligations under capital lease *[note 8]*	**405**	451
Accrued vacation pay	**7,935**	7,324
Total current liabilities	**18,769**	19,228
Accrued pre-retirement benefits *[note 12[b]]*	**12,897**	12,674
Obligations under capital lease *[note 8]*	**647**	961
Deferred contributions *[note 9]*	**50,103**	78,847
Total liabilities	**82,416**	111,710
Commitments *[note 10]*		
Net assets	**240**	205
	82,656	111,915

See accompanying notes

On behalf of the Board:

Director Director

STATEMENT OF OPERATIONS

[Expressed in thousands of dollars]

Year ended March 31

	2012 $	2011 $
REVENUE		
Manitoba Health operating income	**24,969**	21,624
Recoveries from Regional Health Authorities	**108,658**	103,994
Revenue from non-resident out-patient services	**142**	93
Other recoveries	**122**	94
Recognition of deferred contributions *[note 9]*		
Capital - amortization	**8,073**	6,880
Expenses	**217**	261
Westman Lab deficit recoverable from Manitoba Health *[note 3]*	**515**	1,204
	142,696	134,150
EXPENSES		
Direct operating *[note 11]*	**134,521**	127,898
Amortization of capital assets	**8,140**	7,075
	142,661	134,973
Excess (deficiency) of expenses over revenue for the year	**35**	(823)

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF NET ASSETS

[Expressed in thousands of dollars]

Year ended March 31

	2012			
	Internally restricted for capital assets	**Unrestricted**	**Total**	**2011 Total**
	$	**$**	**$**	**$**
	[note 13]			
Net assets, beginning of year	**187**	**18**	**205**	1,028
Excess (deficiency) of expenses over revenue for the year	**(67)**	**102**	**35**	(823)
Net assets, end of year	**120**	**120**	**240**	205

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CASH FLOWS

[Expressed in thousands of dollars]

Year ended March 31

	2012	2011
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of expenses over revenue for the year	**35**	(823)
Add (deduct) items not involving cash		
Amortization of capital assets	**8,140**	7,075
Amortization of deferred contributions related to capital assets	**(8,073)**	(6,880)
Recognition of deferred contributions related to expenses	**(217)**	(261)
	(115)	(889)
Net change in non-cash working capital balances related to operations	**5,698**	(3,838)
Deferred contributions received - future expenses	**264**	912
Cash provided by (used in) operating activities	**5,847**	(3,815)
INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to capital assets	**(735)**	303
Acquisition of capital assets	**(14,970)**	(15,547)
Reallocation of capital asset costs *[note 4]*	**36,922**	—
Cash provided by (used in) investing activities	**21,217**	(15,244)
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**16,204**	14,882
Deferred contribution reallocated *[note 4]*	**(36,922)**	—
Increase (decrease) in bank indebtedness	**(2,905)**	2,905
Increase (decrease) in obligations under capital lease, net of repayments	**(360)**	358
Cash provided by (used in) financing activities	**(23,983)**	18,145
Net increase (decrease) in cash and cash equivalents during the year	**3,081**	(914)
Cash and cash equivalents, beginning of year	**1,028**	1,942
Cash and cash equivalents, end of year	**4,109**	1,028

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2012

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on December 20, 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing lab services throughout the Province of Manitoba, and imaging services within the rural environment.

Effective April 1, 2005, agreements were signed with 11 regional health authorities of Manitoba ["RHAs"] and seven non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and seven non-devolved facilities to commence the transition of all unionized staff, existing lab assets and contracts of the facilities to DSM. The agreement also outlined the services to be provided by DSM and that related costs are to be recovered from the RHAs and the Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 RHAs to transfer all unionized staff, existing assets and contracts of the lab facilities in the rural regions. Similar to the Winnipeg transition agreements, the services to be provided by DSM will be recovered from the RHAs. The staff transfers from Assiniboine and Churchill in April 2009 completed Stage IV transition.

Effective April 1, 2009, DSM entered into an agreement with Westman Regional Laboratory Services Inc. ["WRL"] and Brandon Regional Health Authority to assign the responsibilities to DSM with respect to the management and operation of laboratory services for the City of Brandon. As part of this transaction, DSM assumed net assets of ($7) from WRL's operations. Capital assets with a net book value of $484 and other net assets of $1,275 were acquired, as well as bank indebtedness of $1,766 assumed. Specialized equipment funding for WRL new capital purchases was provided directly to DSM starting in 2008 by way of approved loan facilities through Manitoba Health.

In November 2009, the dissolution of the WRL board was executed followed by a formal dissolution of the WRL entity. It now operates under the name of Westman Lab as a division of DSM. The ongoing redevelopment of Westman Lab is expected to meet the growing demand for testing outside of Winnipeg using modern facilities and methodologies.

DSM is a not-for-profit organization under the Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as follows:

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Certain expenses related to diagnostic operations are incurred and paid directly by the RHAs. Since the legal obligation for these expenses lies with the RHAs, the expenses are not reflected in the financial statements for DSM.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

[d] Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/intangibles	20%
Furniture and equipment	10%
Equipment under capital lease	10% - 20%

[e] Pre-retirement benefits

The costs of pre-retirement benefits earned by employees are charged to expense as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases, and ages at which employees will retire.

[f] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

[g] Financial instruments

The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, requires that all financial instruments be classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities.

DSM's financial assets and financial liabilities are measured as follows:

- Cash and cash equivalents are classified as financial assets held-for-trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

- Accounts receivable and vacation pay recoverable from Manitoba Health and the RHAs are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities and accrued vacation pay are classified as other financial liabilities. These liabilities are recorded at their amortized cost using the effective interest rate method.

The fair value of these financial instruments approximates their carrying value. It is management's opinion that DSM is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

[Expressed in thousands of dollars]

3. ACCOUNTS RECEIVABLE

	2012 $	2011 $
Due from Manitoba Health	**1,104**	5,290
Due from RHAs	**10,206**	9,258
Other	**3,795**	2,732
	15,105	17,280

The amount due from Manitoba Health includes the current year deficit of $515 related to Westman Lab's operations and is expected to be recovered at a future date. The amounts recoverable from Manitoba Health are subject to review by Manitoba Health prior to settlement. It is management's position that these amounts will be recovered.

4. CAPITAL ASSETS

		2012	
	Cost $	**Accumulated amortization** $	**Net book value** $
Computer hardware/intangibles	**5,851**	**3,994**	**1,857**
Furniture and equipment	**63,889**	**22,443**	**41,446**
System software-in-progress	**4,413**	**—**	**4,413**
Equipment under capital lease	**2,449**	**1,016**	**1,433**
	76,602	**27,453**	**49,149**

		2011	
	Cost $	**Accumulated amortization** $	**Net book value** $
Computer hardware/software	5,780	2,899	2,881
Furniture and equipment	48,233	15,779	32,454
System software-in-progress	42,229	—	42,229
Equipment under capital lease	2,347	670	1,677
	98,589	19,348	79,241

[Expressed in thousands of dollars]

Phase 2 of the RISPACS project is complete. With the completion of the project, the costs and associated funding were allocated to the organization where the assets have been deployed. The project memorandum of understanding, signed on November 23, 2009, outlines the basis of ownership of the assets of the participating organizations. The total costs and associated funding involved was $40,988, of which DSM distributed $36,922 to the participating organizations and retained $4,066. Accordingly, DSM has reduced capital asset costs and deferred contributions by $36,922.

System software-in-progress will not be amortized until such time as it becomes available for use.

5. PRE-RETIREMENT BENEFITS RECOVERABLE

	2012 $	2011 $
Pre-retirement benefits recoverable from		
Manitoba Health	**733**	735
RHAs	**11,505**	11,218
	12,238	11,953

Pre-retirement benefits recoverable from Manitoba Health represent the amount guaranteed by the Province of Manitoba.

The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through Manitoba Health] has included in its ongoing annual funding to DSM an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre-retirement benefits recoverable from the RHAs will be repaid as benefits are provided.

The pre-retirement benefits recoverable represent a financial instrument and have been classified as loans and receivables, and are valued at amortized cost using the effective interest rate method. The carrying value of the pre-retirement benefits recoverable approximates their fair value, because the annual interest accretion is funded.

[Expressed in thousands of dollars]

6. CREDIT FACILITY

DSM has a $6,500 credit facility which was not utilized at the year end [2011 - $2,905]. Interest is payable at bank prime.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2012 $	2011 $
Trade accounts payable	**8,552**	8,119
Due to Manitoba Health	**1,300**	—
Due to RHAs	**577**	429
	10,429	8,548

Amounts recorded in Due to Manitoba Health are advances provided to DSM. Manitoba Health can demand full repayment of the advances at any time. Accordingly, the advance is recorded as a current liability.

8. OBLIGATIONS UNDER CAPITAL LEASE

The acquisition of electron microscopes and the installation of the liquid chromatograph tandem mass spectrometer were financed through separate leasing agreements. The leases have implicit rates of interest in the range of 5.0% - 6.5%, and are repayable in fixed blended monthly amounts of approximately $21. The obligations will be fully paid in May 2012 and May 2013, respectively.

In December 2008, DSM entered into another lease contract for the acquisition and installation of a toxicology screening system at the Health Sciences Centre. The lease has an implicit rate of interest of 7.9% and is repayable in fixed blended monthly payments of $8. The contract lease expires February 28, 2014.

On January 2011, DSM entered into an agreement with Thermo Fisher Scientific to lease a mass spectrometer valued at $150. The lease has an implicit rate of 7.977% and is repayable in fixed blended monthly payments of $5. The lease expires January 2014.

Two other leases were entered into with NexCap Finance Corporation for the acquisition of a mass spectrometer and office furniture. These leases have an implicit rate of 4.525% repayable in fixed blended monthly payments of $9. The lease expires January 2016.

[Expressed in thousands of dollars]

In August 2011, DSM entered into an agreement with NexCap for the lease of chemistry analyzer equipment with a value of $86. The lease has an implicit rate of 3.9% repayable in fixed blended monthly payments of $2. The lease expires in July 2016.

The following is a schedule of future minimum lease payments under capital lease, together with the balance of the obligations:

	$
2013	452
2014	407
2015	155
2016	113
2017	6
	1,133
Less interest	(81)
	1,052
Less current portion	(405)
	647

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2012 $	2011 $
Deferred contributions		
Expenses	**927**	880
Capital	**49,176**	77,967
	50,103	78,847

[a] Deferred contributions, expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's externally restricted operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

[Expressed in thousands of dollars]

Deferred contributions, future expenses consist of the following:

	2012 $	2011 $
Balance, beginning of year	**880**	749
Deferred contributions received	**264**	392
Amounts amortized to revenue	**(217)**	(261)
Balance, end of year	**927**	880

[b] Deferred contributions, capital

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

	2012 $	2011 $
Balance, beginning of year	**77,967**	69,445
Deferred contributions received	**16,204**	15,402
Deferred contributions allocated *[note 4]*	**(36,922)**	—
Amounts amortized to revenue	**(8,073)**	(6,880)
Balance, end of year	**49,176**	77,967

10. COMMITMENTS

[a] Lease payments

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2013	298
2014	298
2015	149
	745

[Expressed in thousands of dollars]

The lease with the landlord was amended to include additional space acquired by DSM in March 2012, increasing the annual lease payment by $59. The lease expires September 2012; however, DSM has negotiated an extension of the existing lease to September 2014. DSM is awaiting ministerial approval prior to signing the lease extension. The lease commitments reflected above assume approval of the lease extension.

In addition, pursuant to the agreements dated April 1, 2006 and November 1, 2007, DSM entered into leases with the RHAs for premises totalling $4,296 per year.

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

In the prior fiscal year, Manitoba Health approved an additional $8,700 to continue with the next phase of the project implementation. As at March 31, 2012, $2,993 of the amount has been incurred. DSM will continue its role as funds custodian for the project.

11. DIRECT OPERATING EXPENSES

Direct operating expenses consist of the following:

	2012 $	2011 $
Salaries and benefits	**117,719**	112,463
Communications	**7**	—
Equipment	**5,289**	4,734
External consulting	**172**	150
Grants	**47**	59
Insurance	**138**	136
Interest	**159**	129
Lab and diagnostic supplies	**4,060**	3,425
Legal and audit	**181**	112
Meetings	**28**	20
Miscellaneous	**62**	18
Printer, paper and office supplies	**779**	711
Recruitment	**247**	289
Rent and utilities	**4,773**	4,686
Staff training and development	**246**	302
Telephone	**123**	134
Travel	**491**	530
	134,521	127,898

[Expressed in thousands of dollars]

12. EMPLOYEE FUTURE BENEFITS

[a] Pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"].

HEPP is a multi-employer, defined benefit pension plan. Employer contributions made to the plan during the year by DSM and expensed amounted to $5,584 [2011 - $4,808].

DSM is considered a "non-matching employer" in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement leave benefits

DSM has a commitment to provide pre-retirement leave benefits for employees that meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to their retirement date.

DSM measures its accrued obligation for the pre-retirement benefits as at March 31 of each year. The most recent actuarial valuation report was at September 30, 2011.

During the current year, the pre-retirement obligation incurred (recoverable) amounted to $1,276 [2011 - $1,357] and has been recorded as an expense of the period. An offsetting recovery of $1,171 [2011 - $1,322] with respect to transferred employees has also been recorded.

The significant actuarial assumptions adopted in measuring DSM's pre-retirement benefit obligation are as follows:

	2012 %	**2011** %
Discount rate	**4.15**	4.70
Rate of base compensation increase	**3.50**	3.50

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2012

13. INTERNALLY RESTRICTED FOR CAPITAL ASSETS

Change in net assets internally restricted for capital assets is calculated as follows:

	2012 $	2011 $
[a] Deficit		
Amortization of capital assets	**(8,140)**	(7,075)
Amounts funded by deferred capital contributions, amortized to revenue	**8,073**	6,880
	(67)	(195)
[b] Purchase of capital assets		
Acquisitions	**14,970**	15,547
Amounts funded by		
Accounts payable	**(735)**	(303)
Deferred contributions	**(13,875)**	(14,864)
Capital lease obligations	**(360)**	(358)
	—	22
Change in net assets	**(67)**	(173)

14. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

Entity	Relationship
Manitoba Health	Controlling entity
RHAs	Entities under common control

[Expressed in thousands of dollars]

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with the RHAs:

	2012	**2011**
	$	**$**
Salaries and benefits	**98,037**	94,126
Equipment	**4,386**	4,137
External consulting	**7**	7
Insurance	**119**	94
Lab and diagnostic supplies	**24**	12
Legal and audit	**71**	50
Meetings	**18**	3
Printer, paper and office supplies	**90**	83
Purchased services	**122**	278
Recruitment	**—**	216
Rent	**4,452**	4,443
Staff training and development	**135**	181
Telephone	**3**	4
Travel	**258**	283
	107,722	103,917

15. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependent on Manitoba Health for continued operations.

16. CAPITAL MANAGEMENT

In managing capital, DSM focuses on liquid resources available for operations. DSM's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2012, DSM has met its objective of having sufficient liquid resources to meet its current obligations.

17. FUTURE CHANGES IN ACCOUNTING POLICIES

In September 2010, the Public Sector Accounting Board ["PSAB"] approved the inclusion of the 4400 series from the *CICA Handbook - Accounting* into the Public Sector Accounting ["PSA"] Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards were renumbered Sections PS4200 to PS4270. PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with the PS4200 series of standards or the PSA Handbook without the PS4200 series of standards. These standards are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. DSM is currently evaluating the impact of these standards.

18. COMPARATIVE INFORMATION

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

Management Report

The accompanying financial statements are the responsibility of the management of the Economic Innovation and Technology Council and have been prepared in accordance with Canadian public sector accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to November 29, 2012.

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

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Council are fairly presented in accordance with Canadian public sector accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

David Olafson
Controller

Winnipeg, Manitoba
November 29, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the accompanying financial statements of the Economic Innovation and Technology Council, which comprise the statement of financial position as at as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Economic Innovation and Technology Council as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ending March 31, 2012, the Economic Innovation and Technology Council adopted Canadian public sector accounting standards. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
November 29, 2012
Winnipeg, Manitoba

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

Economic Innovation and Technology Council
Statement of Financial Position

	March 31, 2012	March 31, 2011	April 1, 2010
Financial assets			
Cash and cash equivalents	**$ 1,026,356**	$ 1,084,165	$ 63,116
Accounts receivable	**2,493**	4,060	27,485
Portfolio investment (Note 6)	**-**	-	1
	1,028,849	1,088,225	90,602
Liabilities			
Accounts payable and accruals	**31,407**	32,331	62,452
Unearned revenue (Note 7)	**982,035**	1,040,656	8,523
	1,013,442	1,072,987	70,975
Net financial assets	**15,407**	15,238	19,627
Non-financial assets			
Prepaid expenses	**1,069**	1,069	2,040
	1,069	1,069	2,040
Accumulated surplus	**$ 16,476**	$ 16,307	$ 21,667

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Operations and Accumulated Surplus

Year Ended March 31	2012 Budget	2012 Actual	2011 Actual
Revenue			
Funding	$ 253,100	$ 454,779	$ 264,642
Other	-	8,602	147
	253,100	463,381	264,789
Expenses			
Audit and legal	6,000	7,902	5,350
Project costs	253,100	454,779	264,642
Other	-	531	157
	259,100	463,212	270,149
Annual surplus (deficit)	(6,000)	169	(5,360)
Accumulated surplus, beginning of year	16,307	16,307	21,667
Accumulated surplus, end of year	$ 10,307	$ 16,476	$ 16,307

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Change in Net Financial Assets

Year Ended March 31	2012 Budget	2012 Actual	2011 Actual
Annual surplus (deficit)	$ (6,000)	$ 169	$ (5,360)
Other non-financial assets			
Decrease in prepaid expense	-	-	971
Net acquisition of other non-financial assets	-	-	971
Increase (decrease) in net financial assets	(6,000)	169	(4,389)
Net financial assets, beginning of year	15,238	15,238	19,627
Net financial assets, end of year	$ 9,238	$ 15,407	$ 15,238

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Cash Flows

Year Ended March 31		2012		2011
Increase (decrease) in cash and cash equivalents				
Operating				
Annual surplus (deficit)	$	**169**	$	(5,360)
Change in				
Accounts receivable		**1,567**		23,425
Accounts payable and accruals		**(924)**		(30,121)
Unearned revenue		**(58,621)**		1,032,133
Prepaid expenses		**-**		971
Cash provided by operating activities		**(57,809)**		1,021,048
Investing				
Portfolio investments		**-**		1
Cash provided by investing activities		**-**		1
(Decrease) increase in cash		**(57,809)**		1,021,049
Cash and cash equivalents, beginning of year		**1,084,165**		63,116
Cash and cash equivalents, end of year	**$**	**1,026,356**	$	1,084,165

Supplementary cash flow information:

Interest received	**$**	**8,441**	$	147

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements

March 31, 2012

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Basis of accounting

As of April 1, 2011, the Council adopted Public Sector Accounting (PSA) Standards with a transition date of April 1, 2010. More details on this transition are provided in Note 4.

The adoption of PSA Standards includes early adoption of PS 1201 Financial Statement Presentation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments, and new PS 3410 Government Transfers.

There were no impacts on accumulated surplus or annual surplus from this change.

3. Significant accounting policies

Revenue

Revenue is recognized as program expenditures are incurred. Funds received for projects where program expenditures will be incurred in future periods are deferred. Interest revenue is recognized when earned.

Expenses

All expenses incurred for goods and services are recorded on an accrual basis.

Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

3. Significant accounting policies (continued)

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the Council. These assets are normally employed to provide future services.

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Measurement uncertainty

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

4. First-time adoption of Public Sector Accounting Standards

In previous fiscal years, the Council classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. In October 2009, the Public Sector Accounting Board (PSAB) determined that the category will cease to exist for fiscal years ending on or after January 1, 2011, and GBTOs are required to reclassify themselves in accordance with Public Sector Accounting (PSA) Standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Council has determined that it is an “other government organization” and has determined that PSA Standards are the most appropriate framework for reporting purposes.

There were no impacts on accumulated surplus or annual surplus arising from this change.

5. Financial instruments and financial risk management

Measurement

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

The Council records its financial assets at cost, which include cash and cash equivalents, portfolio investment, and accounts receivable. The Council also records its financial liabilities at cost, which include accounts payable and accruals and unearned revenue.

The Council did not incur any re-measurement gains and losses during the year (2011 - $nil).

5. Financial instruments and financial risk management (continued)

Financial risk management – overview-

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

Credit risk

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

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

	2012	2011
Cash and cash equivalents	**$ 1,026,356**	$ 1,084,165
Accounts receivable	**2,493**	4,060
	$ 1,028,849	$ 1,088,225

Cash and cash equivalents: The Council is not exposed to significant credit risk as the cash and cash equivalents are primarily held by the Minister of Finance.

Receivable from the Province of Manitoba: The Council is not exposed to significant credit risk. Of the overall receivable balance, $1,425 (2011: $3,436) is due from the Province of Manitoba.

Accounts receivable: The Council is not exposed to significant credit risk. Of the overall receivable balance, $1,068 (2011: $624) is due from individuals for parking recovery and payment in full is typically collected when it is due. The Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. Consistent with the previous year, there is no allowance for doubtful accounts as all receivables are expected to be collected.

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

The Council manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's income or the fair values of its financial instruments. The significant market risks the Council is exposed to are interest rate risk and foreign currency risk.

5. Financial instruments and financial risk management (continued)

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

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

6. Portfolio investment

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

<u>Class A Special Preferred Shares</u>

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC’s contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

<u>Class B Special Preferred Share</u>

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

On December 29, 2010, the Class B Special Preferred Share was redeemed at the paid up capital value of $1.

6. Portfolio investment (continued)

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

A gain of $434,175 resulting from this redemption was recorded.

7. Unearned revenue

	2012	2011
BFO funding (geothermal program)	**$ 15,470**	$ 107,202
BFO funding (lower income residential efficiency program)	**482,547**	493,715
Balance of Green Manitoba Efficiency Fund (GMEF)	**399,511**	429,511
Manitoba Hydro funding (shallow unconventional shale gas project)	**74,813**	-
	972,341	1,030,428
Other unearned project receipts	**9,694**	10,228
Unearned project receipts	**$ 982,035**	$ 1,040,656

During the year, EITC received cash from Green Manitoba, a special operating agency of the Province of Manitoba, and Manitoba Hydro for $28,985 (2011: $1,030,428) and $78,750 (2011: $nil) respectively, with respect to the above noted projects. EITC will administer these projects in future periods. The amount received of $107,735 (2011: $1,030,428) is recorded within the funds on deposit for the Minister of Finance's cash and cash equivalents asset account.

8. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

9. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the Economic Innovation and Technology Council.

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV

BDO

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

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

Independent Auditor's Report

To the Board of Directors
FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

We have audited the accompanying financial statements of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
September 22, 2012

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Financial Position

As at March 31	Operating Fund	Capital Fund	Repatriation Fund	2012 Total	2011 Total
Assets					
Current Assets					
Cash and cash equivalents	$ 438,940	$ -	$ -	$ 438,940	$ 300,780
Accounts receivable (Note 2)	17,780,307	-	-	17,780,307	10,543,285
Prepaid expenses and deposits	75,424	-	-	75,424	122,364
	18,294,671	-	-	18,294,671	10,966,429
Capital assets (Note 3)	-	2,272,912	-	2,272,912	1,845,670
Due from agencies (Note 4)	5,537,990	-	-	5,537,990	5,537,990
Interfund balances	(190,864)	-	190,864	-	-
	$ 23,641,797	$ 2,272,912	$ 190,864	$ 26,105,573	$ 18,350,089
Liabilities and Fund Balances					
Current Liabilities					
Accounts payable and accrued liabilities (Note 5)	$ 15,474,086	$ -	$ -	$ 15,474,086	$ 6,319,931
Deferred revenue (Note 6)	2,646,783	-	-	2,646,783	4,419,605
	18,120,869	-	-	18,120,869	10,739,539
Deferred revenue (Note 6)	-	-	-	-	30,852
Due to Province of Manitoba (Note 4)	5,537,990	-	-	5,537,990	5,537,990
	23,658,859	-	-	23,658,859	16,308,381
Commitments (Note 7)					
Net Assets					
Operating Fund	(17,062)	-	-	(17,062)	373
Capital Fund	-	2,272,912	-	2,272,912	1,845,670
Repatriation Fund	-	-	190,864	190,864	195,665
	(17,062)	2,272,912	190,864	2,446,714	2,041,703
	$ 23,641,797	$ 2,272,912	$ 190,864	$ 26,105,573	$ 18,350,083

Approved on behalf of the Board of Directors:

__________________ Director

__________________ Director

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

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FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations and Changes in Net Assets - Operating Fund

For the year ended March 31	2012 Budget (unaudited)	2012 Actual	2011 Actual
Revenue			
Province of Manitoba			
Department of Family Services & Labour (Note 7)	$ 38,129,448	$ 51,284,581	$ 42,256,666
Canadian Heritage (Schedule 3)	-	76,188	
Aboriginal Affairs and Northern Development Canada (AANDC) (Schedule 2)	-	27,830	-
Other	47,000	434	6,805
Interest		86	
Goods and Services Tax	-	(29,754)	36,963
	38,176,448	51,369,465	42,300,434
Expenses			
Personnel			
Recruitment	-	-	6,650
Salaries, wages and benefits	2,206,376	2,161,987	2,058,285
Training and education	62,500	22,406	16,342
Travel	80,000	38,662	72,971
	2,348,876	2,223,055	2,154,248
Office Operations			
Interest and bank charges	-	2,841	3,759
Supplies	36,000	77,569	26,594
Telephone, fax and internet	24,000	24,481	23,101
	60,000	104,891	53,454
Office and Building			
Insurance	20,000	32,376	23,092
Rent	160,000	235,710	181,699
	180,000	268,086	204,791
Other Authority			
Agency governance support	96,000	48,628	85,553
Agency reviews	-	34,299	220,335
Agency strategy and communication meetings	30,000	30,009	28,992
Annual meeting	7,500	6,801	9,162
Board training and meeting expenses	25,000	5,133	20,273
Canadian Heritage Eyes for Me	-	76,188	
Changes for children initiatives	-	-	48,960
Community relations	4,000	12,488	12,590
Differential response initiatives	119,756	346,535	241,083
Information technology support	344,568	521,478	459,456
Joint training unit	72,460	832,939	338,894
Office of the standing committee	184,419	277,620	242,666
Professional fees	25,000	91,644	49,690
AANDC - Regional meeting	-	27,830	-
	908,693	2,311,492	1,757,654
Agency Support			
Agency central support	31,920,300	42,010,909	32,442,724
Agency differential response Initiatives	-	978,750	2,698,970
Agency family support innovations fund	273,600	39,600	273,600
	32,193,900	43,029,259	35,415,294
Other Program Support			
Golden Eagle program support	1,000,000	1,007,864	1,001,432
Ji-zhaabwing program support	1,450,000	1,517,923	913,014
	2,450,000	2,525,787	1,914,446
Total expenses	38,141,469	50,462,570	41,499,887
Excess of revenue over expenses for the year	$ 34,979	906,895	800,547
Fund balance, beginning of year		373	11,086
Interfund Transfers			
Transfer to Repatriation Fund		(35,000)	(35,000)
Transfer to Capital Fund for asset purchases		(889,330)	(776,260)
Fund balance, end of year		$ (17,062)	$ 373

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements | 4

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations and Changes in Net Assets - Capital Fund

For the year ended March 31	2012 Budget (unaudited)	2012 Actual	2011 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada (AANDC) (Schedule 1)	$ -	$ 250,000	$ 1,000,000
Expenses			
Amortization	-	712,088	394,021
Loss on disposal of capital assets	-	-	11,540
	-	712,088	405,561
Excess (deficiency) of revenue over expenses for the year	$ -	(462,088)	594,439
Fund balance, beginning of year		1,845,670	474,971
Interfund transfers		889,330	776,260
Fund balance, end of year		$ 2,272,912	$ 1,845,670

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements. 5

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets - Repatriation Fund

For the year ended March 31	2012 Budget (unaudited)	2012 Actual	2011 Actual
Revenue	$ -	$ -	$ -
Expenses			
Salaries and benefits	-	39,160	47,172
Travel	-	641	1,082
	-	39,801	48,254
Deficiency of revenue over expenses for the year	$ -	(39,801)	(48,254)
Fund balance, beginning of year		195,665	208,919
Interfund transfers		35,000	35,000
Fund balance, end of year		$ 190,864	$ 195,665

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements. 6

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	$ 405,006	$ 1,346,732
Adjustments for items not involving cash		
Amortization of capital assets	712,088	394,021
Loss on disposal of capital assets	-	11,540
	1,117,094	1,752,293
Changes in non-cash working capital balances		
Accounts receivable	(7,237,022)	(3,666,631)
Prepaid expenses and deposits	46,940	(107,573)
Due from agencies	-	(2,100,040)
Accounts payable and accrued liabilities	9,154,155	5,144,150
Deferred revenue	(1,803,677)	(2,445,585)
	160,396	(3,175,679)
	1,277,490	(1,423,386)
Cash Flows from Investing Activities		
Purchase of capital assets	(1,139,330)	(1,776,260)
Cash Flows from Financing Activities		
Net advances from Province of Manitoba	-	2,100,040
Net increase (decrease) in cash during the year	138,160	(1,099,606)
Cash and cash equivalents, beginning of year	300,780	1,400,386
Cash and short-term investments, end of year	$ 438,940	$ 300,780

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

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using the accrual basis of accounting.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

The Operating Fund is used to account for all revenue and expenditures related to general and ancillary operations of the Authority.

The Capital Fund is used to account for all capital assets of the Authority and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Repatriation Fund is an internally restricted fund used to account for monies for specific purposes.

Interfund balances are non-interest bearing, and have no terms of repayment or security.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The Authority utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Financial Instruments (continued)

The Authority classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Agencies	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to Province of Manitoba	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.
- Other financial liabilities are carried at amortized cost, using the effective interest method.

Transition costs are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance and straight line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	30% declining balance basis
Furniture and fixtures	20% declining balance basis

Leasehold improvements are amortized over the term of the lease.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Use of Estimates and Measurement Uncertainty

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.

Certain accounts receivable amounts contain measurement uncertainty as they relate to funding based upon the latest communication with the Province of Manitoba and management's intentions on finalizing the funding framework.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and Public Sector Accounting Board ("Boards") issued new standards for not-for-profit organizations ("NPOs") as follows:

For government (public sector) NPOs they have a choice of:

1. Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2012

1. Nature of Organization

The First Nations of Southern Manitoba Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Accounts Receivable

	2012	2011
AANDC	$ **27,930**	$ 1,000,000
Due from agencies	**1,098,521**	1,007,598
Due from Province of Manitoba		
Ji-zhaabwiing - office start-up and operating cost recoveries	**935,496**	671,711
Agency review recoveries	-	621,146
Canadian Heritage	**76,180**	-
Golden Eagle funding	**414,894**	1,001,432
IT support cost recoveries	**500,972**	476,101
Ji-zhaabwiing funding	**406,418**	251,997
New funding model adjustment	**11,193,240**	2,269,164
Other from government	**893,419**	825,649
GST receivable	**194,404**	188,495
Other	**16,422**	267,413
800 Adele - renovation cost reimbursements	**2,022,403**	1,962,579
	$ **17,780,307**	$ 10,543,285

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FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2012

3. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 3,227,398	$ 1,493,312	$ 1,734,086	$ 2,624,929	$ 879,231	$ 1,745,698
Furniture and fixtures	397,027	162,296	234,731	225,079	125,107	99,972
Leasehold improvements	364,914	60,819	304,095	-	-	-
	$ 3,989,339	$ 1,716,427	$ 2,272,912	$ 2,850,008	$ 1,004,338	$ 1,845,670

4. Due from Agencies and Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $5,537,990 ($5,537,990 in 2011), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2012	2011
Animikii-Ozoson Child and Family Services	$ 1,204,000	$ 1,204,000
Child and Family All Nations Coordinated Response Network	538,400	538,400
Dakota Ojibway Child and Family Services	609,610	609,610
Intertribal Child and Family Services	121,030	121,030
Peguis Child and Family Services	221,820	221,820
Sandy Bay Child and Family Services	158,700	158,700
Southeast Child and Family Services	1,368,830	1,368,830
West Region Child and Family Services	1,235,600	1,235,600
	$ 5,537,990	$ 5,537,990

5. Accounts payable and accrued liabilities

	2012	2011
Due to agencies	$ 14,533,675	$ 4,716,797
Trade payables	550,263	1,429,434
Accrued expenses	387,912	173,700
Other payables	2,236	-
	$ 15,474,086	$ 6,319,931

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2012

6. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

	2012	2011
Balance, beginning of year	$ 4,450,460	$ 6,896,045
Funds Received		
Province of Manitoba	6,526,850	4,395,379
Other	5,595	121,724
Less amounts recognized as revenue in the year	(8,336,122)	(6,962,688)
Balance, end of year	2,646,783	4,450,460
Less: Current portion	2,646,783	4,419,608
Deferred revenue relating to future years	$ -	$ 30,852

7. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	$ 41,187,647
Add	
Deferred revenue amounts recognized as revenue in the year	1,803,677
Funding claims subsequent to confirmation	9,065,587
	52,056,911
Deduct	
Funding of prior year accounts receivable	762,330
Revenue from Province of Manitoba	$ 51,294,581

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2012

8. Commitments

The Authority has entered into various lease agreements for premises for its operations and to support other agencies and programs expiring between January 2014 and January 2029.

The minimum annual lease payments for the next five years are as follows:

2013	$ 1,355,114
2014	1,141,080
2015	907,883
2016	582,452
2017	515,678

9. Capital Management

The Authority's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue with improvement of the financial situation of families through the provision of services and information on a range of financial issues.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Authority monitors capital quarterly through the Board of Directors meeting. During the year, the Authority's strategy was to protect its capital through managing revenues and expenses as well as through maintaining a balanced investment portfolio. The strategy remained unchanged from the previous year.

10. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit Risk

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

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $17,780,307 ($10,543,285 at March 31, 2011).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies.

FIRST NATIONS OF SOUTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY
Notes to Financial Statements

For the year ended March 31, 2012

10. Financial Risk Management (continued)

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

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

Liquidity Risk

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

Fair Value

The carrying values of cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

11. Economic Dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Labour. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

12. Comparative Figures

Comparative figures presented for the year ended March 31, 2012, relating to Province of Manitoba revenue and Agency differential response initiatives expense, have been restated to conform to the current year's presentation.

III – MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the Funeral Board of Manitoba and have been prepared in accordance with the Public Sector Accounting Standards. In the Board's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating the Board's best judgment regarding all necessary estimates and all other data available to June 29, 2012.

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

The responsibility of the Auditor General of Manitoba is to express an independent, professional opinion on whether the financial statements of the Board are fairly stated in accordance with Public Sector Accounting Standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Susan Boulter	E.C. Norrington C.A.
Chairperson	Financial Manager

June 29, 2012

IV – Auditor's Report

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of the Funeral Board of Manitoba

We have audited the accompanying financial statements of the Funeral Board of Manitoba (the Board), which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of operations and cash flow for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funeral Board of Manitoba as at December 31, 2011, December 31, 2010 and January 1, 2010 and results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

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

Basis of Presentation
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes that the Funeral Board of Manitoba adopted Canadian public sector accounting standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements.

Going Concern
We draw attention to Note 10 to the financial statements which describes the uncertainty related to the going concern assumption for the Funeral Board of Manitoba. Our opinion is not qualified in respect of this matter.

Office of the Auditor General

Office of the Auditor General
June 29, 2012
Winnipeg, Manitoba

V – Audited Financial Statements

FUNERAL BOARD OF MANITOBA
Statement of Financial Position
December 31, 2011

FINANCIAL ASSETS	DECEMBER 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Cash	$ 67,583	$ 76,774	$ 76,963
Temporary investments (note 4)	15,450	55,220	37,008
Accrued interest receivable	45	412	2,432
	83,078	132,406	116,403
LIABILITIES			
Accounts payable and accrued liabilities (note 8)	17,883	25,944	11,651
Deferred revenue	87,800	86,250	81,500
	105,683	112,194	93,151
Accumulated surplus (Deficit)	$ (22,605)	$ 20,212	$ 23,252

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

Approved on behalf of the Funeral Board of Manitoba

Susan Boulter
Chairperson

Tracy Wevursk
Secretary-Treasurer

FUNERAL BOARD OF MANITOBA
Statement of Operations
For the year ended December 31, 2011

REVENUE	2011 Budget	2011 Actual	2010 Actual
Funeral home licences	$ 42,000	$ 46,500	$ 44,000
Funeral director and embalmer licences	53,750	54,000	52,750
Interest	250	412	753
Total revenue	96,000	100,912	97,503

EXPENSE	2011 Budget	2011 Actual	2010 Actual
Administration charges (note 7)	$ 24,000	$ 24,000	$ 24,000
Audit	2,900	3,400	3,210
Board meetings	6,800	4,004	5,918
Communications	14,000	17,780	15,204
Conferences	6,500	4,701	5,715
Honoraria - Board members	8,100	4,691	6,649
Honoraria - Registrar	5,000	5,000	10,000
Legal fees	10,000	7,849	11,383
Miscellaneous	3,000	3,686	2,573
Office supplies, printing, and postage	3,500	5,035	3,903
Salaries and benefits	60,000	62,134	10,891
Travel	-	1,449	1,097
Total expense	143,800	143,729	100,543
Net (Loss)	(47,800)	(42,817)	(3,040)
Accumulated surplus,			
Beginning of the year	$ 20,212	$ 20,212	$ 23,252
Accumulated surplus (deficit)			
End of the year	$ (27,588)	$ (22,605)	$ 20,212

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

FUNERAL BOARD OF MANITOBA
Statement of Cash Flows
For the year ended December 31,2011

Cash flow provided by (applied to):		2011		2010
Operating				
Net income (loss)	$	(42,817)	$	(3,040)
Change in:				
Accrued interest receivable		367		2,020
Accounts payable and accrued liabilities		(8,061)		14,293
Deferred revenues		1,550		4,750
		(48,961)		18,023
Investing				
Purchases of guaranteed investment certificates		(95,717)		(89,595)
Maturities of guaranteed investment certificates		135,487		71,383
		39,770		(18,212)
Increase (decrease) in cash		(9,191)		(189)
Cash, at beginning of year		76,774		76,963
Cash, at end of year	$	67,583	$	76,774
Supplementary information:				
Interest received, cash basis	$	779	$	2,773

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

1. Nature of Operations

The Funeral Directors and Embalmers Act established the Funeral Board of Manitoba (The Board) to licence and regulate Funeral Directors and Embalmers, and to prescribe the courses of training and instruction for articling students.

2. Conversion to Public Sector Accounting Standards

Commencing with the 2011 fiscal year, the Funeral Board of Manitoba has adopted Canadian public sector accounting (PSA) standards. These financial statements are the first financial statements for which the Funeral Board of Manitoba has applied Canadian public sector accounting standards.

The impact of the conversion to PSA standards on the accumulated surplus at the date of transition and the comparative accumulated surplus as presented was nil.

3. Significant Accounting Policies

a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

b) Cash

Cash includes cash on hand and bank balances.

c) Temporary Investments

Temporary investments include short -term investments which are recorded at the lower of cost or market value.

d) Revenue

The Board recognizes revenue for Funeral Home Licences and Funeral Director and Embalmers Licenses on an accrual basis. Any license fees which are received prior to December 31 and are applicable to the subsequent fiscal year are recorded as deferred revenue.

Investment income is recognized in the year it is received or receivable

e) Expenses

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

f) Measurement uncertainty

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

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Temporary investments

Investments are invested in Guaranteed Investment Certificates (GICs) with various maturity dates and interest rates as follows:

	2011	2010
i. CIBC Flexible GIC	$ 5,450	$ 5,220
Maturity dates: January 11, 2012 and January 11, 2011		
Interest rate .75% and .90%		
ii. CIBC Flexible GIC	10,000	50,000
Maturity date: February 25, 2012 and January 20, 2011		
Interest rate 1.25% and .90%		
	$ 15,450	$ 55,220

5. The Public Sector Compensation Disclosure Act

In accordance with Section 2 of *The Public Sector Compensation Disclosure Act*, the following summarizes compensation paid during the year ended December 31, 2011:

Employee paid $50,000 or more	2011	2010
J. Delaney – Investigator	$ 58,128	
The aggregate amount paid to Board members was:		
(a) Honoraria, Board members	4,691	6,649
(b) Honoraria, Registrar	7,500	10,000

6. Related Party Transactions

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

7. Administrative Charges - Vital Statistics Agency

Effective January 1, 2010 administrative charges are paid to Vital Statistics Agency to recover a portion of its payroll costs used on the Funeral Board of Manitoba's operations. In prior years these charges were not paid to Vital Statistics Agency.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2011	2010
General	$ 7,494	$ 16,582
Administrative Charges	6,000	6,000
Salaries and Benefits	2,953	2,048
CRA Deductions Payable	1,436	1,314
	$ 17,883	$ 25,944

9. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the annual budget approved by the Board.

10. Going Concern

The accompanying financial statements have been prepared on the going concern assumption that the Funeral Board of Manitoba will be able to realize its assets and discharge its liabilities in the normal course of business. The Board has incurred annual losses in the last several years and as of December 31, 2011 has an accumulated deficit. The Board also continues to review their financial position and the long term viability of the Board and is reviewing all options. There are sufficient deferred funds available to continue operations for the near term.

11. Comparative figures

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
the General Child and Family Services Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the General Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2012 and the statements of operations, fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2012, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus

June 19, 2012
Winnipeg, Canada

Magnus Chartered Accountants LLP

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2012

	Operating Fund	Transition Fund	Agency Fund	Total 2012	Total 2011
Assets					
Current assets:					
Cash and short term deposits	$ 2,225,173	$ -	$ -	$ 2,225,173	$ 2,075,449
Accounts receivable	78,772	-	-	78,772	1,791,872
Advance receivable	-	-	116,600	116,600	116,600
Prepaid expenses	5,156	-	-	5,156	4,080
Interfund balances	(455,740)	-	455,740	-	-
	1,853,361	-	572,340	2,425,701	3,988,001
Capital assets (Note 5)	55,579	4,036	-	59,615	75,460
	$ 1,908,940	$ 4,036	$ 572,340	$ 2,485,316	$ 4,063,461
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	$ 186,321	$ -	$ -	$ 186,321	$ 1,703,268
Working capital advances (Note 4)	-	-	116,600	116,600	116,600
Deferred contributions (Note 6)	836,208	-	455,740	1,291,948	1,408,722
	1,022,529	-	572,340	1,594,869	3,228,590
Deferred contributions relating to capital assets (Note 6)	-	4,036	-	4,036	12,770
Fund balances:					
Internally restricted (Note 8)	575,289	-	-	575,289	658,684
Unrestricted	311,122	-	-	311,122	163,417
	886,411	-	-	886,411	822,101
Commitments (Note 9)					
	$ 1,908,940	$ 4,036	$ 572,340	$ 2,485,316	$ 4,063,461

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director

______________________________ Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Operations

Year ended March 31, 2012

	Operating Fund	Transition Fund	Agency Fund	Total 2012	Total 2011
Revenue:					
Province of Manitoba:					
Operating grant	$ 2,327,544	$ -	$ -	$ 2,327,544	$ 2,202,292
Grant relating to capital assets (Note 6(ii))	-	8,734	-	8,734	10,722
Agency grants (Note 7)	-	-	11,199,315	11,199,315	9,861,534
Miscellaneous grants	145,284	-	-	145,284	191,720
Interest and other	232,815	-	-	232,815	137,745
	2,705,643	8,734	11,199,315	13,913,692	12,404,013
Expenses:					
Agency allocations (Note 7)	-	-	11,199,315	11,199,315	9,861,534
Amortization	22,546	8,734	-	31,280	29,195
Board expenses and meetings	17,746	-	-	17,746	19,598
Board governance	-	-	-	-	1,050
DR evaluation project	21,678	-	-	21,678	39,163
DR project development	53,546	-		53,546	83,086
Insurance	6,829	-	-	6,829	5,767
Interest and bank charges	844	-	-	844	688
Miscellaneous grant expenses	269,256	-	-	269,256	208,922
Office and miscellaneous	101,030	-	-	101,030	102,565
Professional services	113,230	-	-	113,230	89,763
Rent (Note 9)	89,428	-	-	89,428	91,253
Telephone	22,658	-	-	22,658	23,601
Training and development	201,497	-	-	201,497	219,635
Travel	15,258	-	-	15,258	19,475
Utilities	977	-	-	977	844
Wages and benefits	1,704,810	-	-	1,704,810	1,607,874
	2,641,333	8,734	11,199,315	13,849,382	12,404,013
Excess of revenue over expenses	$ 64,310	$ -	$ -	$ 64,310	$ -

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Fund Balances

Year ended March 31, 2012

	Operating Fund	Transition Fund	Agency Fund	Total 2012	Total 2011
Balance, beginning of year	$ 822,101	$ -	$ -	$ 822,101	$ 822,101
Excess of revenue over expenses	64,310	-	-	64,310	-
Balance, end of year	$ 886,411	$ -	$ -	$ 886,411	$ 822,101

See accompanying notes to financial statements.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flow

Year ended March 31, 2012

	2012	2011
Cash flow from (used In)		
Operating activities:		
Excess of revenue over expenses	$ 64,310	$ -
Adjustments for:		
Amortization	31,280	29,195
Recognition of deferred contributions	(848,140)	(782,144)
Amortization of deferred contributions relating to capital assets	(8,734)	(10,722)
	(761,284)	(763,671)
Changes in the following:		
Accounts receivable	1,713,100	(1,241,373)
Prepaid expenses	(1,076)	(419)
Accounts payable and accrued liabilities	(1,516,946)	1,218,771
	(566,206)	(786,692)
Financing activity:		
Receipt of deferred contributions	731,365	1,025,279
Investing activity:		
Purchase of capital assets	(15,435)	(18,472)
Change in cash and short term deposits	149,724	220,115
Cash and short term deposits, beginning of year	2,075,449	1,855,334
Cash and short term deposits, end of year	$ 2,225,173	$ 2,075,449

See accompanying notes to financial statements.

1. Organization

The General Child and Family Services Authority (the "Authority") was established November 24, 2003 under The Child and Family Services Authorities Act. The Authority is a non-profit organization responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Services, Churchill Child and Family Services, Winnipeg Child and Family Services Branch and Rural and Northern Services Branch (Interlake, Eastman, Parkland, Northern).

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

(a) Fund accounting

The Authority records its activities in the following funds:

(i) Operating fund

This fund accounts for the activity relating to the principal activity of the Authority (Note 1).

(ii) Transition fund

The Province of Manitoba has provided one-time transition funding in support of the restructuring of the child and family services system, as initiated under the Aboriginal Justice Inquiry - Child Welfare Initiative. Funding is to be used to support the resource transfer process and the development of the corporate infrastructure of the Authority and mandated child and family services agencies under the jurisdiction of the Authority. The resource transfer process involves the transfer of cases from agencies under the jurisdiction of the Authority to the Metis Child and Family Services Authority, Northern First Nations Child and Family Services Authority, and First Nations of Southern Manitoba Child and Family Services Authority. All contributions to this fund are externally restricted for this purpose.

(iii) Agency fund

The Province of Manitoba provides the Authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of The Child and Family Services Authorities Act, the Authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the Authority (excluding child maintenance), while government offices receive funding directly from the government based on the approval of allocations by the Authority. All contributions to this fund are externally restricted for this purpose.

2. Summary of significant accounting policies (continued)

(b) Revenue recognition

The Authority follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable.

Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(c) Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

	Rate	Method
Computer software	3 years	Straight line
Furniture and fixtures	5 years	Straight line
Leaseholds	5 years	Straight line

(d) Income taxes

The Authority is a non-profit entity and is exempt from income taxes.

(e) Capital disclosures

The Authority's capital consists of Fund Balances. The Authority's capital management policy is to maintain sufficient capital to meet its objectives through its fund balances by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Authority's approach to capital management during the period.

The Authority is not subject to externally imposed capital requirements.

(f) Financial instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Authority are classified and measured as follows:

Financial instrument	Category	Measurement
Cash and short term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Advances receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Working capital advances	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

2. Summary of significant accounting policies (continued)

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of revenues and expenses and fund balances in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of revenues and expenses and fund balances for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of revenues, expenses and comprehensive income and fund balances.

(g) Fair value of financial instruments

The fair value of accounts receivable, advance receivable, accounts payable and accrued liabilities and working capital advances approximates their carrying values due to their short-term maturity.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Future accounting changes

Effective April 1, 2012, the Authority will be adopting Canadian public sector accounting standards for Government not-for-profit organizations issued by the Public Sector Accounting Board. The Authority is currently in the process of assessing the impact these changes will have on its financial statements.

4. Working capital advances

Working capital advances are provided to the Authority's agencies through the Province of Manitoba. The Province has approved the advances based on two twelfths of the annual expenditures an agency invoices Family Services and Housing for child maintenance. The advance is non-interest bearing and is repayable at the time that the agency no longer is providing services on behalf of the department.

5. Capital assets

		Accumulated	Net book value	
	Cost	amortization	2012	2011
Computer software	$ 34,023	$ 25,746	$ 8,277	$ 8,522
Furniture and fixtures	69,777	48,262	21,515	26,905
Leaseholds	126,967	97,144	29,823	40,033
	$ 230,767	$ 171,152	$ 59,615	$ 75,460

6. Deferred contributions

Deferred contributions in the operating fund relate to various grants from the Province of Manitoba and the Children's Aid Foundation. The balance continuities are as follows:

(i) Deferred contributions

	2012	2011
Province of Manitoba - Operating:		
Beginning balance	$ 684,217	$ 712,774
Add contributions:		
Province of Manitoba	402,700	494,200
	1,086,917	1,206,974
Less:		
Amounts amortized to revenue	485,592	522,757
	601,325	684,217
Province of Manitoba - Differential Response:		
Beginning balance	328,603	281,885
Add contributions:		
Province of Manitoba	92,900	263,504
	421,503	545,389
Less:		
Amounts amortized to revenue	217,934	216,786
	203,569	328,603
Office of the Standing Committee:		
Beginning balance	175,927	170,928
Add contributions:		
Office of the Standing Committee	-	47,600
	175,927	218,528
Less:		
Amounts amortized to revenue	144,613	42,601
	31,314	175,927
Ending balance	$ 836,208	$ 1,188,747

(ii) Deferred contributions relating to capital assets

	2012	2011
Beginning balance	$ 12,770	$ 23,492
Less:		
Amounts amortized to revenue	8,734	10,722
Ending balance	$ 4,036	$ 12,770

(iii) Deferred contributions relating to agencies

	2012	2011
Beginning balance	$ 219,975	$ -
Add contributions:		
Province of Manitoba	235,765	219,975
Ending balance	$ 455,740	$ 219,975

7. Agency grants

The Authority received funding from the Province of Manitoba in the amount of $11,199,315 (2011 - $9,861,534) to be allocated to the agencies under its jurisdiction. The Agency grants were allocated as follows:

	Child and Family Services Division			
Agency	Child Protection Branch	Differential Response	Total 2012	Total 2011
Child and Family Services of Central Manitoba	$ 3,655,193	$ 340,340	$ 3,995,533	$ 3,513,564
Child and Family Services of Western Manitoba	6,767,940	-	6,767,940	6,003,742
Jewish Child and Family Services	410,657	-	410,657	332,328
Churchill Regional Health Authority	25,185	-	25,185	11,900
Total	$10,858,975	$ 340,340	$11,199,315	$ 9,861,534

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the Authority.

8. Internally restricted fund balances

Changes in the internally restricted fund balance are as follows:

	2012	2011
Balance, beginning of year	$ 658,684	$ 441,700
Program development	204,165	556,919
Utilized during the year	(287,560)	(339,935)
Balance, end of year	$ 575,289	$ 658,684

The amount restricted is intended to support the following initiatives:

- Leading Practice Specialist Project and a Quality Assurance Specialist in support of training, mentoring and quality assurance within GA Agencies;
- To hire an Adoption Specialist to provide support to the GA Agencies;
- Pilot project to provide support for Youth Transitioning from Care; and
- Funds to support staff and youth engagement activities within the General Authority Agencies as well as support for the ongoing implementation of Critical Incident Stress Management Teams with Agencies and support for the implementation of the French Languages Service Plan.

These internally restricted amounts are not available for unrestricted purposes without the approval of the Board of Directors.

9. Lease commitments

The Authority has entered into an agreement to lease premises at 180 King Street until November 30, 2012. Occupancy charges for the year ending April 1, 2013 are estimated to be $55,510 (2012 - $83,620).

10. Financial instruments - risk management

In the normal course of operations the Authority is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of cash and short term deposits, accounts receivable and advance receivable.

The maximum exposure of the Authority to credit risk at March 31, 2012 is:

Cash and short term deposits	$ 2,225,173
Accounts receivable	78,772
Advance receivable	116,600
	$ 2,420,545

Cash and short term deposits: The Authority is not exposed to significant credit risk as the cash and term deposits are primarily held by a financial institution.

Accounts receivable and advance receivable: The Authority is not exposed to significant credit risk as the nature of the accounts receivable and advance receivable are mainly with the Province of Manitoba resulting in minimal credit exposure. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management’s estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at 2012 was $nil (2011 - $nil).

Liquidity risk

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

The Authority manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Authority’s income or the fair values of its financial instruments. The significant market risk the Authority is exposed to is interest rate risk.

<u>Interest rate risk</u>

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

The interest rate risk on short term deposits is considered to be low because of their short term nature.

<u>Foreign currency risk</u>

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY

Schedule of Differential Response Revenues and Expenses — Schedule

Year ended March 31, 2012

	2012	2011
Revenues:		
Operating grant	$ 196,256	$ 177,623
Interest & other revenue	21,678	39,163
Agency grants	340,340	718,540
	558,274	935,326
Expenses:		
Agency allocations (Note 7)	340,340	718,540
DR evaluation project	21,678	39,163
DR project development	53,546	83,086
Miscellaneous grant expenses	56,097	14,084
Office and miscellaneous	7,340	4,767
Wages and benefits	79,273	75,686
	558,274	935,326
	$ -	$ -

HELEN BETTY OSBORNE MEMORIAL FOUNDATION

HELEN BETTY OSBORNE MEMORIAL FOUNDATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Helen Betty Osborne Memorial Foundation are the responsibility of the Board of Trustees and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board of Trustees' opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating the Board's best judgment regarding all necessary estimates and all other data available up to September 24, 2012. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Trustees maintain 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 Auditor General of Manitoba is to express an independent, professional opinion on whether the financial statements of Helen Betty Osborne Memorial Foundation are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of the Board of Trustees,

Diane Carriere
Chairperson
Helen Betty Osborne Memorial Foundation

September 24, 2012

2ND FLOOR 405 BROADWAY AVENUE, WINNIPEG, MB R3C 3L6 | 204.391.3996 | FAX 204.948.2150
HELENBETTYOSBORNEFDN.CA

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Trustees of the Helen Betty Osborne Memorial Foundation

We have audited the accompanying financial statements of Helen Betty Osborne Memorial Foundation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Basis for Qualified Opinion
In common with many charitable organizations, the Foundation derives funds from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations was limited to the amounts recorded in the records of the Foundation and we are not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets at the end of the year.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2012 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General
September 24, 2012
Winnipeg, Manitoba

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

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2012	Total 2011
ASSETS					
CURRENT ASSETS					
Cash and bank	$ 35,488	7,663	42,598	85,749	180,881
Investments (Note 4)	-	-	-	-	214,902
Accrued interest receivable	-	-	-	-	320
Accounts receivable	43,327	-	-	43,327	24,598
Inventory (Note 2(c))	695	-	-	695	1,227
	$ 79,510	7,663	42,598	129,771	421,928
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 170	-	-	170	355
Deferred contributions (Note 3)	-	7,645	-	7,645	2,000
	170	7,645	-	7,815	2,355
NET ASSETS					
Restricted	-	18	-	18	(1,187)
Endowment	-	-	42,598	42,598	257,500
Unrestricted	79,340	-	-	79,340	163,260
	79,340	18	42,598	121,956	419,573
	$ 79,510	7,663	42,598	129,771	421,928

APPROVED BY THE BOARD:

_______________________ **Director**

_______________________ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2012	Total 2011
REVENUE					
Province of Manitoba					
Operating grant	$ -	-	-	-	40,000
Book sales	6,285	-	-	6,285	9,722
Donations and fundraising	6,366	-	-	6,366	21,144
Investment income (Note 3)	-	635	-	635	1,176
Restricted contributions (Note 3)					
Bursaries and scholarships	-	101,000	-	101,000	81,645
Project	-	2,000	-	2,000	15,929
	12,651	103,635	-	116,286	169,616
EXPENSES					
Bursaries and scholarships	-	101,000	-	101,000	84,500
Cost of book sales	531	-	-	531	891
Fundraising	96,040	-	-	96,040	36,672
Project	-	1,430	-	1,430	15,929
Transfer - Winnipeg Foundation (Note 4)	-	-	214,902	214,902	-
	96,571	102,430	214,902	413,903	137,992
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(83,920)	1,205	(214,902)	(297,617)	31,624
NET ASSETS, BEGINNING OF YEAR	163,260	(1,187)	257,500	419,573	387,949
NET ASSETS, END OF YEAR	$ 79,340	18	42,598	121,956	419,573

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2012

		2012	2011
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Excess of revenue over expenses	$	(297,617)	31,624
Change in non-cash working capital:			
Accrued interest receivable		320	(320)
Accounts receivable		(18,729)	9,357
Inventory		532	890
Accounts payable		(185)	(8,246)
Deferred contributions		5,645	(17,074)
		(310,034)	16,231
FINANCING AND INVESTING ACTIVITIES			
Investments		214,902	(856)
INCREASE (DECREASE) IN CASH		(95,132)	15,375
CASH, BEGINNING OF YEAR		180,881	165,506
CASH, END OF YEAR	$	85,749	180,881
ADDITIONAL INFORMATION:			
Interest received	$	955	856

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

1. ACCOUNTING ENTITY

The Helen Betty Osborne Memorial Foundation (the "Foundation" or "HBOMF") is incorporated under The Helen Betty Osborne Memorial Foundation Act, which received royal assent on December 15, 2000. The Foundation is a registered charitable organization exempt from income taxes under the provisions of the Income Tax Act of Canada.

The legislated purpose of the Foundation is to receive donations of real and personal property, including cash; to provide financial assistance to aboriginal persons residing in Manitoba who are enrolled in post secondary studies in Manitoba; and to promote the memory of Helen Betty Osborne.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Revenue Recognition

The Foundation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Investment income earned is restricted for bursary or scholarship purposes and is recognized on a time proportionate basis.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out method.

(d) Fund Accounting

The Regulation of the Foundation directs that scholarships, bursaries and grants may be paid from the fund as long as the fund will contain at least $57,500 after the capital in question has been withdrawn from the fund. If the fund contains less than $57,500, the Foundation may only provide scholarships, bursaries and grants using income earned from the fund. The Foundation maintains the following funds:

- The Unrestricted Fund, which reports the general activities of the Foundation, including administration.
- The Restricted Fund, which reports the revenues and expenses related to bursaries and scholarships and other special projects.
- The Endowment Fund, which reports the investments and grants received is subject to externally imposed restrictions stipulating that the resources be maintained permanently.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Future Accounting Changes

Effective April 1, 2012 the Foundation will be adopting government not-for-profit standards issued by the Public Sector Accounting Board. The Foundation is currently in the process of quantifying the impact these changes will have on its financial position.

(f) Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and net assets, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the entity are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and bank	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accrued interest receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in statement of changes in net assets until realized, at which time they recorded in the statement of operations.

As permitted within the CICA Accounting Handbook, the Foundation has continued to apply CICA Section 3861 - Disclosure and Presentation in place of Sections 3862 and 3863 for financial instruments.

Fair value of financial instruments

The fair values of investments, accrued interest receivable, accounts receivable and accounts payable approximates their carrying values due to their short-term maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable. Accounts payable are paid in the normal course of business and except under certain exceptions, no later than one month.

The Foundation's approach to managing liquidity risk is to manage its cashflow to ensure it will always have sufficient liquidity to meet liabilities when due. At March 31, 2012, the Foundation has an unrestricted fund cash balance of $35,488 and a restricted cash balance of $7,663 which exceeds total unrestricted and restricted fund current liabilities of $7,815. Hence, it is management's opinion that the Foundation is not exposed to any liquidity risk of any significance.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable and short-term investments.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due and investing in low risk investments that promote safety of principal.

Market risk

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

The Foundation is not exposed to any market risk of any significance.

(g) Use of Estimates

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Capital Management

The Foundation's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Foundation's capital consists of unrestricted, restricted and endowment funds.

The Foundation's capital management policy is to:

- Maintain sufficient capital to meet its objectives through its net assets by managing contributions from government entities, private organizations and individuals.
- Meet short-term capital needs with ongoing management of cash on hand and short-term investments.
- Meet long-term capital needs through allocation of revenue to the endowment fund.

The Regulation of The Helen Betty Osborne Memorial Foundation Act directs that scholarships, bursaries and grants may be paid from the fund as long as the fund will contain at least $57,500 after the capital in question has been withdrawn from the fund. If the fund contains less than $57,500, the Foundation may only provide scholarships, bursaries and grants using income earned from the fund.

The Endowment Fund, which reports the investments and grants received is subject to externally imposed restrictions stipulating that the resources be maintained permanently.

During the year, a significant portion of the Foundation's capital was transferred to the Winnipeg Foundation, where the funds are held in endowment. Note 4 contains the detail of the capital managed by the Winnipeg Foundation.

(j) Donated Services

The Foundation is economically dependent on the Province of Manitoba. No amount has been reflected in the financial statements for the Foundation's audit fees, certain expenses of trustees and other administrative services provided by the Province of Manitoba.

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for scholarship or bursary purposes or other externally funded projects. Changes in the deferred contributions balance are as follows:

	2012	2011
Balance, beginning of year	$ 2,000	19,074
Add: Investment revenue restricted for scholarship purposes	635	1,176
Restricted contributions		
Bursaries and scholarships	108,645	80,500
Project	-	-
Subtotal	111,280	100,750
Deduct current year:		
Amounts recognized as restricted contributions		
Bursaries and scholarships	101,000	81,645
Project	2,000	15,929
Amounts recognized as investment income	635	1,176
Balance, end of year	$ 7,645	2,000

4. INVESTMENTS

On July 23, 2011, the Board of Trustees approved the transfer of $214,902 previously invested with the Province of Manitoba to the Winnipeg Foundation to be held in perpetuity as an endowed fund known as The Helen Betty Osborne Memorial Scholarship Fund. The transfer of funds occurred on September 26, 2011 and all investments are now controlled by the Winnipeg Foundation. These investments are not reported on the financial statements of the HBOMF.

At March 31, 2012, the value of all the funds held in endowment and other flow through funds with the Winnipeg Foundation total $235,668.

	Endowment Fund	Flow Through Fund	Flow Through Admin Fund	Total 2012
Opening balance	$ -	-	-	-
Transfer from HBOMF	214,902	-	-	214,902
Donations received	400	4,750	300	5,450
Scholarships paid	-	(4,500)	-	(4,500)
Investment income	21,252	-	-	21,252
Administration fees	(1,436)	-	-	(1,436)
Ending balance	$ 235,118	250	300	235,668

The scholarships paid through the Winnipeg Foundation are in addition to the bursaries and scholarships paid directly by the HBOMF.

4. INVESTMENTS (Continued)

The Endowment Fund is to be held to perpetuity by the Winnipeg Foundation. The Endowment Fund receives donations and any income attributed to it by the Winnipeg Foundation. The Endowment Fund pays an administrative fee to the Winnipeg Foundation as well as scholarships to selected students. The original gift is protected by the Winnipeg Foundation on an inflation adjusted basis by calculating annually a maximum amount that is available to be withdrawn for the purpose of scholarships. There were no scholarships paid out from the Endowment Fund for March 31, 2012.

The Flow Through Fund is for contributions made directly to the Winnipeg Foundation for scholarships with the intent the funds will flow in and out within a short period of time. The specific student recipient is determined by HBOMF based on established criteria but the actual payment is made by the Winnipeg Foundation.

The Flow Through Administrative Fund is used to accumulate amounts received from donors over and above the amount received for scholarships. The additional amount is to be used for administrative purposes of HBOMF. A request is required by the Winnipeg Foundation before it will be paid directly to HBOMF.

5. CONTRACTUAL COMMITMENTS

During the fiscal year-ended March 31, 2010, the Foundation had entered into a contractual arrangement with Portage & Main Press to provide distribution services for the sale of The Life of Helen Betty Osborne Graphic Novel. 55% of net sales are kept by the distributor on all book sales until June 24, 2012.

During the fiscal year-ended March 31, 2011, the Foundation entered into a contractual Agreement between Manitoba Justice and Ms. Delaronde, whereas Ms. Delaronde will be seconded to the Foundation from her position at Manitoba Justice for a two year period. An amount of $56,600 will be paid in quarterly instalments to Manitoba Justice from the Foundation's financial accounts in each of the next two fiscal years.

6. FUNDING COMMITMENT RESTRICTED TO SPECIFIC BURSARIES

During the fiscal year ended March 31, 2012, Manitoba Hydro provided the fourth year of a seven year commitment of $3,000 per year. $3,000 is to be received in each of the next two fiscal years.

During the fiscal year ended March 31, 2012, Indian and Northern Affairs Canada provided a funding commitment of $16,645, which is to be used for bursaries and scholarships. An amount of $11,653 was received during the March 31, 2012 fiscal year, with another $3,328 received shortly after year-end and a hold back amount of $1,664 to be received in the next fiscal year upon the completion of final reports.

7. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

The Public Sector Compensation Disclosure Act requires an annual public disclosure be made of compensation paid,

a) to the chairperson, if any, if the chairperson's compensation is $50,000 or more;
b) in the aggregate to its board members, if any;
c) individually to each of its officers or employees whose compensation is $50,000 or more

The Foundation has no staff of their own and Trustees of the Foundation including the Chairperson do not get paid. Seconded staff are considered to be employees of the organization who employed them originally and are reported by that organization.

BDO

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

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

Independent Auditor's Report

To the Members of the **INSURANCE COUNCIL OF MANITOBA**

We have audited the accompanying financial statements of the **INSURANCE COUNCIL OF MANITOBA**, which comprise the statement of financial position as at March 31, 2012, and the statement of operations and changes in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **INSURANCE COUNCIL OF MANITOBA** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 10, 2012

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

March 31	2012	2011
Assets		
Current Assets		
Cash and bank	$ 58,003	$ 76,794
Short-term investments (Note 3)	334,034	229,845
Accounts receivable	-	278
Interest receivable	21,742	19,187
Prepaid expenses	8,742	9,209
	422,521	335,313
Long-term investments (Note 4)	943,240	898,924
Capital assets (Note 5)	338,872	388,515
	$ 1,704,633	$ 1,622,752
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 37,011	$ 21,030
Deferred revenue (Note 6)	148,561	158,254
	185,572	179,284
Net Assets		
Information Technology Reserve	200,000	200,000
Unrestricted net assets	1,319,061	1,243,468
	1,519,061	1,443,468
	$ 1,704,633	$ 1,622,752

Approved on behalf of the Council:

__________________________ Member

__________________________ Member

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

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Changes in Net Assets

For the year ended March 31	2012	2011
Revenue		
Change in market value of investments	$ 18,193	$ (10,293)
Examinations	50,799	38,772
Interest income	32,865	29,937
Licences (Note 7)	899,769	852,604
Other	58,716	34,768
	1,060,342	945,788
Expenses		
Advertising, dues and subscriptions	7,144	3,083
Amortization	91,130	58,166
Bank charges and interest	713	599
Computer consulting fees	106,289	42,228
Conferences	14,599	-
Council	36,950	30,175
Equipment leases	4,363	4,579
Insurance	4,067	1,570
Meetings and travel	26,158	26,123
Office and equipment rental	23,118	19,654
Postage and courier	13,608	11,737
Professional fees	36,830	75,856
Recruiting and human resource	1,101	4,748
Rent	85,373	77,977
Salaries and benefits	520,431	423,158
Telephone and Internet	10,326	13,114
Training	2,549	2,681
	984,749	795,448
Excess of revenue over expenses for the year	75,593	150,340
Net assets, beginning of year	1,243,468	1,093,128
Net assets, end of year	$ 1,319,061	$ 1,243,468

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

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	$	75,593	$	150,340
Adjustments for				
Amortization		91,130		58,166
Change in fair value of investments held for trading		(18,193)		10,293
Changes in non-cash working capital balances				
Accounts receivable		278		(278)
Interest receivable		(2,555)		3,673
Prepaid expenses		467		1,906
Accounts payable and accrued liabilities		15,981		8,623
Deferred revenue		(9,693)		(25,993)
		153,008		206,730
Cash Flows from Investing Activities				
Purchase of capital assets		(41,487)		(241,363)
Proceeds on sale of investments		216,364		302,662
Purchase of investments		(242,487)		(334,585)
		(67,610)		(273,286)
Increase (decrease) in cash and cash equivalents for the year		85,398		(66,556)
Cash and cash equivalents, beginning of year		306,639		373,195
Cash and cash equivalents, end of year	$	392,037	$	306,639
Represented by				
Cash and bank	$	58,003	$	76,794
Short-term investments		334,034		229,845
	$	392,037	$	306,639

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

Financial Instruments

The Council utilizes various financial instruments. 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 and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis except for investments which are recorded on a trade date basis.

The Council classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and bank	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Basis of Accounting

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

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

Computer hardware	30% diminishing balance basis
Computer software	30% diminishing balance basis
Furniture and fixtures	20% diminishing balance basis
Leasehold improvements	5 year straight-line basis
Licence database	5 year straight-line basis
Website	30% diminishing balance basis

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Use of Estimates

The preparation of financial statements in accordance with 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 revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

Licence fees are recognized as income over the term of the licence period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and the Public Sector Accounting Board (the "Boards") issued new standards for not-for-profit organizations ("NPOs") as follows:

For government (public sector) NPOs they have a choice of:

1. Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

For the year ended March 31, 2012

1. Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents and adjusters in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

2. Employee Benefits

The Council contributes 5.1% of employee salaries to a self administered RRSP on behalf of the employees up to the first $35,400 of earnings. The Council matches employee contributions to a maximum of 7% on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSPs for the year ended March 31, 2012 were $23,944 ($18,219 in 2011).

3. Short-term Investments

	2012	2011
Bank of Montreal Money Market Fund	$ 334,034	$ 229,845

The fair value of the short-term investment approximates the carrying value.

4. Long-term Investments

		Cost		2012 Fair Value		2011 Fair Value
Manitoba Hydro Bonds 4.35%, due June 15, 2011	$	-	$	-	$	51,634
Advisor's Advantage Trust GIC, 0.8%, due June 21, 2011		-		-		100,000
AGF Trust Company GIC, 4.82%, due November 7, 2011		-		-		70,060
Province of Manitoba Portfolio Allocation Notes, Series 1		35,000		34,136		32,606
TD Mortgage Corp GIC, 1.26%, due June 21, 2012		30,000		30,000		-
TD Mortgage Corp GIC, 4.65%, due June 25, 2012		50,000		57,560		54,917
Maple Trust GIC, 4.65%, due June 25, 2012		50,000		57,560		54,917
Canadian Western GIC, 1.65%, due November 19, 2012		40,000		40,000		-
NTL BK of CDA GIC, 4.83%, due June 24, 2013		75,000		86,805		82,668
Advisor's Advantage Trust GIC, 4.8%, due June 24, 2013		20,038		23,171		22,073
Home Trust GIC, 3.00%, due July 2, 2013		22,183		22,865		22,183
Canadian Western GIC, 2.95%, due July 2, 2013		41,062		42,296		41,055
TD Mortgage Corp GIC, 3.65%, due March 18, 2014		41,436		44,634		44,515
Equitable Trust GIC, 3.41%, due August 7, 2014		73,692		78,904		76,243
Home Trust GIC, 3.35%, due October 22, 2014		77,818		83,182		80,445
Manulife Bank of CDA GIC, 3.65%, due June 22, 2015		69,943		69,943		68,173
HSBC Bank of CDA GIC, 3.70%, due June 22, 2015		100,000		100,000		97,435
Mont Trust GIC, 2.95%, due June 23, 2016		100,000		100,000		-
Maple Trust GIC, 2.95%, due June 23, 2016		38,916		38,916		-
Royal Bank of Canada GIC, 2.450%, due November 17, 2016		33,272		33,268		-
	$	898,360	$	943,240	$	898,924

The investments are classified as held for trading and are recorded at fair market value. The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

5. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 167,004	$ 132,337	$ 34,667	$ 162,863	$ 118,516	$ 44,347
Computer software	110,540	99,602	10,938	109,328	95,217	14,111
Furniture and fixtures	124,867	66,604	58,263	124,867	52,038	72,829
Leaseholds improvements	25,000	10,000	15,000	25,000	5,000	20,000
Licence database	249,700	74,910	174,790	249,700	24,970	224,730
Website	27,353	19,378	7,975	27,353	15,960	11,393
Construction in process - licence database	37,239	-	37,239	1,105	-	1,105
	$ 741,703	$ 402,831	$ 338,872	$ 700,216	$ 311,701	$ 388,515

6. Deferred Revenue

Deferred revenue represents payments received for licenses and fees that cover more than the current fiscal year. The deferred portion will be recognized as revenue in the year to which it pertains to.

Licenses are recognized as revenue on a straight-line basis over the term of the license. Examination fees are recognized at the time the related exam is held.

7. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 44% of licence and other fees and 15% of examination fees to the OSIM. These amounts are not included in the financial statements. In 2012, this amount is $745,889 ($675,940 in 2011).

8. Commitments

The Council leases equipment and office premises under the provisions of operating leases. These commitments are to expiry are as follows:

2013	$ 7,172
2014	7,172
2015	7,172
2016	2,391

9. Capital Management

The Council considers its capital to be comprised of its unrestricted net assets and its Information Technology Reserve. There have been no changes in what the Council considers to be its capital since the previous period.

As a not-for-profit entity, the Council's operations are reliant on revenues generated annually. The Council has accumulated unrestricted net assets over its history, which are included in Net Assets in the Statement of Financial Position. A portion of the net assets is retained as working capital which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the Council at the board's discretion. The Information Technology Reserve net assets are restricted for the use of funding future upgrades to the Council's information technology system.

10. Financial Risk Management

The Council is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities. The Council limits its exposure to credit risk and market risk by maintaining a diversified portfolio and by investing in high quality investments.

Credit Risk and Market Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of accounts receivable, interest receivable and short and long-term investments. Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Council limits its exposure to credit risk by placing its cash and bank and investments in low risk investment vehicles. Risk and volatility of investment returns are mitigated through the diversification of investment vehicles.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars and the number of transactions undertaken in foreign currency is minimal.

10. Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Council is exposed to interest rate risk since its investments are in fixed rate guaranteed investment certificates and bonds.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

Fair Value

The carrying values of cash and bank, accounts receivable, interest receivable, investments, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items.

LEAF RAPIDS TOWN PROPERTIES LTD. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV

auditor's report

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the accompanying financial statements of Legal Aid Manitoba, which comprise the statement of financial position as at March 31, 2012, and the statements of revenue and expense, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2012, 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
August 21, 2012
Winnipeg, Manitoba

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

Financial statements

LEGAL AID MANITOBA
Statement of Financial Position
as at March 31

ASSETS	2012	2011
Current Assets		
Cash	$ 1,617,688	$ 895,144
Client accounts receivable (Note 3)	196,059	246,344
Receivable from the Province of Manitoba	4,956,000	4,635,000
Receivable from the Government of Canada	171,896	124,541
Other receivables (Note 4)	323,444	188,308
Prepaid expenses	298,668	301,215
	7,563,755	6,390,552
Capital Assets (Note 5)	414,286	203,657
Long-term receivable - charges on land (Note 6)	764,672	768,803
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	19,097,212	18,185,771
	$ 28,556,091	$ 26,264,949
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 4,424,250	$ 4,377,871
Accrued vacation pay	1,192,740	1,078,918
Deferred revenue from clients	395,875	376,607
Deferred contribution from Province of Manitoba	-	30,000
	6,012,865	5,863,396
Severance Liability (Note 8)	1,930,906	1,883,129
Provision for employee pension benefits (Note 14)	19,097,212	18,185,771
	21,028,118	20,068,900
Net Assets		
Invested in Capital Assets	414,286	203,657
Restricted Net Assets (Note 15)	78,559	78,559
Unrestricted Net Assets	1,022,263	50,437
	1,515,108	332,653
	$ 28,556,091	$ 26,264,949

Approved by the Council

_______________ Chair

_______________ Council Member

LEGAL AID MANITOBA

Statement of Revenue and Expense
for the year ended March 31

		2012	2011
Revenue			
Province of Manitoba (Note 9)		$ 27,967,105	$ 24,666,304
Manitoba Law Foundation (Note 10)		885,954	766,350
Contributions from clients		867,109	1,145,601
Recoveries from third parties		879,307	710,671
Government of Canada		160,052	132,130
Judgment costs and settlements		100,461	100,282
Interest Income		1,852	12,925
Other		41,147	10,363
		30,902,987	27,544,626
Expense			
Private bar fees and disbursements (Note 13)			
	Legal aid certificates	$ 9,362,723	$ 8,829,857
	Duty counsel services	623,859	670,970
	Transcripts	56,542	45,143
		10,043,124	9,545,970
Community Law Centres, Schedule 1		12,599,295	12,046,360
Public Interest Law Centre, Schedule 1		1,202,723	1,114,586
University Law Centre, Schedule 1		119,371	114,903
General and Administrative, Schedule 1		5,756,019	6,316,269
		29,720,532	29,138,088
Excess of Revenue (Expense)		**$ 1,182,455**	**$ (1,593,462)**

LEGAL AID MANITOBA

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

	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total 2012	Total 2011
Balance, Beginning of Year	$ 203,657	$ 78,559	$ 50,437	$ 332,653	$ 1,926,115
Excess of Revenue (Expense)	(92,081)	-	1,274,536	1,182,455	(1,593,462)
Capital Asset Additions	302,710	-	(302,710)	-	-
Balance, End of Year	**$ 414,286**	**$ 78,559**	**$ 1,022,263**	**$ 1,515,108**	**$ 332,653**

LEGAL AID MANITOBA

Statement of Cash Flow
for the year ended March 31

	2012	2011
Cash Flow Provided by (Used In) Operating Activities:		
Excess of Revenue (Expense)	$ 1,182,455	$ (1,593,462)
Add items not affecting cash		
Amortization	92,081	104,017
Loss on disposal of capital assets	-	16,370
Changes in working capital:		
Client accounts receivable	50,285	(10,675)
Province of Manitoba receivable	(321,000)	602,000
Government of Canada receivable	(47,355)	(14,145)
Other receivables	(135,136)	(84,460)
Prepaid expenses	2,547	(119,535)
Accounts payable and accrued vacation pay	160,201	(333,137)
Deferred revenue	19,268	(29,750)
Deferred contribution from Province of Manitoba	(30,000)	-
Charges on Land	4,131	(54,298)
Long-term funding commitments - pension	(911,441)	(1,556,071)
Severance liability	47,777	164,129
Provision for employee pension benefits	911,441	1,556,071
	1,025,254	(1,352,946)
Cash Flow Provided by (Used In) Investing Activities		
Redemption of short-term investment	-	1,400,000
Purchase of capital assets	(302,710)	(29,675)
	(302,710)	1,370,325
Net Increase (Decrease) in Cash for the Year	722,544	17,379
Cash - Beginning of Year	895,144	877,765
Cash - End of Year	**$ 1,617,688**	**$ 895,144**
Supplemental Cash Flow Information		
Interest Received	$ 1,852	$ 12,925

LEGAL AID MANITOBA

Schedule of Expenses
for the year ended March 31

SCHEDULE 1

	COMMUNITY LAW CENTRES		PUBLIC INTEREST LAW CENTRE		UNIVERSITY LAW CENTRE		GENERAL AND ADMINISTRATIVE		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,726	$ 28,749	$ 25,726	$ 28,749
Amortization	44,168	56,925	2,368	3,165	1,886	1,886	43,659	42,041	92,081	104,017
Bad debts	-	-	-	-	-	-	192,762	287,601	192,762	287,601
Bank charges	-	-	-	-	-	-	2,180	2,250	2,180	2,250
Collection Costs	-	-	-	-	-	-	6,502	9,817	6,502	9,817
Computer Costs	79,007	30,656	2,153	107	-	-	19,260	28,509	100,420	59,272
Council expenses	-	-	-	-	-	-	168,516	157,328	168,516	157,328
Duty counsel	240,334	260,903	2,055	3,032	-	-	1,524	1,825	243,913	265,760
Equipment maintenance	107,174	95,341	8,407	10,689	789	1,346	44,331	43,762	160,701	151,138
File disbursements	352,572	327,634	340,231	306,991	1,916	1,163	35,780	27,691	730,499	663,479
Library	72,946	75,396	6,896	7,342	197	198	1,581	1,980	81,620	84,916
Meetings	5,686	9,695	1,143	1,772	1,324	1,124	12,721	9,510	20,874	22,101
Office expenses	197,929	199,932	17,959	21,557	6,354	5,573	127,951	107,731	350,193	334,793
Office relocation	80,784	19,605	7,996	-	-	-	42,457	-	131,237	19,605
Pension costs (Note 14)	-	-	-	-	-	-	1,646,709	2,272,232	1,646,709	2,272,232
Premise costs	770,402	683,059	30,085	23,737	93	41	204,894	168,224	1,005,474	875,061
Professional fees	174,637	155,422	10,865	12,302	650	703	129,319	126,897	315,471	295,324
Salaries, benefits and levy	10,153,791	9,810,819	739,783	702,517	94,963	90,740	2,793,625	2,676,966	13,782,162	13,281,042
Severance benefits	-	-	-	-	-	-	142,488	217,482	142,488	217,482
Staff development	62,585	86,337	11,853	4,395	22	-	1,808	8,026	76,268	98,758
Staff recruitment	15,367	27,613	192	870	65	-	2,845	2,981	18,469	31,464
Telephone	112,268	98,944	10,216	7,950	2,508	2,524	88,753	74,962	213,745	184,380
Transcripts	27,096	29,110	-	-	282	327	-	-	27,378	29,437
Travel	102,549	78,969	10,521	8,160	8,322	9,278	20,628	19,705	142,020	116,112
TOTAL	**$ 12,599,295**	**12,046,360**	**1,202,723**	**1,114,586**	**119,371**	**114,903**	**5,756,019**	**6,316,269**	**19,677,408**	**19,592,118**

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

a) Providing quality legal advice and representation to eligible low-income individuals;
b) Administering the delivery of legal aid in a cost-effective and efficient manner; and
c) Providing advice to the Minister on legal aid generally and on the specific legal needs of low-income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) General

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit entities.

b) Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash	Held for trading	Fair value
Client accounts receivable	Loans and receivables	Amortized cost
Receivable from the Province of Manitoba	Loans and receivables	Amortized cost
Receivable from the Government of Canada	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Long-term receivables:		
· Charges on land	Loans and receivables	Amortized cost
· Severance – Province of Manitoba	Loans and receivables	Amortized cost
· Pension – Province of Manitoba	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of revenue and expense in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of revenue and expense for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in statement of changes in net assets until realized, at which time they are recorded in the statement of revenue and expense.

c) Use of Estimates

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

d) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

e) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Corporation based on the clients' ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the Legal Aid Certificate. The revenue and receivable are recognized when the service is provided.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case up to a maximum of $250. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land

Charges on land are registered under section 17 of the *Corporations Act* in a land titles office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

f) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

g) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment – 10 years
- Computer hardware & software – 4 years
- Leasehold improvements – over the term of the lease

Work in progress assets are not amortized until the asset is available to be put into service.

h) Pension Plan

Employees of the Corporation are pensionable under the *Civil Service Superannuation Act*. The Civil Service Superannuation Plan is a defined benefit pension plan. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment needed is recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

i) Future Accounting Changes - accounting standards for government not-for-profit organizations

In December 2010, the Accounting Standards Board issued new accounting standards and guidelines applicable for not-for-profit organizations (“NPOs”) and changes for government not-for-profit organizations (“GNPOs”). The Corporation has concluded that it is a GNPO and therefore will adopt the standards for GNPOs. A GNPO whose financial statements comply with the revised Canadian Institute of Chartered Accounts Public Sector Accounting handbook will state that its financial statements are in compliance with Canadian generally accepted accounting principles for GNPOs. The standards and guidelines will apply for fiscal years beginning on or after January 1, 2012 and will require retroactive application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Corporation is currently considering the impact of the adoption of such standards and guidelines.

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

3. Client Accounts Receivable

	2012	2011
Agreements to pay	$ 58,859	$ 64,606
Expanded eligibility	496,022	609,727
	554,881	674,333
Less: Allowance for Doubtful Accounts	358,822	427,989
Client accounts receivable	$ 196,059	$ 246,344

4. Other Receivables

	2012	2011
Court costs	$ 193,210	$ 181,422
Child and Family Services agencies	33,559	61,495
Employment and Income Assistance	150,236	114,623
Employee advances, GST recoverable, and miscellaneous	134,918	8,070
	511,923	365,610
Less: Allowance for Doubtful Accounts	188,479	177,302
Other receivables	$ 323,444	$ 188,308

5. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 297,794	$ 164,520	$ 239,178	$ 139,397
Computer hardware & software	278,035	163,661	269,529	182,989
Leasehold improvements	173,810	7,172	289,436	272,100
	$ 749,639	$ 335,353	$ 798,143	$ 594,486
Net book value		$ 414,286		$ 203,657

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

6. Charges on Land

	2012	2011
Charges on land	$ 1,507,663	$ 1,515,045
Less: Allowance for Doubtful Accounts	742,991	746,242
Charges on land	$ 764,672	$ 768,803

7. Long-term Receivable - Severance Benefits

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

8. Severance Liability

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2012 by Ellement & Ellement Consulting Actuaries. The Corporation's actuarially determined net liability for accounting purposes as at March 31, 2012 was $1,930,906 (2011 - $1,883,129). The report provides a formula to update liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of 9 years of service and that the employee is retiring from the Corporation.

Significant long-term actuarial assumptions used in the March 31, 2012 valuation, and in the determination of the March 31, 2012 present value of the accrued severance benefit obligation were:

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

	2012	2011
Annual rate of return		
Inflation component	2.00%	2.00%
Real rate of return	4.00%	4.00%
	6.00%	6.00%
Assumed salary increase rates		
Annual productivity increase	0.75%	0.75%
Annual general salary increase	2.00%	2.00%
	2.75%	2.75%

9. Revenue from the Province of Manitoba

	2012	2011
Grant	$ 14,180,680	$ 11,587,624
Salaries and other payments	11,792,320	11,220,418
Health and post secondary education tax levy	250,281	238,946
Employer portion of employee benefits	1,601,324	1,533,066
Other government agencies	142,500	86,250
	$ 27,967,105	$ 24,666,304

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from the Manitoba Law Foundation

	2012	2011
Statutory grant	$ 619,954	$ 500,350
Public Interest Law Centre	180,000	180,000
University Law Centre	86,000	86,000
	$ 885,954	$ 766,350

A statutory grant, pursuant to subsection 90(1) of the *Legal Profession Act*, is received annually from the Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to the Corporation, the Act provides for pro-rata sharing of the net interest. Therefore, in the current year $619,954 was received because earnings were below the statutory minimum.

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

Other grants from the Manitoba Law Foundation are received pursuant to subsection 90(4) of the *Legal Profession Act*. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2012, there were no funds remaining from these grants for the current year.

11. Commitments

a) Lease

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2013	$	973,193
2014		859,991
2015		743,871
2016		975,833
2017		918,717
Thereafter		7,722,224
	$	12,193,829

b) Private Bar

Estimated total commitments for future billings on outstanding Legal Aid Certificates amount to $1,708,000 as at March 31, 2012 (2011 - $1,494,000).

12. Related Parties Transactions

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

13. Private Bar Fees and Disbursements

			Total	
	Fees	**Disbursements**	**2012**	**2011**
Legal aid certificates	$ 8,814,574	$ 548,149	$ 9,362,723	$ 8,829,857
Duty counsel services	623,859	0	623,859	670,970
Transcripts	0	56,542	56,542	45,143
	$ 9,438,433	$ 604,691	$ 10,043,124	$ 9,545,970

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

14. Provision for Employee Pension Benefits

Pension costs consist of benefits accrued, interest accrued on benefits and experience (gain) loss. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent valuation was completed as at December 31, 2011 by Ellement & Ellement Consulting Actuaries. The actuary has projected the pension obligation to March 31, 2012.

	2012	2011
Balance at beginning of year	$ 18,185,771	$ 16,629,700
Benefits accrued	737,439	772,095
Interest accrued on benefits	1,182,146	1,082,749
Benefits paid	(735,268)	(716,161)
Experience (gain) loss	(272,876)	417,388
Balance at end of year	$ 19,097,212	$ 18,185,771

The Corporation’s pension costs consist of the following:

	2012	2011
Benefits accrued	$ 737,439	$ 772,095
Interest accrued on benefits	1,182,146	1,082,749
Experience (gain) loss	(272,876)	417,388
	$ 1,646,709	$ 2,272,232

The key actuarial assumptions were a rate of return of 6.00% (2011 – 6.00%), 2.00% inflation (2011 – 2.00%), salary rate increases of 3.75% (2011 – 3.75%) and post retirement indexing 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2012 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for funding of the Corporation's pension liability and related expense which includes an interest component. The Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability $19,097,212 (2011 – $18,185,771), and has recorded revenue for 2011/12 equal to its increase in the unfunded pension liability during the year of $911,441 (2011 – $1,556,071). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

15. Restricted Net Assets - Wrongful Conviction Cases

During the fiscal year ended March 31, 2006 the Province of Manitoba approved a reallocation of $130,000 from the Corporation's unrestricted net assets. This funding was provided for section 696 applications under the Criminal Code for wrongful conviction appeals. In the current fiscal year, the Corporation did not incur any expenses (2011 - nil) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is $78,559.

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

16. Capital Management

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations.

The Corporation's capital consists of the total of the various net asset balances in the amount of $1,515,108 (2011 – $332,653).

The Corporation is not subject to externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the period.

17. Public Sector Compensation Disclosure

For the purposes of the *Public Sector Compensation Disclosure Act*, all compensation for employees, Management Council members, and the private bar fees and disbursements from the Corporation is disclosed in a separate statement.

18. Legal Aid Manitoba Application System (LAMAS)

A new software application system was installed and implemented fiscal 2006/07 at a cost of $764,850. The system was paid for by the Department of Justice and therefore, a capital asset has not been recorded in these financial statements nor has any amortization expense been recorded.

19. Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Corporation would receive or pay to settle a financial asset or financial liability as at the reporting date.

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The fair values of the client accounts receivable, receivable from the Province of Manitoba, receivable from the Government of Canada, other receivables and accounts payable approximates their carrying values due to their short-term maturity.

The fair value of the long-term receivable – Charges on land approximates the carrying value because it is estimated from an analysis of expected recoveries based on recent experience and discounted to reflect the time value of money.

The fair value of the long-term receivable from the Province of Manitoba - severance approximates its carrying value as the receivable includes an interest component as described in Note 7.

The fair value of the long-term receivable from the Province of Manitoba - pension approximates its carrying value as the receivable includes an interest component as described in Note 14.

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2012		2011	
Financial Asset/Liability	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 1,617,688	$ 1,617,688	$ 895,144	$ 895,144
Client accounts receivable	196,059	196,059	246,344	246,344
Receivable from the Province of Manitoba	4,956,000	4,956,000	4,635,000	4,635,000
Receivable from the Government of Canada	171,896	171,896	124,541	124,541
Other receivables	323,444	323,444	188,308	188,308
Long-term receivables:				
• Charges on land	764,672	764,672	768,803	768,803
• Severance - Province of Manitoba	716,166	716,166	716,166	716,166
• Pension - Province of Manitoba	19,097,212	19,097,212	18,185,771	18,185,771
Accounts payable	4,424,250	4,424,250	4,377,871	4,377,871

Financial risk management - overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Interest rate risk; and
- Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Corporation's Management Council has overall responsibility for the establishment and oversight of the Corporation's objectives, policies and procedures for measuring, monitoring and managing these risks.

Credit risk

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

The maximum exposure of the Corporation to credit risk at March 31, 2012 is:

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

Cash	$ 1,617,688
Client accounts receivable	196,059
Receivable from the Province of Manitoba	4,956,000
Receivable from the Government of Canada	171,896
Other receivables	323,444
Long-term receivables:	
• Charges on land	764,672
• Severance - Province of Manitoba	716,166
• Pension - Province of Manitoba	19,097,212
	$ 27,843,137

Cash: The Corporation is not exposed to significant credit risk as the cash is held by a large financial banking institution.

Client accounts receivable includes clients that contribute toward the cost of their case under the agreements to pay and expanded eligibility payment programs based on a contract. The Corporation manages its credit risk on these accounts receivables which are primarily small amounts held by a large client base. It is typically expected that clients will settle their account based on their payment program. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses.

Receivable from the Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivable is from the provincial government.

Receivable from the Government of Canada: The Corporation is not exposed to significant credit risk as the receivable is from the federal government.

Other receivables include court costs, Child and Family Services agencies, Employment and Income Assistance, and miscellaneous. The Corporation is exposed to significant credit risk related to court costs and therefore, an allowance of 95% is set up to recognize the likelihood of collection. In the case of receivables from Child and Family Services agencies and Employment and Income Assistance, they are funded through the Province of Manitoba. Miscellaneous includes employee advances, GST and other recoverable costs. Employee advances are usually paid within one month, GST is received quarterly and other recoverable costs are usually paid within 90 days of receipt of an order to pay by the courts or other authority.

Long-term receivable – charges on land: The Corporation manages its credit risk on these accounts receivables which primarily consists of small amounts held by a large client base for which payment is secured by a lien on property. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated on a specific identification basis and a general provision based on historical experience.

Long-term receivables – severance and pension – Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivables are with the provincial government.

Liquidity risk

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

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2012

The Corporation manages liquidity risk by maintaining adequate cash balances. The Corporation prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. The Corporation continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the fair values of its financial instruments. The significant market risks the Corporation is exposed to are: interest rate risk and foreign currency risk.

Interest rate risk

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

The interest rate risk is considered to be low on cash because of its short-term nature and low on accounts payable because they are typically paid when due.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

MASC
Manitoba Agricultural Services Corporation

Responsibility for Financial Statements

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original signed by

Neil Hamilton
President & Chief Executive Officer

Original signed by

Jim Lewis
Vice President, Finance & Administration

July 31, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the accompanying financial statements of the Manitoba Agricultural Services Corporation, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Agricultural Services Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and its cash flows for the year ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ended March 31, 2012, the Manitoba Agricultural Services Corporation adopted Canadian public sector accounting standards. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these financial statements.

Original signed by

Office of the Auditor General
Winnipeg, Manitoba
July 31, 2012

Statement of Financial Position

As at March 31, 2012

(in thousands of dollars)

	Note	March 31, 2012	March 31, 2011 (Restated - Note 4)	April 1, 2010 (Restated - Note 4)
FINANCIAL ASSETS				
Cash		$ 5,223	$ 2,291	$ 1,177
Accounts receivable	8	1,916	2,131	3,931
Receivables from the Province of Manitoba	9	107,277	9,684	12,835
Receivables from the Government of Canada	10	5,659	6,938	6,625
Investments	11	191,475	350,227	394,051
Loans receivable	12	318,247	310,448	310,777
Total Financial Assets		$ 629,797	$ 681,719	$ 729,396
LIABILITIES				
Accounts payable and accrued liabilities	13	$ 35,866	$ 14,609	$ 7,620
Claims payable	14	124,650	21,164	16,893
Loans from the Province of Manitoba	15	345,109	334,748	339,372
Provisions for losses on guaranteed loans	16	15,829	15,206	15,324
Future employee benefits	17	8,775	8,698	8,239
Total Liabilities		$ 530,229	$ 394,425	$ 387,448
Net Financial Assets		$ 99,568	$ 287,294	$ 341,948
NON-FINANCIAL ASSETS				
Inventories held for use	2	$ 480	$ 588	$ 501
Prepaid expenses	2	125	118	101
Tangible capital assets	19	198	232	267
Total Non-Financial Assets		$ 803	$ 938	$ 869
Accumulated surplus		$ 100,371	$ 288,232	$ 342,817
Loan guarantees and contingencies	16			
Commitments	18			

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

Approved by the Board:

Original signed by

John S. Plohman
Chair, Board of Directors

Original signed by

Harry Sotas
Vice Chair, Board of Directors

Statement of Operations

For the Year Ended March 31, 2012
(in thousands of dollars)

	2012		2011
	Budget	Actual	Actual
REVENUE			
Premiums from insured producers	$ 105,471	$ 87,275	$ 91,448
Interest from loans	19,810	19,523	19,751
Contribution from the Province of Manitoba	98,459	315,895	108,080
Contribution from the Government of Canada	84,939	132,351	103,628
Investment income	4,050	3,701	3,470
Other income	189	340	144
	312,918	559,085	326,521
EXPENSE			
Lending Programs	25,710	25,703	22,153
AgriInsurance Program	228,487	377,953	252,976
Hail Insurance Program	20,810	8,097	14,508
Wildlife Damage Compensation Program	3,224	2,397	2,845
Farmland School Tax Rebate Program	35,515	36,935	33,373
Other Programs	80	295,861	55,251
	313,826	746,946	381,106
Deficit for the year	$ (908)	(187,861)	(54,585)
Accumulated surplus, beginning of year		288,232	342,817
Accumulated surplus, end of year		$ 100,371	$ 288,232

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

Statement of Change in Net Financial Assets

For the Year Ended March 31, 2012
(in thousands of dollars)

	2012 Actual	2011 Actual
Net loss	$ (187,861)	$ (54,585)
Tangible capital assets		
Acquisition of tangible capital assets	(41)	(54)
Amortization of tangible capital assets	75	89
	34	35
Other non-financial assets		
Disposal (acquisition) of inventory held for use	108	(87)
Increase in prepaid expenses	(7)	(17)
	101	(104)
Decrease in net financial assets	(187,726)	(54,654)
Net financial assets, beginning of year	287,294	341,948
Net financial assets, end of year	$ 99,568	$ 287,294

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

Statement of Cash Flows

For the Year Ended March 31, 2012
(in thousands of dollars)

	2012	2011
Cash provided by (used for):		
Operating		
Deficit for the year	$ (187,861)	$ (54,585)
Amortization of tangible capital assets	75	89
	(187,786)	(54,496)
Changes in:		
Receivables	(96,099)	4,638
Loans receivable	639	(2,370)
Accounts payable and accrued liabilities	21,257	6,989
Claims payable	103,486	4,271
Provisions for losses on guaranteed loans	623	(118)
Future employee benefits	77	459
Prepaid expenses	(7)	(17)
Inventories held for use	108	(87)
Cash used for operating activities	(157,702)	(40,731)
Capital		
Acquisition of tangible capital assets	(41)	(54)
Cash used for capital activities	(41)	(54)
Investing		
Investments redeemed	153,070	32,158
Loans disbursed	(95,898)	(77,009)
Loan principal received	87,460	79,708
Cash provided by investing activities	144,632	34,857
Financing		
Debt repayments to the Province of Manitoba	(73,639)	(68,824)
Loans from the Province of Manitoba	84,000	64,200
Cash provided by (used for) financing activities	10,361	(4,624)
Net decrease in cash and cash equivalents	(2,750)	(10,552)
Cash and cash equivalents, beginning of year	76,603	87,155
Cash and cash equivalents, end of year	$ 73,853	$ 76,603
Cash and cash equivalents are comprised of the following:		
Investments	$ 191,475	$ 350,227
Investments with terms greater than 90 days	(122,845)	(275,915)
Investments with terms of 90 days or less	68,630	74,312
Cash	5,223	2,291
	$ 73,853	$ 76,603
Supplemental Cash Flow Information		
Interest paid	$ 15,857	$ 16,619
Interest received	$ 23,620	$ 22,843

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

Notes to Financial Statements

as at March 31, 2012 (tabular amounts in thousands of dollars)

1. NATURE OF ORGANIZATION

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act.* The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act.* As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form a provincial Crown corporation called the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statements are presented in accordance with Canadian Public Sector Accounting (PSA) standards.

MASC adopted PSA standards with a transition date of April 1, 2010. More details on this transition are provided in Note 4.

MASC elected the early adoption of PS3450 Financial Instruments and PS3041 Portfolio Investments. No adjustment to financial assets and liabilities was required.

(A) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*. Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) Loans Receivable

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicated doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

Periodically the Province of Manitoba will approve special assistance loans with concessionary interest rates. These loans are discounted using the present value method when they involve significant concessionary elements. The discounted amount is expensed at the time the loans are disbursed and is amortized to revenue over the life of the concessionary terms.

(C) Claims Payable

Claims payable is comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

The provision for the Lake Manitoba Financial Assistance Program – Part C Lake Manitoba Business, Principal and Non-Principal Residence Component has the largest provision and was established by reviewing the separate components, which are: flood mitigation, property damage to principal and non-principal residences; property damage and income loss for businesses; and the temporary accommodation costs for evacuated residents. The largest portion of the provision for Part C is for property damage to principal and non-principal residences. This provision was established using: actual costs for claims that had been finalized by June 30, 2012; estimates of repair costs where the appraisal had been completed, but the claim had not yet been processed; and the results of a phone survey that requested the property owner to estimate the damage to their property as a percentage of the total value of the residence. The loss percentages from the phone survey were then multiplied by the building property tax assessment values inflated to account for the average amount that market values exceed the property tax assessments. For the balance of properties where there was limited information on the amount of damage, the average loss for the above calculated properties was applied. In addition, a contingency was included for other unknown damages, appeals, etc. If the property damage for principal and non-principal residences is incorrect by a factor of 10%, the resulting change in the provision would be $5.6 million.

(D) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(E) Provision for Losses on Guaranteed Loans

The provision for losses on loan guarantees is determined annually through a review of each guarantee program. The provision represents management's best estimate of probable claims against the loan guarantees. Such provision is intended to cover principal, accrued and unpaid interest and any additional amounts that are recoverable by the financial institution that issued the loan.

Current year provisions for guaranteed loan losses are charged as expenses to the provision for guaranteed loan losses. Actual loan guarantee claims that have been paid are charged to the appropriate provision.

(F) Future Employee Benefits

The employees of MASC belong to The Civil Service Superannuation Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually.

Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments and accrued benefits.

MASC employees are entitled to vacation and severance pay in accordance with the terms of the collective agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on management's best estimate.

As a first time adopter as per PS2125, MASC has elected to recognize all cumulative actuarial gains and losses as at the date of transition to Canadian PSA standards directly into accumulated surplus and amortizing subsequent gains and losses over EARSL.

(G) Inventories Held for Use

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Option Program is recorded at cost. Occasionally, real estate is acquired through foreclosure and voluntary transfer of title in the settlement of loans and is recorded at the appraised value of the real estate at acquisition date.

(H) Prepaid Expenses

Prepaid expenses are payments for goods or services, which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(I) Tangible Capital Assets

MASC's tangible capital assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life, as follows:

Leasehold improvements	remaining term of lease
Furniture and equipment	10 years
Computer hardware and software	4 years
Major software development	8 years

(J) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Transfers (revenues from non-exchange transactions) are recognized as revenue when: the transfer is authorized, all eligible criteria are met, and a reasonable estimate of the amount can be made.

(K) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgriInsurance Agreement, which is consolidated in Annex B of Growing Forward: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgriInsurance premiums. Premiums for most of the crop loss programs and basic Excess Moisture Insurance are shared between insured producers (40%), the Government of Canada (36%) and the Province of Manitoba (24%).

The exception is the Excess Moisture Insurance Zero Deductible Option, for which premiums are paid entirely by participating producers.

(L) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The Canada-Manitoba AgriInsurance Agreement referred to in Section (K) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(M) Financial Instruments

MASC's financial instruments include cash, receivables, investments, loans receivable, accounts payable and accrued liabilities, claims payable, loans from the Province of Manitoba and provisions for losses on guaranteed loans.

All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

(N) Measurement Uncertainty

The preparation of financial statements that conform with Canadian PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include: provisions for losses on accounts receivable, loans receivables, loan guarantees, liabilities for claims and program payments, future employee benefits and accrued administration liabilities.

3. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2011/12 budget in April 2011. Provincial funding for the approved budget of $98,410,000 was authorized by the Legislative Assembly. Other Programs, with the exception of the Inspection Services component, do not contain the budgeted amounts.

(B) AgriInsurance and Hail Insurance Fund Balance Restrictions

The AgriInsurance and Hail Insurance funds are restricted as set out in Sections 58 and 61 of *The Manitoba Agricultural Services Corporation Act*. The only items to be paid out of these funds are: indemnities payable under the contracts of insurance; premiums or other amounts payable for reinsurance; interest on any money borrowed for the purpose of the funds; and expenses relating to the administration of the funds (for Hail Insurance only).

4. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

In previous fiscal years, MASC's financial statements were presented in accordance with Canadian generally accepted accounting principles for profit oriented enterprises. The Public Sector Accounting Board has approved the accounting framework choices for other government organizations. Effective April 1, 2011, MASC adopted Canadian Public Sector Accounting (PSA) standards.

These new standards are required to be applied retroactively to the transition date of April 1, 2010; however MASC is electing to adopt certain exemptions under PS2125 as follows:

- PS3250.061 requires actuarial gains and losses for future employee pension and severance benefits to be amortized over a reasonable future period. MASC is electing to adopt PS2125.10 and recognize all cumulative actuarial gains and losses as the date of transition directly in the accumulated surplus/deficit.
- PS3250.044 requires accrued benefit obligations for future employee pension and severance benefits to be determined by applying a discount rate with reference to its plan's asset earnings or with reference to its cost of borrowing. MASC is electing to adopt PS2125.09 and delay the application of this section until the date of the next actuarial valuation which will be within three years of the transition date.

The adoption of these standards resulted in changes to the format of the financial statements. There was no impact on the accumulated surplus or net income reported for the March 31, 2011 comparative period. The impacts of these changes on the format of the financial statements are as follows:

a) Accounts receivable

	March 31, 2011	April 1, 2010
Accounts receivable as per previous financial statements	$ 19,565	$ 23,755
Less: amounts reclassified from accounts receivable to receivables from the Province of Manitoba	(9,684)	(12,835)
Less: amounts reclassified from accounts receivable to receivables from the Government of Canada	(6,938)	(6,625)
Less: accrued investment interest reclassified to investments	(812)	(364)
	$ 2,131	$ 3,931

b) Receivables from the Province of Manitoba

	March 31, 2011	April 1, 2010
Receivables from the Province of Manitoba as per previous financial statements	$ -	$ -
Add: amounts reclassified from accounts receivable to receivables from the Province of Manitoba	9,684	12,835
	$ 9,684	$ 12,835

c) Receivables from the Government of Canada

	March 31, 2011	April 1, 2010
Receivables from the Government of Canada as per previous financial statements	$ -	$ -
Add: amounts reclassified from accounts receivable to receivables from the Government of Canada	6,938	6,625
	$ 6,938	$ 6,625

d) Investments

	March 31, 2011	April 1, 2010
Investments as per previous financial statements	$ 349,415	$ 393,687
Plus: accrued interest reclassified from accounts receivable to investments	812	364
	$ 350,227	$ 394,051

e) Reinsurance premiums payable

	March 31, 2011	April 1, 2010
Reinsurance premiums payable as per previous financial statements	$ 2,360	$ 2,549
Less: amounts reclassified from reinsurance premiums payable to accounts payable and accrued liabilities	(2,360)	(2,549)
	$ -	$ -

f) Accounts payable and accrued liabilities

	March 31, 2011	April 1, 2010
Accounts payable and accrued liabilities as per previous financial statements	$ 20,715	$ 13,043
Add: amounts reclassified from reinsurance premiums payable to accounts payable and accrued liabilities	2,360	2,549
Less: amounts reclassified from accounts payable and accrued liabilities to future employee benefits	(8,698)	(8,239)
Add: amounts reclassified from deferred revenue to accounts payable and accrued liabilities	232	267
	$ 14,609	$ 7,620

g) Future employee benefits

	March 31, 2011	April 1, 2010
Future employee benefits as per previous financial statements	$ -	$ -
Plus: amounts reclassified from accounts payable to future employee benefits	8,698	8,239
	$ 8,698	$ 8,239

h) Deferred revenue

	March 31, 2011	April 1, 2010
Deferred revenue as per previous financial statements	$ 232	$ 267
Less: amounts reclassified from deferred revenue to accounts payable and accrued liabilities	(232)	(267)
	$ -	$ -

5. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation Program, which pays producers for 90% (80% for 2011) of damage to agricultural crops and related products caused by waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The first 80% of compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%). The remaining 10% of compensation for 2012 is paid by the Province of Manitoba.

6. FARMLAND SCHOOL TAX REBATE PROGRAM

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate on the school tax paid on farmland. The rebate of 80% for the 2011 property tax year increased from a rebate of 75% for the 2010 tax year. The program provides a three-year time frame for claiming rebates. Recorded rebate payments for the 2011 tax year of $36,548,000 is comprised of $35,611,000 for the 2011 tax rebates and $937,000 for rebates relating to 2009 and 2010. Included in the 2011 tax rebates is a provision of $3,982,000 for rebates that had not been applied for as of March 31, 2012. A provision of $1,860,000 remains for prior year rebates that remain unclaimed. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

7. OTHER PROGRAMS

(A) Inspection Services
In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost (i.e. on a breakeven basis). These services include: grain audits for cash advances issued by the Canadian Wheat Board, production loss assessments for windmill construction and maintenance, certificates of local production for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance Program. Such services totalled $68,000 (2011 - $44,000).

(B) Canada-Manitoba Feed and Transportation Assistance Program
In December 2010, MASC became responsible for the administration the Canada-Manitoba Feed and Transportation Assistance Program. The purpose of the program was to provide assistance to Manitoba producers who experienced a shortage of overwinter feed caused by extreme moisture in 2010. Funding as an AgriRecovery initiative was provided 60% by the Government of Canada and 40% by the Province of Manitoba. Compensation payments and administrative expenses were $9,767,000 and $444,000, respectively, for a total cost of $10,211,000 ($208,000 in 2012 and $10,003,000 in 2011).

(C) Flood 2011 - Building and Recovery Action Plan
In May 2011, MASC became responsible for the administration of the following flood assistance programs announced under the Flood 2011 - Building and Recovery Action Plan. All funding for these programs was provided to MASC by the Province of Manitoba.

a) **Lake Manitoba Financial Assistance Program**
Part A - Lake Manitoba Pasture Flooding Assistance: This program assisted Manitoba livestock producers in managing their feed requirements needs due to the loss of pasture in the designated Lake Manitoba Flood Zone.
Part B - Lake Manitoba Agricultural Infrastructure, Transportation and Crop/Forage Loss: This program assisted agricultural producers with flood mitigation measures, lost crop production, damage to agricultural infrastructure and extra costs for feeding and transport of livestock in the Lake Manitoba Flood Zone.
Part C - Lake Manitoba Business, Principal and Non-Principal Residence: This program compensated residents and businesses for the cost of uninsurable property damage and flood protection measures taken as a direct result of the elevated water levels in the Lake Manitoba Flood Zone.

Part D - Lake Manitoba Flood Protection for Principal Residences, Non-Principal Residences and Businesses: This program provided financial assistance for flood protection measures undertaken individually or cooperatively for the purpose of protecting principal residences, non-principal residences and business structures in the Lake Manitoba Flood Zone.

b) **Hoop and Holler Compensation Program**
This program provided compensation to families, businesses and agricultural producers in the controlled release area of water from the Assiniboine River near the Hoop and Holler Bend on Highway 331 or overflow of water diverted from the Assiniboine River into the Portage Diversion. Compensation covered the cost of property damage, income loss and flood protection measures.

c) **Dauphin River Flood Assistance Program**
This program provided compensation to commercial fishers in the Dauphin River area for income losses resulting from the inability to access their fishery and fish processing facilities.

d) **Lake Dauphin Emergency Flood Protection Program**
This program provided financial assistance for emergency structural flood protection measures to protect principal residences and non-principal residences in the Lake Dauphin flood zone.

e) **Shoal Lakes Agricultural Flood Assistance Program**
This program provided financial support to agricultural producers affected by chronic flooding in the Shoal Lakes complex in the Interlake area of Manitoba. This program consisted of assistance for lost income due to flooded hay and pasture land in 2010 and 2011, transportation assistance for movement of feed and/or animals, voluntary buy-out option for producers with flooded property and transition assistance for producers that participate in the voluntary buy-out program. MASC did not administer the buy-out component of this program.

The table below outlines the total costs for each program as of March 31, 2012.

	Compensation				
Program	Actual payments to March 31, 2012	Provision for payments	Total compensation	Administration*	**Total**
Lake Manitoba Financial Assistance Program					
Part A	$ 2,653	$ 100	$ 2,753		
Part B	19,898	17,700	37,598		
Part C	19,876	64,000	83,876		
Part D	1,802	850	2,652		
	$ 44,229	$ 82,650	$ 126,879	$ 10,057	**$ 136,936**
Hoop and Holler Compensation Program	6,214	2,900	9,114	364	**9,478**
Dauphin River Flood Assistance Program	1,847	126	1,973	1	**1,974**
Lake Dauphin Emergency Flood Protection Program	280	31	311	38	**349**
Shoal Lakes Agricultural Flood Assistance Program	3,836	1,500	5,336	7	**5,343**
	$ 56,406	$ 87,207	$ 143,613	$ 10,467	**$ 154,080**

**Includes provision for administration of claims in process and appeal commission expenses and is net of any interest revenue.*

(D) 2011 Manitoba AgriRecovery Programs
In June 2011, MASC became responsible for the administration of the following assistance programs. The purpose of these programs was to provide financial assistance for the restoration, maintenance and the rehabilitation of farms that have been impacted by excess moisture and flooding in 2011.

a) **2011 Manitoba Excess Moisture Assistance Program**
This program provided financial assistance to farmers who could not seed a crop by June 20, 2011 or who had an annual or newly seeded crop destroyed by flooding or excess moisture prior to September 15, 2011. Producers received $30 per unseeded or drowned out crop acre. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided funding for 60% of the compensation payments (net of a deemed 5% deductible) and 60%

of the program's administrative expenses incurred from August 4, 2011 to March 31, 2012. The remaining program cost was paid by the Province of Manitoba. The total program cost of $108,745,000 was funded by the Government of Canada ($61,897,400) and the Province of Manitoba ($46,847,600).

b) **2011 Manitoba Transportation Assistance Program**
This program provided livestock producers with financial assistance to deal with the extraordinary costs of transporting feed and animals due to the flooding and excess moisture conditions in 2011. The program covered breeding and market animals and provided for transportation costs for pasture and overwinter feed shortages incurred from May 15, 2011 to March 31, 2012. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided 60% of the funding for the cost of transporting feed to breeding animals or transporting breeding animals to feed relating only to producers' pasture shortages. The Government of Canada paid 60% of the related administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of $2,397,000 was funded the Government of Canada ($140,000) and the Province of Manitoba ($2,257,000).

c) **2011 Manitoba Forage Shortfall Assistance Program**
This program provided livestock producers with financial assistance to deal with extraordinary pasture and overwinter feeding costs due to shortfalls in their forage production caused by flooding or excess moisture conditions in 2011. The programs covered pasture and overwinter feed shortages. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided 60% of the funding for feeding costs of breeding animals relating to pasture shortages and 60% of the related administrative expenses. The remaining cost was provided by the Province of Manitoba. The total program cost of $16,161,000 was funded the Government of Canada ($3,901,000) and the Province of Manitoba ($12,260,000).

d) **2011 Manitoba Forage Restoration Assistance Program**
This program provided forage producers financial assistance to restore established tame forage and forage seed crops that have been damaged by excess moisture in 2011. Producers were eligible for $50 for each acre that is destroyed and reseeded to forage. This program was funded entirely by the Province of Manitoba ($5,053,000).

e) **2011 Manitoba Greenfeed Assistance Program**
This program provided financial assistance to assist producers with seeding greenfeed acres by July 22, 2011 on fields that were left unseeded due to excess moisture. Producers were eligible for $15 per acre based on the number of acres of greenfeed in excess of their normal greenfeed acreage. This program was funded entirely by the Province of Manitoba ($3,084,000).

f) **2011 Manitoba Infrastructure and Individual Assessment Program**
This program provided financial assistance to agricultural crop and livestock producers to recover from flood losses related to mitigation and damage to agricultural property and inventory that are not eligible for assistance under Disaster Financial Assistance or the Flood 2011 - Building and Recovery Action Plan. This program was funded entirely by the Province of Manitoba ($5,946,000).

The table below outlines the cost expended for each program as of March 31, 2012.

	Compensation				
Program	Actual payments to March 31, 2012	Provision for payments	Total compensation	Administration*	**Total**
2011 Manitoba Excess Moisture Assistance Program	$ 107,572	$ 710	$ 108,282	$ 463	**$ 108,745**
2011 Manitoba Transportation Assistance Program	390	1,910	2,300	97	**2,397**
2011 Manitoba Forage Shortfall Assistance Program	7,361	8,400	15,761	400	**16,161**
2011 Manitoba Forage Restoration Assistance Program	-	4,745	4,745	308	**5,053**
2011 Manitoba Greenfeed Assistance Program	2,836	67	2,903	181	**3,084**
2011 Manitoba Infrastructure and Individual Assessment Program	796	4,810	5,606	340	**5,946**
	$ 118,955	$ 20,642	$ 139,597	$ 1,789	**$ 141,386**

**Includes provision for administration of claims in process and appeal committee expenses and is net of any interest revenue.*

8. ACCOUNTS RECEIVABLE

		2012		2011
Amounts from insured persons				
AgriInsurance Program	$	2,164	$	2,677
Hail Insurance Program		293		625
Other		828		302
		3,285		3,604
Less provision for credit losses		(1,369)		(1,473)
	$	1,916	$	2,131

The provisions for credit losses of $1,369,000 (2011 - $1,473,000) is for estimated losses on premiums, lease receivables and overpayments, and is subject to measurement uncertainty. The provision estimate is formula based on an assessment of the ability to collect the outstanding balance. A 100% provision is assessed on accounts in arrears over two years, with lower provisions for more recent years based on the programs' actual collection experience over the last seven years.

9. RECEIVABLES FROM THE PROVINCE OF MANITOBA

		2012		2011
AgriInsurance premiums	$	906	$	1,886
Administration		2,855		774
Pension liability		6,439		6,406
Severance liability		429		429
Vacation pay liability		169		169
Flood 2011 - Building and Recovery Action Plan (Note 7 (C))		82,559		-
2011 Manitoba AgriRecovery programs (Note 7 (D))		13,900		-
Other programs		20		20
	$	107,277	$	9,684

Pension liability

The Province of Manitoba has accepted responsibility for funding MASC's pension liability (for pensionable service earned by employees of the former MACC prior to amalgamation on September 1, 2005) and related expense, which includes an interest component. MASC has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $6,439,000 as of March 31, 2012 (2011 - $6,406,000), and has recorded an increase under other contributions from the Province of Manitoba for 2011/12 equal to the related pension expense of $33,000 (2011 - $432,000). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

Severance pay liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2012, the receivable for severance pay liability was $429,000 (2011 - $429,000).

Vacation pay liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2012, the receivable for vacation pay liability was $169,000 (2011 - $169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2012	2011
AgriInsurance Program	**$ 1,364**	$ 4,157
Wildlife Damage Compensation Program	**10**	389
Other programs	**4,285**	2,392
	$ 5,659	$ 6,938

11. INVESTMENTS

MASC's investments as of March 31, 2012 consist of the following:

2012

Maturity Terms	Average Interest Rate	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	**Total**
90 days or less	0.893%	$ 19,962	$ 29,000	$ 3,594	$ 15,590	**$ 68,146**
1 year	1.074%	30,021	10,396	1,146	14,682	**56,245**
2 years	1.738%	40,000	-	-	-	**40,000**
3 years	1.413%	-	13,000	-	-	**13,000**
5 years	3.033%	-	13,600	-	-	**13,600**
	1.311%	89,983	65,996	4,740	30,272	**190,991**
Accrued Interest		209	238	3	34	**484**
		$ 90,192	$ 66,234	$ 4,743	$ 30,306	**$ 191,475**

2011

Maturity Terms	Average Interest Rate	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	Total
90 days or less	0.919%	$ 49,261	$ 16,046	$ 5,079	$ 3,114	$ 73,500
1 year	1.045%	193,739	24,768	-	1,308	219,815
2 years	1.738%	40,000	-	-	-	40,000
3 years	2.225%	-	5,000	-	-	5,000
5 years	3.513%	-	11,100	-	-	11,100
	1.193%	283,000	56,914	5,079	4,422	349,415
Accrued Interest		605	195	5	7	812
		$ 283,605	$ 57,109	$ 5,084	$ 4,429	$ 350,227

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2012 consist of the following:

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	$ 291,273	$ 48,318	**$ 339,591**	$ 268,268	$ 63,159	$ 331,427
Specific provision	(4,017)	(15,107)	**(19,124)**	(5,782)	(10,479)	(16,261)
General provision	(2,879)	(6,857)	**(9,736)**	(5,238)	(7,062)	(12,300)
	284,377	26,354	**310,731**	257,248	45,618	302,866
Accrued interest	6,432	1,084	**7,516**	6,578	1,241	7,819
Loan discounts	-	-	**-**	-	(237)	(237)
Net carrying value	$ 290,809	$ 27,438	**$ 318,247**	$ 263,826	$ 46,622	$ 310,448

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

Impaired loans included in the preceding schedule:

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	$ 20,510	$ 18,380	**$ 38,890**	$ 22,227	$ 14,865	$ 37,092
Specific provision	(4,017)	(15,107)	**(19,124)**	(5,782)	(10,479)	(16,261)
	$ 16,493	$ 3,273	**$ 19,766**	$ 16,445	$ 4,386	$ 20,831

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table above provides the amount of impaired loans and the specific provision for credit losses on these loans as of March 31, 2012. A total of $2,241,000 (2011 - $1,889,000) of interest on impaired loans was included in revenue for the year ended March 31, 2012.

Provisions for impaired loans:

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	$ 11,020	$ 17,541	**$ 28,561**	$ 12,280	$ 18,690	$ 30,970
Write-offs, net of recoveries	(1,220)	(519)	**(1,739)**	(510)	(438)	(948)
Provision (recovery) expense	(2,904)	4,942	**2,038**	(750)	(711)	(1,461)
Ending provision balance	$ 6,896	$ 21,964	**$ 28,860**	$ 11,020	$ 17,541	$ 28,561

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

Included in loans receivable is a specific provision of $19,124,000 (2011 - $16,261,000) and a general provision of $9,736,000 (2011 - $12,300,000) that are subject to measurement uncertainty. The amount established for specific and general provisions of $28,860,000 (see Note 2 (G)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, livestock and other assets. The estimated values of such tangible securities are $733,756,000 (2011 - $ 734,757,000).

Remaining terms to maturities are as follows:

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	$ 41,880	$ 39,867	**$ 81,747**	$ 39,266	$ 20,249	$ 59,515
5 years to up to 10 years	56,978	4,966	**61,944**	54,068	38,906	92,974
10 years to up to 15 years	78,418	3,485	**81,903**	78,140	4,004	82,144
15 years to up to 20 years	75,134	-	**75,134**	67,967	-	67,967
More than 20 years	38,863	-	**38,863**	28,827	-	28,827
Recorded investment	$ 291,273	$ 48,318	**$ 339,591**	268,268	63,159	$ 331,427

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

2012

	Lending Programs	AgriInsurance Program	Hail Insurance Program	Wildlife Damage Compensation Program	Other Programs	**Total**
Accounts payable - general	$ 385	$ 5,191	$ -	$ 383	$ 5,160	**$ 11,119**
Salaries and benefits	39	335	-	4	3,128	**3,506**
Accrued vacation pay	-	1,183	-	-	-	**1,183**
Other	283	5,225	-	-	14,550	**20,058**
	$ 707	$ 11,934	$ -	$ 387	$ 22,838	**$ 35,866**

2011

	Lending Programs	AgriInsurance Program	Hail Insurance Program	Wildlife Damage Compensation Program	Other Programs	Total
Accounts payable - general	$ 502	$ 3,704	$ -	$ 44	$ 334	$ 4,584
Salaries and benefits	29	235	-	-	-	264
Accrued vacation pay	-	1,110	-	-	-	1,110
Other	385	2,603	3	-	5,660	8,651
	$ 916	$ 7,652	$ 3	$ 44	$ 5,994	$ 14,609

14. CLAIMS PAYABLE

	2012	2011
AgriInsurance Program	**$ 10,492**	$ 12,825
Wildlife Damage Compensation Program	**117**	626
Farmland School Tax Rebate Program	**5,835**	5,308
Flood 2011 - Building and Recovery Action Plan (Note 7 (C))*	**87,509**	-
Manitoba AgriRecovery Programs (Note 7 (D))*	**20,697**	-
Other Programs	**-**	2,405
	$ 124,650	$ 21,164

**Includes claims approved but not paid and provisions for claims as outlined in the note references.*

15. LOANS FROM THE PROVINCE OF MANITOBA

Following practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended instalments of principal and interest, with interest rates ranging from 1.425% to 7.625%.

Maturities of principal over the following terms	**2012**	2011
1 year	**$ 75,851**	$ 71,899
2 years	**40,819**	48,110
3 years	**37,355**	36,940
4 years	**33,847**	33,237
5 years	**27,030**	29,322
More than 5 years	**130,207**	115,240
	$ 345,109	$ 334,748

16. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2012 are shown below:

	2012			2011		
	Contingent liability	**Provision for losses**	**Net Contingent Liability**	Contingent liability	Provision for losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	**$ 9,633**	**$ (963)**	**$ 8,670**	$ 10,613	$ (1,066)	$ 9,547
Operating Credit Guarantees for Rural Small Business	**184**	**(19)**	**165**	53	(5)	48
Manitoba Livestock Associations Loan Guarantees	**4,857**	**(971)**	**3,886**	5,537	(1,108)	4,429
Diversification Loan Guarantees	**2,907**	**(436)**	**2,471**	4,069	(610)	3,459
Enhanced Diversification Loan Guarantees	**53,099**	**(11,592)**	**41,507**	58,831	(12,417)	46,414
Rural Entrepreneur Assistance Program	**11,262**	**(1,848)**	**9,414**	-	-	-
	$ 81,942	**$ (15,829)**	**$ 66,113**	$ 79,103	$ (15,206)	$ 63,897

The change in the provision for guaranteed loan losses is as follows:

	2012	2011
Beginning provision balance	**$ 15,206**	$ 15,323
Write-offs, net of recoveries	**(1,295)**	-
Provision expense (recovery)	**1,918**	(117)
Ending provision balance	**$ 15,829**	$ 15,206

The Operating Credit Guarantee for Agriculture Program was introduced in 2003, replacing the Guaranteed Operating Loan Program. Participating lending institutions are provided a guarantee of 25% of the maximum authorized amount of each individual loan made under the program. The maximum allowable loan is $700,000 for individuals and $1,000,000 for partnerships, corporations and co-operatives.

The Operating Credit Guarantee for Rural Small Business Program was introduced in June 2009. Participating lending institutions are provided a guarantee of 25% of the maximum authorized amount of each individual loan made under the program. To be eligible for the program, annual sales have to be less than $2.0 million. The maximum allowable loan is $200,000.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each livestock association, MASC provides a 25% guarantee to the association's lending institution, based on a maximum loan of $5,000,000 per association.

The Diversification Loan Guarantee Program was introduced in 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

The Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program in 2001. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) Program provides a guarantee of up to 80% on loans made by participating lenders to small rural non-agricultural businesses. REA guarantees loans up to a maximum of $200,000. The administration of this program was transferred to MASC from the Province of Manitoba in 2005 but the Province maintained the associated contingent liability until March 31, 2011. As of April 1, 2011, MASC assumed full responsibility for the REA Program including the contingent liability of $11,489,000 and the associated provision of $2,048,000. Upon the transfer to MASC, the provision was expensed to MASC's provision for guaranteed loan losses.

(B) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

17. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance based on their years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefits. The amount of recorded severance pay obligation is based on actuarial calculations, which are carried out every three years.

An actuarial valuation of the severance obligations as of March 31, 2011 was conducted by Ellement & Ellement. The key actuarial assumptions include an interest rate credited to obligations of return of 6.5% (2009 - 7.0%), severance rate of 0.72% of average salary of $59,978 for administration staff and 0.39% of average salary of $38,454 for adjusting staff (2009 - 0.69% of average salary of $54,020 for administration staff and 0.43% of average salary of $36,294 for adjusting staff), and salary inflation rate increases of 2.75% (2009 - 3.25%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2012 using the formula provided by the actuary. The following table provides the calculation of the liability for severance benefits of $2,273,000 (2011 - $2,226,000):

	2012	2011
Accrued severance liability – beginning of year	**$ 2,226**	$ 2,228
Experience loss (gain)	**-**	(165)
Benefits accrued	**84**	87
Interest on obligation	**134**	156
Benefits paid	**(171)**	(80)
Accrued severance liability – end of year	**$ 2,273**	$ 2,226

Pension Liability

MASC's employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act*. MASC contributes 50% of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005. In addition, MASC has a pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC.

Prior to amalgamation, MACC did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to the amalgamation on September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The actuarial valuation was based on the projected method prorated on services to be used. The Province of Manitoba provides funding for this liability (Note 9). Actuarial gains (losses) are amortized over the expected average remaining service life of the related employee group (2012 - six years).

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

Actuarial valuations are carried out every year to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2010 was conducted by Ellement & Ellement. The key actuarial assumptions include a rate of return of 6.50% (2009 - 6.50%), inflation of 2.0% (2009 - 2.0%), salary inflation rate increases of 3.75% (2009 - 3.75%) and post-retirement indexing at two-thirds of the inflation rate. The projected benefit method prorated on services was used and the liabilities have been extrapolated to March 31, 2012 using a formula provided by the actuary. The following table provides the calculation of the liability for pension benefits of $6,502,000 (2011 - $6,472,000).

		2012		2011
Accrued pension liability – beginning of year	**$**	**6,472**	$	6,011
Experience (gain) loss		**(80)**		288
Benefits accrued		**3**		14
Interest on obligation		**395**		420
Benefits paid		**(288)**		(261)
Accrued pension liability – end of year	**$**	**6,502**	$	6,472
Unamortized actuarial gains and losses		**(377)**		-
Net liability		**6,125**		6,472

18. COMMITMENTS

		2012		2011
Approved, undisbursed loans	**$**	**26,359**	$	14,408
Estimated farm loan incentives		**5,854**		5,194
Operating leases		**158**		119
	$	**32,371**	$	19,721

The estimated farm loan incentives are for the estimated future payments for the Young Farmer Rebate and Management Training Credit programs. The Young Farmer Rebate is based on rebates of equal payments, which clients earn in equal payments for the first five years of the loan, with the rebate being applied to the client's loan balance. The Management Training Credit is credited to the loan once the eligible training has been completed.

The operating lease commitments are for equipment and vehicles.

19. TANGIBLE CAPITAL ASSETS

2012

	Leasehold Improvements	Furniture and Equipment	Major Software Development	Computer Hardware and Software	**Total**
Cost					
Beginning of year	$ 344	$ 419	$ 2,907	$ 426	**$ 4,096**
Additions	-	16	-	25	**41**
Disposals and write-downs	-	(4)	(2,907)	(9)	**(2,920)**
	344	431	-	442	**1,217**
Accumulated amortization					
Beginning of year	321	279	2,907	357	**3,864**
Amortization expense	9	31	-	35	**75**
Disposals and write-downs	-	(4)	(2,907)	(9)	**(2,920)**
	330	306	-	383	**1,019**
Net book value at March 31, 2012	$ 14	$ 125	$ -	$ 59	**$ 198**

2011

	Leasehold Improvements	Furniture and Equipment	Major Software Development	Computer Hardware and Software	Total
Cost					
Beginning of year	$ 344	$ 399	$ 2,907	$ 439	$ 4,089
Additions	-	20	-	33	53
Disposals and write-downs	-	-	-	(46)	(46)
	344	419	2,907	426	4,096
Accumulated amortization					
Beginning of year	311	245	2,907	357	3,820
Amortization expense	10	34	-	46	90
Disposals and write-downs	-	-	-	(46)	(46)
	321	279	2,907	357	3,864
Net book value at March 31, 2011	$ 23	$ 140	$ -	$ 69	$ 232

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For its lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides fixed term loans to its clients at interest rates that generally earn a reasonable interest rate margin. For its insurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make insurance payments when losses exceed available funds in the current year (premium income plus interest revenue less reinsurance premiums).

MASC's risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk consist principally of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

	2012	2011
Investments	$ 191,475	$ 350,227
Accounts receivable	1,916	2,131
Receivables from the Province of Manitoba	107,277	9,684
Receivables from the Government of Canada	5,659	6,938
Loans receivable	318,247	310,448
Loan guarantees	81,942	79,103
	$ 706,516	$ 758,531

Investments - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with the Province of Manitoba guaranteeing the associated payments of principal and interest.

Accounts Receivable - MASC's accounts receivable consist largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well being of an ongoing farming operation serves to mitigate the credit risk associated with insurance premiums.

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk as payment in full is typically collected when due.

Loans Receivable - Impairment provisions are provided for losses that have been incurred as of the balance sheet date. Significant changes in the economic well being of Manitoba's agricultural industry or deterioration in specific sectors of the industry, which represent a concentration within MASC's overall loan portfolio, may result in losses that differ from those provided for at the balance sheet date. Management of credit risk is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the lending and guarantee program guidelines and setting limits on credit exposures to individual clients. MASC has comprehensive policy and procedures manuals in place for all lending programs.

In general, MASC emphasizes responsible lending, which is comprised of a combination of adequate loan security and a client's ability to pay. MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba, which fall outside the normal limits set out in regular loan policies. These special assistance loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, an increased level of monitoring is carried out in an effort to mitigate losses. Special assistance loans make up 14% of the MASC's overall lending portfolio.

Summarized below are loans that are past due but not impaired.

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	$ 3,620	$ 602	**$ 4,222**	$ 3,527	$ 1,044	$ 4,571
1 to 2 years in arrears	1,092	697	**1,789**	2,918	701	3,619
Over 2 years in arrears	17	-	**17**	24	53	77
	$ 4,729	$ 1,299	**$ 6,028**	$ 6,469	$ 1,798	$ 8,267

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

Loans that are past due but not impaired are generally loans for which it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears puts the loan in the "1 to 2 years" category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of the term, which is generally one year. Any delay in the sale of the cattle at the end of the term may put the loan in arrears; however, these loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure to the various agricultural sectors, as provided in Note 12, is summarized as follows:

Loans Receivable by Economic Sector

	2012			2011		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	$ 169,943	$ 4,003	**$ 173,946**	$ 153,458	6,692	$ 160,150
Potatoes	748	-	**748**	716	76	792
Other crops	6,363	65	**6,428**	6,784	76	6,860
Cattle	98,253	11,420	**109,673**	94,744	18,341	113,085
Hogs	4,673	29,643	**34,316**	5,680	34,180	39,860
Poultry	2,860	-	**2,860**	1,696	4	1,700
Dairy	7,378	93	**7,471**	5,311	137	5,448
Other	7,487	4,178	**11,665**	6,457	4,894	11,351
Provisions and concessions	(6,896)	(21,964)	**(28,860)**	(11,020)	(17,778)	(28,798)
	$ 290,809	$ 27,438	**$ 318,247**	263,826	46,622	$ 310,448

**Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.*

The Province of Manitoba provides funding for the full amount of loans that are written off; therefore, the loans receivable risk to MASC is minimal.

Loans Guarantees - MASC provides loan guarantees to financial institutions, which encourage the provision of credit that the financial institutions consider to be higher risk. Each guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves five separate programs: Operating Credit Guarantees for Rural Small Business and Rural Entrepreneur Assistance (REA), which are directed at non-agricultural businesses; Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry. MASC's loan guarantee exposure by agricultural sector is summarized below:

	Diversification Loan Guarantees		Operating Credit Guarantees	
	2012	2011	**2012**	2011
Grains and oilseeds	**-**	-	**54%**	56%
Potatoes	**3%**	5%	**16%**	12%
Other crops	**1%**	-	**4%**	-
Cattle	**-**	-	**8%**	12%
Hogs	**44%**	43%	**13%**	11%
Poultry	**8%**	8%	**1%**	1%
Dairy	**42%**	33%	**1%**	1%
Other	**2%**	11%	**3%**	7%
	100%	100%	**100%**	100%

The Province of Manitoba provides funding for all claims on loan guarantees resulting in minimal associated risk to MASC.

Interest Rate Risk

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

Investments - MASC's investment portfolio is mainly in short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Loans from the Province of Manitoba - MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the associated borrowing rate. All loans from the Province of Manitoba have fixed interest rates for the full term of the advance and MASC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MASC does not incur significant interest rate risk. However, some interest rate risk is imparted due to MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

2012							
		Scheduled Repayments					
		Within 1 Year	1 to 5 Years	6 to 10 years	Over 10 Years	Not Interest Rate Sensitive*	**Total**
Loans receivable	$	49,907	111,813	82,630	95,241	(21,344)	**$ 318,247**
Yield		5.69%	5.80%	5.86%	5.90%		**5.83%**
Due to the Province of Manitoba	$	75,851	139,051	86,006	44,201	-	**$ 345,109**
Yield		4.38%	4.58%	4.50%	4.12%		**4.46%**
	$	(25,944)	(27,238)	(3,376)	51,040	(21,344)	**$ (26,862)**

**Includes provisions for impaired loans and accrued interest.*

2011							
		Scheduled Repayments					
		Within 1 Year	1 to 5 Years	6 to 10 years	Over 10 Years	Not Interest Rate Sensitive*	Total
Loans receivable	$	43,731	116,303	86,602	84,791	(20,979)	$ 310,448
Yield		5.81%	5.87%	5.93%	5.96%		5.89%
Due to the Province of Manitoba	$	71,899	147,609	85,286	29,954	-	$ 334,748
Yield		4.70%	4.90%	4.99%	4.97%		4.89%
	$	(28,168)	(31,306)	1,316	54,837	(20,979)	$ (24,300)

**Includes provisions for impaired loans and accrued interest.*

Liquidity Risk

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

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance claims payments are funded firstly out of current revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and placed in short-term investments, making such funds available to pay claims in excess of current revenue. Private sector reinsurance is in place for AgriInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance Program has a reinsurance agreement with the Government of Canada and the Province of Manitoba, which provides for unlimited additional funding for claim payments (Note 23). MASC also has the ability to borrow funds from the Province of Manitoba for AgriInsurance and Hail Insurance, if required.

21. ACTUARIAL REVIEW

An actuarial certification of MASC's AgriInsurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in March 2008. The actuarial review concluded that: the methodologies used to establish the probable yields for insured crops do not exceed productive capabilities; the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the program meets the financial self-sustaining criteria as defined by the Government of Canada. Any program changes require actuarial review prior to implementation.

22. RELATED PARTY TRANSACTIONS

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

Information is provided throughout these statements to disclose significant related party transactions MASC entered into, except for the following:

	2012	2011
Interest earned – Province of Manitoba	**$ 3,594**	$ 3,265
Interest paid on loans from the Province of Manitoba	**$ 15,857**	$ 16,619

23. REINSURANCE FUNDS

AgriInsurance

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgriInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share any deficits in the AgriInsurance Program.

	Crop Reinsurance Fund of Canada for Manitoba		Crop Reinsurance Fund of Manitoba	
	2012	2011	**2012**	2011
Opening surplus (deficit)	**$ 4,939**	$ 4,057	**$ 26,958**	$ 26,076
Current year premium contributions (net)*	**844**	882	**844**	882
Net book value	**$ 5,783**	$ 4,939	**$ 27,802**	$ 26,958

**Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts, which is a recovery of $5,000 (2011 - $11,000 recovery).*

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers for 2011/12. The agreement involves 28 reinsuring companies assuming 100% of losses (including a deemed loss adjustment expense) from 15.0% to 27.5% of AgriInsurance liability (coverage). Reinsurance premiums were $38,380,000 (2011 - $28,716,000). There was a $9,000 private sector reinsurance claim reversal reimbursement (2011 - $14,000 claim reversal reimbursement) for outstanding prior year claims.

Hail Insurance

For 2011/12, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves 15 reinsuring companies assuming 90% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were $1,047,000 (2011 - $1,273,000) with no reinsurance recoveries (2011 - nil).

24. COMPARATIVE FIGURES

The 2011 figures have been reclassified where necessary to conform to 2012 presentation as outlined in Note 4.

25. SUBSEQUENT EVENTS

In May 2012, the Government of Canada and the Province of Manitoba entered into the 2011 Canada-Manitoba Forage Shortfall and Restoration Assistance Initiative. This agreement provided for increased Government of Canada funding for three of the 2011 Manitoba AgriRecovery Programs described in Note 7 (D). Increased federal funding was provided for the 2011 Manitoba Transportation Assistance Program and the 2011 Manitoba Forage Shortfall Assistance Program, as well as new federal funding for a portion of the 2011 Manitoba Forage Restoration Assistance Program. The additional federal contribution to these programs is estimated to be $6.2 million. No amounts have been accrued as of March 31, 2012, therefore funding for this program will be reflected in the March 31, 2013 financial statements.

Schedule 1:
SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended March 31, 2012
(in thousands of dollars)

	2012	2011
Adjustors' wages, benefits and expenses	$ 7,690	$ 5,302
Advertising	394	340
Amortization expense	75	89
Appeal Tribunal	2,965	33
Audit fees and legal	302	228
Directors' remuneration and expense	122	123
Furniture and equipment	54	65
Information technology	410	454
Office rental and utilities	1,212	1,089
Other administrative expenses	2,019	783
Other administrative recoveries	(575)	(514)
Postage	206	195
Printing and office supplies	359	207
Salaries and employee benefits	14,544	11,687
Telephone	305	214
Travel and vehicle expenses	579	433
Total administrative expenses	$ 30,661	$ 20,728
Administrative expenses allocation:		
Lending Programs	4,230	5,106
AgriInsurance Program	10,940	11,054
Hail Insurance Program	2,230	2,716
Wildlife Damage Compensation Program	354	456
Farmland School Tax Rebate Program	387	332
Other Programs	12,520	1,064
Total administrative expenses	$ 30,661	$ 20,728

Schedule 2:
SCHEDULE OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2012
(in thousands of dollars)

	Lending Programs		AgriInsurance Program		Hail Insurance Program	
	2012	2011	2012	2011	2012	2011
Revenue						
Insurance Premiums						
Insured producers	$ -	$ -	$ 71,060	$ 71,180	$ 16,215	$ 20,268
Province of Manitoba	-	-	38,914	41,680	-	-
Government of Canada	-	-	58,375	62,521	-	-
	-	-	168,349	175,381	16,215	20,268
Interest from loans	19,523	19,751	-	-	-	-
Other contributions - Province of Manitoba	5,188	5,071	4,274	4,441	-	-
Other contributions - Government of Canada	-	-	6,633	6,631	-	-
Investment income	79	113	2,366	2,528	993	768
Other income	229	114	43	(14)	-	-
	25,019	25,049	181,665	188,967	17,208	21,036
Expense						
Insurance indemnities and compensation payments	-	-	326,902	211,975	4,838	10,523
Reinsurance premiums (Note 23)	-	-	40,064	30,470	1,047	1,273
Interest on borrowed funds	15,857	16,619	-	-	-	-
Provision (recoveries) for credit losses	2,038	(1,461)	28	(542)	(18)	(4)
Provision for guaranteed loan losses (Note 16)	1,918	117	-	-	-	-
Young farmer incentives	1,660	1,772	19	19	-	-
Farmland school tax rebates (Note 6)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Administrative expenses (Schedule 1)	4,230	5,106	10,940	11,054	2,230	2,716
Total expenses	25,703	22,153	377,953	252,976	8,097	14,508
Surplus (deficit) for the year	(684)	2,896	(196,288)	(64,009)	9,111	6,528
Accumulated surplus (deficit), beginning of year	(41,311)	(44,207)	271,676	335,685	57,867	51,339
Surplus (deficit), end of year	$ (41,995)	$ (41,311)	$ 75,388	$ 271,676	$ 66,978	$ 57,867

Wildlife Damage Compensation Program		Farmland School Tax Rebate Program		Other Programs		**Total**	Total
2012	2011	2012	2011	2012	2011	**2012**	2011
$ -	$ -	$ -	$ -	$ -	$ -	**$ 87,275**	$ 91,448
-	-	-	-	-	-	**38,914**	41,680
-	-	-	-	-	-	**58,375**	62,521
-	-	-	-	-	-	**184,564**	195,649
-	-	-	-	-	-	**19,523**	19,751
1,097	1,138	36,905	33,354	229,517	22,396	**276,981**	66,400
1,300	1,707	-	-	66,043	32,769	**73,976**	41,107
-	-	30	19	233	42	**3,701**	3,470
-	-	-	-	68	44	**340**	144
2,397	2,845	36,935	33,373	295,861	55,251	**559,085**	326,521
2,043	2,389	-	-	-	-	**333,783**	224,887
-	-	-	-	-	-	**41,111**	31,743
-	-	-	-	-	-	**15,857**	16,619
-	-	-	4	-	-	**2,048**	(2,003)
-	-	-	-	-	-	**1,918**	117
-	-	-	-	-	-	**1,679**	1,791
-	-	36,548	33,037	-	-	**36,548**	33,037
-	-	-	-	283,341	54,187	**283,341**	54,187
354	456	387	332	12,520	1,064	**30,661**	20,728
2,397	2,845	36,935	33,373	295,861	55,251	**746,946**	381,106
-	-	-	-	-	-	**(187,861)**	(54,585)
-	-	-	-	-	-	**288,232**	342,817
$ -	$ -	$ -	$ -	$ -	$ -	**$ 100,371**	$ 288,232

INDEPENDENT AUDITORS' REPORT

To the Members of the Council
Manitoba Arts Council

Report on the Financial Statements We have audited the accompanying financial statements of Manitoba Arts Council, which comprise the statement of financial position as at March 31, 2012, the statements of revenues and expenses and changes in fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

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

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

Opinion In our opinion, these financial statements present fairly, in all material respects, the financial position of Manitoba Arts Council as at March 31, 2012 and the results of its operations for the year then ended in accordance with the Canadian generally accepted accounting principles.

MAGNUS CHARTERED ACCOUNTANTS LLP
June 26, 2012
Winnipeg, Canada

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements and other information contained in the Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's best estimates and judgments where appropriate. The financial information shown elsewhere in the Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2012 have been audited by Magnus Chartered Accountants LLP in accordance with Canadian generally accepted auditing standards.

Their independent auditors' report outlines the scope of their audit and their opinion on the financial statements.

The Council, through its Audit/Finance/Human Resource Committee, carries out its responsibility for the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council, who approves these financial statements and the Annual Report prior to release.

DOUGLAS RISKE EXECUTIVE DIRECTOR
June 26, 2012

STATEMENT OF FINANCIAL POSITION As at March 31, 2012

ASSETS Current Assets	Grants & Programs Fund	Bridges Fund	2012 Total	2011 Total
Cash and short-term investments (NOTE 5)	$224,371	$0	$224,371	$376,164
Accrued interest income	2,631	0	2,631	3,638
Accounts receivable	4,022	0	4,022	21,240
Prepaid expenses	216,942	0	216,942	14,290
	$447,966	**$0**	**$447,966**	**$415,332**
Recoverable, Province of Manitoba (NOTE 13)	36,000	0	36,000	36,000
Long-term investments (NOTE 6)	194,907	0	194,907	193,900
Musical instruments	104,796	0	104,796	104,796
Works of visual art	329,995	0	329,995	329,995
Capital assets (NOTE 7)	23,474	0	23,474	58,276
Interfund balances	(10,630)	10,630	0	0
TOTAL ASSETS	**$1,126,508**	**$10,630**	**$1,137,138**	**$1,138,299**

LIABILITIES AND FUND BALANCES Current Liabilities				
Accounts payable and accrued liabilities	157,147	0	157,147	132,344
Commitments for grants and programs	308,437	10,630	319,067	404,662
	465,584	**10,630**	**476,214**	**537,006**
Investments in musical instruments and works of visual art	434,791	0	434,791	434,791
	900,375	**10,630**	**911,005**	**971,797**
FUND BALANCES				
Invested in capital assets	23,473	0	23,473	58,276
Internally restricted (NOTE 9)	0	0	0	11,290
Unrestricted	202,660	0	202,660	96,936
	226,133	**0**	**226,133**	**166,502**
Lease Commitment (NOTE 10)				
Total Liabilities and Fund Balances	**$1,126,508**	**$10,630**	**$1,137,138**	**$1,138,299**

Approved on behalf of Council

CHAIR

EXECUTIVE DIRECTOR

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

STATEMENT OF REVENUES AND EXPENSES As at March 31, 2012

REVENUES	Grants & Programs Fund	Bridges Fund	2012 Total	2011 Total
Province of Manitoba - Operating Grant (NOTE 11)	$8,595,000	$0	$8,595,000	$8,588,300
Province of Manitoba - Bridges Grant	0	875,000	875,000	875,000
Province of Manitoba - Manitoba Theatre Centre	0	150,000	150,000	150,000
Province of Manitoba - Prairie Scene (NAC)	0	150,000	150,000	100,000
Investment Income	17,558	0	17,558	13,027
Other	59,549	0	59,549	55,000
	$8,672,107	**$1,175,000**	**$9,847,107**	**$9,781,327**
EXPENSES				
ORGANIZATIONS: Annual & Operating Grants				
Arts Training Schools	162,500	0	162,500	154,550
Arts Service Organizations	95,000	0	95,000	95,000
Dance Companies	900,000	0	900,000	900,000
Music Organizations	1,199,000	150,000	1,349,000	1,299,000
Theatre Companies	1,714,000	150,000	1,864,000	1,864,000
Visual Arts Organizations	889,000	0	889,000	889,000
Book Publishers	271,000	0	271,000	271,000
Periodical Publishers	211,225	0	211,225	211,225
	5,441,725	**300,000**	**5,741,725**	**5,683,775**
Touring Grants	319,000	0	319,000	294,500
Presentation Grants	326,812	0	326,812	331,032
Special Grants	1,000	0	1,000	1,000
Management & Governance	0	20,000	20,000	19,925
	$6,088,537	**$320,000**	**$6,408,537**	**$6,330,232**
INDIVIDUALS				
Professional Development Grants	232,413	0	232,413	232,007
Creation and Production Grants	730,908	0	730,908	747,810
Touring Grants	20,000	0	20,000	20,000
Aboriginal Arts Grants	0	76,550	76,550	87,189
	$983,321	**$76,550**	**$1,059,871**	**$1,087,006**
ARTS DEVELOPMENT				
Residencies	340,674	0	340,674	332,856
ArtsSmarts Projects	56,000	0	56,000	60,000
Award of Distinction	30,000	0	30,000	0
Special Projects	9,436	20,000	29,436	17,826
Special Opportunities	50,000	0	50,000	48,800
Community Connections & Access	0	164,537	164,537	165,253
Arts Education Initiatives	0	27,500	27,500	21,617
French Language (NB/MB/QC Residency)	0	48,120	48,120	28,710
	486,110	**260,157**	**746,267**	**675,062**
	7,557,968	656,707	8,214,675	8,092,300
Arts Program Delivery Expenses (SCHEDULE 1)	813,692	172,867	986,559	993,933
	8,371,660	**829,574**	**9,201,234**	**9,086,233**
Administrative Expenses (SCHEDULE 2)	625,385	0	625,385	648,266
	8,997,045	**829,574**	**9,826,619**	**9,734,499**
Rescinded Commitments	(39,143)	0	(39,143)	(34,639)
TOTAL EXPENSES	**8,957,902**	**829,574**	**9,787,476**	**9,699,860**
Excess (Expenses) Revenues for the Year	**$(285,795)**	**$345,426**	**$59,631**	**$81,467**

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

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STATEMENT OF CHANGES IN FUND BALANCES As at March 31, 2012

	Grants & Programs Fund: Invested In Capital Assets	Grants & Programs Fund: General (NOTE 9)	Bridges Fund (NOTE 9)	2012 Total	2011 Total
Fund Balances, Beginning of Year	58,276	96,936	11,290	166,502	85,035
Excess (expenses) revenues for the year	(46,763)	(239,032)	345,426	59,631	81,467
Additions to capital assets	11,960	(11,960)	0	0	0
Interfund transfer (NOTE 9)	0	356,716	(356,716)	0	0
Fund Balances, End of Year	**$23,473**	**$202,660**	**$0**	**$226,133**	**$166,502**

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

NOTES TO FINANCIAL STATEMENTS Year Ended March 31, 2012

1. Authority & Purpose *The Arts Council Act* established the Manitoba Arts Council ("the Council") in 1965 to "... promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the *Income Tax Act* (Canada).

2. Change in Accounting Policies

No significant accounting changes were effective for the Council in the 2011/2012 year.

3. Summary of Significant Accounting Policies and Reporting Practices

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(A) BASIS OF PRESENTATION These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using the accounting policies summarized in these notes to the financial statements.

(B) FUND ACCOUNTING The financial statements disclose the activities of the following funds maintained by the Council:
(i) Grants & Programs Fund This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in *The Arts Council Act*.
(ii) Bridges Fund This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(C) REVENUE RECOGNITION The Council follows the deferral method accounting for revenues. Externally restricted revenues are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted revenues are recognized as revenue in the applicable fund when received or receivable.

(D) GRANT COMMITMENTS Grants and program commitments are reflected as expenses when funding is formally approved and committed by Council. Cancellations of prior years' grant expenses are reflected as rescinded commitments in the statement of revenues and expenses in the year of cancellation.

(E) CAPITAL ASSETS Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	**5-10 years**
Computer hardware and software	**3 years**

(F) MUSICAL INSTRUMENTS AND WORKS OF VISUAL ART Musical instruments and works of visual art are shown on the Statement of Financial Position as assets at cost with an offsetting credit to investments in musical instruments and works of visual art. The art bank collection was reappraised in 2005, at a market value of $449,222.

(G) CAPITAL DISCLOSURES The Council's capital consists of fund balances. The Council's capital management policy is to maintain sufficient capital to meet its objectives through its fund balances by managing its grants and operational expenses against its funding revenue. There were no changes in the Council's approach to capital management during the period. The Council is not subject to externally imposed capital requirements.

(H) FINANCIAL INSTRUMENTS - RECOGNITION AND MEASUREMENT Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Council are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short-term investments	Held for trading	Fair value
Accrued interest income	Held for trading	Fair value
Accounts receivable	Held for trading	Fair value
Recoverable, Province of Manitoba	Held for trading	Fair value
Long-term investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Held for trading	Fair value
Commitments for grants and programs	Held for trading	Fair value

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of revenues and expenses and fund balances in the period the gain or loss occurs. Changes in the fair value on financial instruments classified as held for trading are recognized in the statement of revenues and expenses and fund balances for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the combined statement of revenues, expenses and comprehensive income and fund balances.

(I) FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of cash and short-term investments, accrued interest income, accounts receivable, long-term investments, accounts payable and accrued liabilities and commitments for grants and programs approximate their carrying values due to their short-term maturity.

The fair value of the recoverable, Province of Manitoba, is not practical to determine due to their underlying terms and conditions.

(J) 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 certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

4. Future Accounting Changes

The Council will adopt Public Sector Accounting Standards (PSAS) for Government not-for-profit organizations issued by the Public Sector Accounting Board effective April 1, 2012. The Council is currently in the process of assessing the impact of the adoption of PSAS on its financial statements.

5. Cash and Short-Term Investments

Cash and short-term investments consist of $79,920 cash (2011 - $55,071) and a short-term investment of $144,451 (2011 - $321,093). The short-term investment matures May 2, 2012 with a yield of 0.85%.

6. Long-Term Investments

	2012 Cost	2012 Market	2011 Cost	2011 Market
ICICI Bank (GIC Annual) (Due Jul. 26, 2011, yielding 4.64%)	0	0	28,400	29,295
Manitoba Hydro Bonds (Due June 15, 2011, yielding 1.0%)	0	0	103,000	100,103
Royal Bank Mortgage Corp. (GIC Non-Redeemable) (Due Oct. 7, 2011, yielding 4.35%)	0	0	62,500	63,804
RBC Investment Savings Mutual Funds - 2010	131,443	132,107	0	0
RBC Investment Savings Mutual Funds - 2020	62,500	62,780	0	0
	$193,943	**$194,887**	**$193,900**	**$193,202**

As the difference between costs and market is not significant, Council has not adjusted its carrying value to market.

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7. Capital Assets

	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Office furniture and equipment	129,105	124,239	4,866	17,241
Computer hardware and software	462,344	443,737	18,607	41,035
	$591,449	**$567,976**	**$23,473**	**$58,276**

8. Works of Visual Art

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba is currently being negotiated.

9. Interfund Transfers and Internally Restricted Fund Balances

In 2012, there were no internally restricted funds allocated to programs. In addition, $356,716 (2011 - $397,170) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Individual Artists and Arts Development Grants.

10. Lease Commitment

Council has entered into an agreement to lease office premises for ten years commencing April 1, 2012. The 2012 basic annual rent was $116,968. The 2013 basic annual rent is estimated to be $126,839. Expenses arising from an escalation clause for taxes, insurance, utilities, and building maintenance are in addition to the basic rent.

11. Funding Agreement

The funding agreement with the Province of Manitoba established the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000 except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this agreement, there were no proceeds repayable to the Province. As at March 31, 2012, the Council was in discussions with the Province regarding the terms of a new funding agreement.

12. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $34,247 (2011 - $32,735) represent the total obligations for the year.

13. Severance Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record a severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2012, Council recorded a liability of $31,845 (2011 - $24,642). This liability is included in accounts payable and accrued liabilities.

14. Statement of Cash Flow

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

15. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

16. Financial Instruments - Risk Management

In the normal course of operations the Council is exposed to various financial risks. The financial risk management objectives and policies are as follows:

CREDIT RISK Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of cash and short-term investments, accrued interest income, accounts receivable and long-term investments.

The maximum exposure of the Council to credit risk at March 31, 2012 is:

Cash and short-term investments	$224,371
Accrued interest income	2,631
Accounts receivable	4,022
Long-term investments	194,907
	$425,931

Cash and short-term investments and accrued interest income: The Council is not exposed to significant credit risk as these are primarily held by financial institutions and the Province of Manitoba.

Long-term investments: The Council is not exposed to significant credit risk as these consist of accounts from financial institutions.

Accounts receivable: The Council is not exposed to significant credit risk as the nature of the accounts receivable is with the Province of Manitoba.

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

Management monitors the Council's liquidity and is of the opinion that it is unlikely that the Council will encounter difficulty in raising funds to meet commitments associated with financial instruments.

MARKET RISK Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's income or the fair values of its financial instruments. The significant market risk the Council is exposed to is interest rate risk.

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

The interest rate risk on short-term investments is considered to be low because of their short-term nature.

The interest rate risk on long-term investments is considered to be low because this consists mainly of fixed interest-bearing bonds.

Schedule 1: Arts Program Delivery Expenses

For the year ended March 31, 2012

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2012 TOTAL	2011 TOTAL
Salaries and benefits	$611,084	$148,615	$759,699	$736,937
Jurors' fees and expenses	58,106	6,047	64,153	74,489
Rent	56,145	11,697	67,842	66,006
Communications	32,174	0	32,174	29,875
Professional Fees	6,300	0	6,300	13,800
Staff travel and expenses	11,655	4,148	15,803	17,725
Postage, courier and telephone	8,602	2,230	10,832	10,734
Office supplies	1,052	130	1,182	978
Touring development	20,000	0	20,000	20,000
Sundry	214	0	214	264
Memberships & Partnerships	8,360	0	8,360	23,125
	$813,692	**$172,867**	**$986,559**	**$993,933**

Schedule 2: Administrative Expenses

For the year ended March 31, 2012

	GRANTS & PROGRAMS FUND 2012 TOTAL	GRANTS & PROGRAMS FUND 2011 TOTAL
Salaries and benefits	$345,901	$329,624
Council expenses	29,402	36,866
Community consultations	2,409	295
Rent	49,383	47,883
Postage, courier and telephone	10,602	10,376
Office supplies, printing and stationery	10,821	8,066
Communications		
Advocacy	4,701	10,860
Annual Report	16,239	13,375
Strategic Planning	15,486	31,814
Amortization	46,763	71,669
Equipment repairs and maintenance	21,704	21,502
Professional fees	8,087	14,376
Memberships and subscriptions	15,699	13,193
Insurance and sundry	6,725	6,618
Staff travel and expenses	22,463	14,689
Other (Art Bank Administration)	19,000	17,060
	$625,385	**$648,266**

KWB CHARTERED ACCOUNTANTS INC.

800-125 Garry Street
Winnipeg, MB R3C 3P2
T 204 982 3878
F 204 982 3888
www.kwb.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the Manitoba Boxing Commission

We have audited the accompanying financial statements of Manitoba Boxing Commission, which comprise the statement of financial position as at March 31, 2012, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(continues)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Boxing Commission as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KWB

Winnipeg, MB
July 31, 2012

KWB CHARTERED ACCOUNTANTS INC.

MANITOBA BOXING COMMISSION
Statement of Financial Position
March 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash	$ 9,432	$ 8,608
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	$ 3,518	$ 3,964
Performance bond deposits	-	4,000
	3,518	7,964
NET ASSETS		
General fund	5,914	644
	$ 9,432	$ 8,608

ON BEHALF OF THE BOARD

______________________ *Director*

______________________ *Director*

See notes to the financial statements
KWB CHARTERED ACCOUNTANTS INC.

MANITOBA BOXING COMMISSION
Statement of Changes in Net Assets
Year Ended March 31, 2012

		2012		2011
NET ASSETS - BEGINNING OF YEAR	**$**	**644**	$	1,146
Excess of revenue over expenses		**5,270**		(502)
NET ASSETS - END OF YEAR	**$**	**5,914**	$	644

MANITOBA BOXING COMMISSION
Statement of Revenues and Expenditures
Year Ended March 31, 2012

	2012	2011
REVENUE		
Administration fees	$ 6,000	$ 6,750
Commission, licenses and permits	3,475	4,570
Grant - Province of Manitoba	15,900	18,500
Other	945	7,200
Interest	7	4
	26,327	37,024
EXPENSES		
Administration	444	3,026
Amortization	1,526	4,070
Bank charges and interest	161	156
Card expenses - boxing	2,118	8,158
Conferences	7,187	7,951
Dues and subscriptions	185	105
Event Official	2,000	-
Honoraria	4,300	4,200
Professional fees	3,136	3,136
Training	-	6,724
	21,057	37,526
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 5,270	$ (502)

MANITOBA BOXING COMMISSION
Statement of Cash Flows
Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 5,270	$ (502)
Item not affecting cash:		
Amortization expense	1,526	4,070
	6,796	3,568
Changes in non-cash working capital:		
Accounts payable	(446)	464
Performance bond deposits	(4,000)	4,000
	(4,446)	4,464
Cash flow from operating activities	2,350	8,032
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(1,526)	(4,070)
INCREASE IN CASH FLOW	824	3,962
CASH - BEGINNING OF YEAR	8,608	4,646
CASH - END OF YEAR	$ 9,432	$ 8,608

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 set down in the Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The organization's financial instruments consist of cash 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.

Property, plant and equipment

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

Revenue Recognition

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

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

	Cost	Accumulated amortization	**2012 Net book value**	2011 Net book value
Equipment	$ 5,597	$ 5,597	**$ -**	$ -
Computer equipment	616	616	**-**	-
	$ 6,213	$ 6,213	**$ -**	$ -

4. ECONOMIC DEPENDENCE

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

5. SUBSEQUENT EVENTS

Change of Name

On June 14, 2012 the Provincial government passed legislation changing the name of the Manitoba Boxing Commission and the name of The Boxing Commision Act. As per section 4 of The Statute Correction and Minor Amendments Act, 2012, the name of the commission will be The Manitoba Combative Sports Commission and the Act will be The Boxing Act.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Centennial Centre Corporation

We have audited the accompanying financial statements of Manitoba Centennial Centre Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Centennial Centre Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General
June 20, 2012
Winnipeg, Manitoba

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

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

		2012		2011
Assets				
Current assets:				
Cash	$	289,026	$	397,787
Term deposits - Province of Manitoba		904,298		301,640
Accounts receivable		218,550		569,939
Capital grant receivable - Province of Manitoba		72,486		424,385
Inventory		39,914		44,855
Prepaid expenses		75,172		71,680
Vacation pay recoverable from the Province of Manitoba (note 4)		199,964		199,964
		1,799,410		2,010,250
Amounts recoverable - Province of Manitoba:				
Severance (note 4)		307,561		307,561
Pension (note 5)		5,889,000		5,997,000
Capital assets (note 6)		890,699		755,793
Other investments (note 9)		108,747		107,831
	$	8,995,417	$	9,178,435
Liabilities, Deferred Contributions and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$	396,442	$	665,704
Accrued vacation liability (note 4)		263,701		248,251
Capital advances (note 10)		48,434		48,434
Deferred income and rental deposits		39,640		49,540
		748,217		1,011,929
Accrued severance pay (note 4)		423,820		446,340
Pension liability (note 5)		5,889,000		5,997,000
Deferred contributions related to capital assets (note 7)		441,599		659,152
Fund balances				
Invested in capital assets (note 8)		449,100		96,641
Internally restricted funds (note 9)		108,747		107,831
Unrestricted funds:				
General fund		934,934		859,542
		1,492,781		1,064,014
Contingencies (note 15)				
	$	8,995,417	$	9,178,435

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director _______________ Director

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative figures for 2011

	General	Capital	Internally restricted	2012 Total	2011 Total
Revenue:					
Concert Hall	$ 1,279,474	$ –	$ –	$ 1,279,474	$ 1,089,994
Rental fees	252,721	–	–	252,721	288,718
Concession sales	454,800	–	–	454,800	448,353
Parking fees	956,950	–	–	956,950	884,220
Miscellaneous	77,390	–	–	77,390	58,952
	3,021,335	–	–	3,021,335	2,770,237
Province of Manitoba grants:					
Operating	3,095,127	–	–	3,095,127	3,050,229
Amortization of deferred contributions (note 7)	–	217,553	–	217,553	260,552
Province of Manitoba - pension, net (note 5)	(144,051)	–	–	(144,051)	490,493
	2,951,076	217,553	–	3,168,629	3,801,274
City of Winnipeg grant:					
Strategic Economic Development grant	24,616	–	–	24,616	24,616
Recoveries of expenses	247,487	–	–	247,487	253,460
Investment income (note 9)	–	–	916	916	585
Total revenues, grants and recoveries	6,244,514	217,553	916	6,462,983	6,850,172
Expenses:					
Administration and general	649,745	–	–	649,745	627,891
Amortization of capital assets	–	243,273	–	243,273	285,465
Bannatyne Condominium	106,508	–	–	106,508	82,239
Concession operations	262,949	–	–	262,949	258,966
Building services and maintenance	1,315,210	–	–	1,315,210	1,304,469
Host service and special projects	344,572	–	–	344,571	309,769
Manitoba Production Centre	202,978	–	–	202,978	244,874
Parking services	231,683	–	–	231,683	234,333
Pension (note 5)	122,027	–	–	122,027	740,135
Security services	463,789	–	–	463,789	498,120
Stage operations	402,396	–	–	402,397	427,472
Grant (note 9)	–	–		–	7,150
	4,101,857	243,273	–	4,345,130	5,020,883
Expenses incurred on behalf of The Manitoba Museum (note 11)	1,689,086	–	–	1,689,086	1,760,864
Total expenses (schedule - operating expenses)	5,790,943	243,273	–	6,034,216	6,781,747
Excess (deficiency) of revenue over expenses	453,571	(25,720)	916	428,767	68,425
Interfund transfers (note 8)	(378,179)	378,179	–	–	–
Net change for the year	75,392	352,459	916	428,767	68,425
Fund balances, beginning of year	859,542	96,641	107,831	1,064,014	995,589
Fund balances, end of year	$ 934,934	$ 449,100	$ 108,747	$ 1,492,781	$ 1,064,014

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 428,767	$ 68,425
Adjustments for:		
Amortization of deferred contributions	(217,553)	(260,552)
Amortization of capital assets	243,273	285,465
	454,487	93,338
Change in other investments	(916)	6,565
Change in accrued severance pay	(22,520)	(18,535)
Change in non-cash working capital balances:		
Accounts receivable	351,389	(366,679)
Inventory	4,941	(15,226)
Prepaid expenses	(3,492)	(11,164)
Accounts payable and accrued liabilities	(251,703)	(456,285)
Accrued vacation pay	15,450	10,307
Capital advances (note 10)	–	(50,000)
Deferred income and rental deposits	(9,900)	10,553
	537,736	(797,126)
Financing:		
Capital assets grants and advances - Province of Manitoba	351,899	193,784
Investing:		
Purchase of capital assets	(395,738)	(44,750)
Increase (decrease) in cash and cash equivalents	493,897	(648,092)
Cash and cash equivalents, beginning of year	699,427	1,347,519
Cash and cash equivalents, end of year	$ 1,193,324	$ 699,427
Cash and cash equivalents consist of:		
Cash	$ 289,026	$ 397,787
Term deposits - Province of Manitoba	904,298	301,640
	$ 1,193,324	$ 699,427
Supplementary disclosure:		
Non-cash financing and investing activities - purchase of capital assets in accounts payable	$ 5,680	$ 5,250
Interest received	9,248	4,364

See accompanying notes to financial statements.

1. Nature of the Corporation's operations:

Manitoba Centennial Centre Corporation (the Corporation) was established in 1968 for the development and management of a permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Sub-section 149(1) of the *Income Tax Act.*

2. Properties of the Corporation:

The Corporation oversees properties on behalf of the Province of Manitoba. At March 31, 2012 registered titles to these properties, being the Manitoba Centennial Centre, Manitoba Production Centre, condominium property at 211 Bannatyne Avenue, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the financial results of the Manitoba Production Centre and condominium property at 211 Bannatyne Avenue within its financial statements as per Letters of Understanding/Agreement between Manitoba Culture, Heritage and Tourism and Manitoba Centennial Centre Corporation dated December 14, 2005 and June 30, 2010, in which the Corporation agreed to manage these properties for the Province.

3. Significant accounting policies:

(a) Fund accounting:

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

The General Fund is used to account for the operations of the Corporation.

Internally restricted funds consist of the Foundation of the Future Fund which is to be used towards funding of youth based arts and culture. Internally restricted funds cannot be expended without the approval of the Board of Directors.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to capital assets other than assets that are funded by the Province of Manitoba (notes 2, 3 (e) and 8).

3. **Significant accounting policies (continued):**

(b) 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 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for the employer's share of current and past service pension obligations.

(c) Term deposits:

Term deposits are recorded at cost plus accrued interest, which approximates fair value due to the short-term nature of these deposits.

(d) Inventory:

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

(e) Capital assets:

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

Asset	Rate
Computer equipment	20%
Concert hall refurbishments	10%
Concrete replacement	8%
Equipment and furnishings	20%
Marquee	20%
Office renovations	10%
Courtyard vestibule	2.5%
Physical plant and building controls	10%
Stage equipment	20%
Security equipment	20%
System and motor controls	10%

Assets under construction are included in the appropriate asset category. Assets under construction are not amortized until asset construction is complete.

3. Significant accounting policies (continued):

The financial statements of the Corporation exclude capital assets that are recorded as capital assets in the accounts of the Province of Manitoba. Expenditures on these excluded assets, and the related advances from the Province of Manitoba, are presented in note 10. Effective April 1, 2006, the Corporation began reflecting all other capital asset expenditures in its financial statements, and such assets have been accounted for in accordance with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 4430.

(f) Cash:

Cash includes cash on hand and balances with banks.

(g) Revenue recognition:

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

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.

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

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

(h) Financial instruments:

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted funds.

3. Significant accounting policies (continued):

The Corporation designated cash and term deposits as held-for-trading; accounts and grants receivable and amounts recoverable from the Province of Manitoba as loans and receivables; and accounts payable and accrued liabilities and accrued vacation pay as other liabilities. The Corporation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The Corporation has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation.* In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures,* and Section 3863, *Financial Instruments - Presentation*, the Corporation has elected not to adopt these standards in the financial statements.

(i) Use of estimates:

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

(j) Future accounting changes:

Effective April 1, 2012 the Corporation will be adopting government not for profit standards issued by the Public Sector Accounting Board. The Corporation is currently in the process of quantifying the impact these changes will have on its financial statements.

4. Employee benefits:

(a) Accrued vacation pay:

The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees.

4. Employee benefits (continued):

The Province of Manitoba funds a portion of the vacation pay benefits of the Corporation, which is limited to the amount estimated at March 31, 1995. Accordingly, the Corporation has recorded a recoverable in the amount of $199,964 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. Each year the Corporation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

(b) Severance:

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. At March 31, 2012, based on an actuarial estimate, the obligation for accrued severance pay is $423,820 (2011 - $446,340). The significant actuarial assumptions include an interest rate of 6 percent (2011 - 7 percent).

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The amount of funding which will be provided by the Province of Manitoba for severance pay benefits of $307,561, represents the amount accumulated to March 31, 1998 by the employees of the Corporation, and is recorded as amounts recoverable - Province of Manitoba on the statement of financial position. This receivable from the Province of Manitoba has no specified terms of repayment. The Corporation is responsible for funding liabilities for severance pay benefits accumulated after March 31, 1998 through its operating grants from the Province of Manitoba. As a result, the change in the accrued severance pay liability, including the interest accretion, is reflected in the funding for severance expense.

5. Pension liability:

The Corporation records the pension liability and the related pension expense, including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report as at December 31, 2010, the Corporation has recorded an amount of $5,889,000 (2011 - $5,997,000) in its financial statements, representing the estimated unfunded liability for the Corporation's employees as at March 31, 2012. Total pension expense of $227,070 (2011 - $838,940) has been recorded in the statement of operations (see schedule - operating expenses), or $122,027 (2011 - $740,135) net of expenses incurred on behalf of Manitoba Museum.

5. Pension liability (continued):

The Province of Manitoba has accepted responsibility for the pension liability and the related expense. The Corporation has therefore recorded an amount recoverable from the Province of Manitoba of $5,889,000 (2011 - $5,997,000) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded associated net expense of ($144,051) (2011 - net revenue of $490,493). The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

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

	2012	2011
Balance, beginning of year	$ 5,997,000	$ 5,482,000
Decrease (increase) in trust account held by the Province of Manitoba	5,317	(21,627)
Benefits accrued	171,105	164,608
Interest accrued (6 percent; 2011 - 6.5 percent)	337,598	381,194
Benefits paid	(368,484)	(345,814)
Actuarial (gains) losses[1]	(253,536)	336,639
Balance, end of year	$ 5,889,000	$ 5,997,000

[1]The actuarial valuations as at December 31, 2010 and 2009 were completed in January 2012 and 2011, respectively, and the resulting adjustments recorded in the years ended March 31, 2012 and 2011, respectively.

6. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Computer equipment	$ 59,615	$ 59,615	$ –	$ 11,923
Concert hall refurbishments	221,032	95,516	125,516	147,619
Concrete replacement	10,060	4,024	6,036	6,841
Equipment and furnishings	134,116	116,671	17,445	38,683
Marquee	382,230	382,230	–	76,446
Office renovations	437,851	258,008	179,843	223,172
Courtyard vestibule	255,698	6,392	249,306	–
Physical plant and building controls	235,633	99,896	135,737	162,571
Stage equipment	350,441	338,802	11,639	38,728
Security equipment	122,482	–	122,482	–
System and motor controls	71,158	28,463	42,695	49,810
	$ 2,280,316	$ 1,389,617	$ 890,699	$ 755,793

7. Deferred contributions:

	2012	2011
Balance, beginning of year	$ 659,152	$ 869,704
Capital grants received and receivable	–	50,000
Less amortized to revenue	(217,553)	(260,552)
Balance, end of year	$ 441,599	$ 659,152

8. Invested in capital assets:

	2012	2011
Capital assets (note 6)	$ 890,699	$ 755,793
Amounts financed by deferred contributions (note 7)	(441,599)	(659,152)
	$ 449,100	$ 96,641

During the year, $378,179 (2011 - nil) was transferred from the General Fund to the Capital Asset Fund for capital assets additions.

9. Internally restricted funds and other investments:

	2012	2011
Balance, beginning of year	$ 107,831	$ 114,396
Investment income	916	585
Grant expense	–	(7,150)
Balance, end of year	$ 108,747	$ 107,831

Internally restricted funds are held in term deposits with the Province of Manitoba.

10. Capital advances:

Changes in capital funds drawn in advance on projects awarded but not yet undertaken by March 31, 2012 were as follows:

	2012	2011
Capital advances - Province of Manitoba:		
Advances brought forward from previous years	$ 48,434	$ 98,434
Received during the year	715,584	4,656,991
	764,018	4,755,425
Capital expenditures recorded as capital assets in the accounts of the Province of Manitoba [note 3(e)]:		
Courtyard renovations	(715,584)	(2,084,480)
Parkade resurfacing	–	(1,777,811)
Stage sound and lighting	–	(161,378)
Stage acoustic system	–	(633,322)
	(715,584)	(4,656,991)
Capital expenditures reflected in the Corporation's financial statements (note 3 (e))	–	(50,000)
	(715,584)	(4,706,991)
Advances carried forward to future years	$ 48,434	$ 48,434

11. Grant of service:

Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of The Manitoba Museum. These expenses amounted to $1,689,086 for the year ended March 31, 2012 (2011 - $1,760,864). Included in these expenses is $222,026 (2011 - $212,176) of administration and general expenses of the Corporation that are allocated to The Manitoba Museum proportionately on a predetermined basis.

12. Financial instruments:

The Corporation's financial instruments consist of cash, term deposits, accounts and grants receivable, amounts recoverable from the Province of Manitoba, accounts payable and accrued liabilities and accrued vacation pay. 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. The carrying values of the amounts recoverable from the Province approximate their fair value because the annual interest accretion is funded, as described in notes 4(b) and 5.

13. Economic dependence:

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

14. Capital management:

The Corporation's objective when managing its capital is to maintain sufficient capital to cover its costs of operations, while fulfilling its mandate under the *Manitoba Centennial Centre Corporations Act*. The Corporation's capital consists of unrestricted funds, internally restricted funds and funds invested in capital assets. The Corporation's ability to meet its capital objectives is dependent on its cash flows, including operating and capital grants received from the Province of Manitoba.

The Corporation is not subject to externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the period.

15. Contingencies:

The Corporation is subject to certain legal claims arising in the normal course of operations, none of which are expected to materially affect the financial condition of the Corporation.

MANITOBA CENTENNIAL CENTRE CORPORATION

Schedule - Operating Expenses

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Administration and general:		
Salaries and employee benefits	$ 541,664	$ 499,897
Audit and legal	22,369	26,426
Insurance	90,987	85,805
Telephone and fax	18,496	23,626
Other	186,309	197,792
Marketing	11,946	6,520
	871,771	840,066
Bannatyne Condominium:		
Administration costs	86,920	78,439
Repairs, maintenance and supplies	252	3,478
Property taxes	19,336	322
	106,508	82,239
Building services and maintenance:		
Salaries and employee benefits	1,319,045	1,378,471
Repairs, maintenance and supplies	501,975	477,540
Utilities	794,910	835,638
	2,615,930	2,691,649
Concession operations:		
Salaries and employee benefits	102,403	92,603
Cost of goods sold	144,650	141,587
Other	15,896	24,776
	262,949	258,966
Host services and special projects:		
Salaries and employee benefits	306,816	291,481
Other	37,755	18,288
	344,571	309,769
Manitoba Production Centre:		
Salaries and employee benefits	8,801	12,045
Administration costs	53,101	41,615
Repairs, maintenance and supplies	38,615	50,719
Property taxes	72,188	72,779
Utilities	30,273	67,716
	202,978	244,874
Parking services:		
Salaries and employee benefits	135,274	130,898
Agency fees and expenses	84,066	88,045
Other	12,343	15,390
	231,683	234,333
Pension	227,070	838,940
Security services:		
Salaries and employee benefits	498,094	535,665
Other	26,992	25,159
	525,086	560,824
Stage operations:		
Salaries and employee benefits	298,570	332,947
Repairs, supplies and equipment	103,827	94,525
	402,397	427,472
Total expenses of general fund	$ 5,790,943	$ 6,489,132

Del Halliday

Certified Management Accountant Inc.

200-960 Portage Avenue Telephone (204) 783-3118
Winnipeg, MB R3G 0R4 Fax (204) 772-7541

Del Halliday, CMA
Tom Tasker, CA

INDEPENDENT AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the accompanying financial statements of Manitoba Community Services Council Inc., which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of changes in net assets and financial activities for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Community Services Council Inc. as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
June 19, 2012

Certified Management Accountant

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2012

Assets	March 31 2012	March 31 2011	April 1 2010
Current assets			
Cash	$ 174,601	$ 114,906	$ 66,914
Accrued interest	4,376	10,650	10,433
GST refund	2,852	2,205	2,640
Prepaid expense	5,096	813	11,134
Guaranteed investment certificates (note 5)	-	378,486	442,927
	186,925	507,060	534,048
Guaranteed investment certificates (note 5)	586,883	196,011	278,486
Capital assets (note 6)	11,497	2,762	6,518
	$ 785,305	$ 705,833	$ 819,052
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 7,165	$ 2,975	$ 2,711
Allocations not yet paid	442,370	378,078	469,821
	449,535	381,053	472,532
Net assets			
Invested in capital assets	11,497	2,762	6,518
Funds for future allocation	324,273	322,018	340,002
	335,770	324,780	346,520
	$ 785,305	$ 705,833	$ 819,052

Approved on Behalf of the Board

_____________________________ Director

Del Halliday

Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2012

	Invested in Capital Assets	Funds for Future Allocation	Total 2012	Total 2011
Balance, beginning of year	$ 2,762	$ 322,018	$ 324,780	$ 346,520
Excess (deficiency) of revenue over allocations and expenses	(4,039)	15,029	10,990	(21,740)
Invested in capital assets	12,774	(12,774)	-	-
Balance, end of year	$ 11,497	$ 324,273	$ 335,770	$ 324,780

Del Halliday
Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
Revenue		
Province of Manitoba		
Manitoba Housing and Community Development	$ 2,004,000	$ 2,004,000
Interest	11,870	16,993
	2,015,870	2,020,993
Allocations and expenses		
Administrative expenses		
Bank charges	1,125	1,055
Communications	16,386	14,072
Computer expense	7,589	5,476
Courier	1,021	946
Equipment rental	9,319	9,655
Insurance	5,132	5,697
Meeting costs and volunteer travel	22,879	18,878
Office supplies	6,681	7,213
Postage	2,478	3,113
Professional fees	4,734	4,729
Telephone	5,152	5,178
	82,496	76,012
Amortization	4,039	3,756
Occupancy	32,474	30,810
Salaries and benefits	225,867	213,100
Grant allocations	1,726,999	1,741,530
Grant allocations (recovered)	(66,995)	(22,475)
	2,004,880	2,042,733
Excess (deficiency) of revenue over allocations and expenses	$ 10,990	$ (21,740)

Del Halliday

Certified Management Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

1. Purpose and objectives

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. Adoption of Canadian accounting standards for not-for-profit organizations

The Council has elected to apply the Canadian accounting standards for not-for-profit organizations. These are the Council's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations which have been applied retrospectively.

The adoption of the new accounting framework had no impact on the previously reported assets, liabilities and net assets of the Council and accordingly there has been no restatement of previously reported amounts as at the date of transition, being April 1, 2010. The presentation and disclosures provided in the financial statements reflect the requirements under the new accounting framework.

3. Summary of significant accounting policies

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The financial statements include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Guaranteed investment certificates

Guaranteed investment certificates are carried at cost. Interest earned but unpaid at the date of the statement of financial position is recorded as accrued interest receivable.

3. Summary of significant accounting policies, cont'd

c) Capital assets

Capital asset acquisitions are recorded in the year of purchase at cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

Furniture and equipment	20%
Computer equipment	30%
Computer software	50%

d) Revenue recognition

Funding for programs and grant allocations comes from the Province of Manitoba, Minister of Housing and Community Development. The fiscal period relates to the same fiscal period as the Province and is included in their fiscal budgets. If funding were approved and not received, it would be accrued at the end of the fiscal period.

Interest revenue is accrued based on the investment rate of return over the fiscal period.

4. Financial instruments

The Council’s financial instruments consist of cash, guaranteed investment certificates, accrued interest, accounts payable and allocations not yet paid. The Council initially measures its financial assets and liabilities at fair value and subsequently carries all financial assets and liabilities at amortized cost. The Council manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Governance Policies. The objective of this policy is to reduce volatility in cash flow and earnings. The Council monitors compliance with risk management policies and reviews risk management policies on an annual basis.

The Council’s investment policy is to invest funds not currently needed for operating purposes at the highest rate obtainable consistent with safety of the principal and their most effective possible utilization in serving the best interest of the general public. Investments must be guaranteed by the federal or provincial governments, a chartered bank or credit union or a CDIC member institution. The duration of the term of the deposit is not to exceed a period of three years.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. Guaranteed investment certificates

	2012	2011
National Trust Company, bearing interest at 1.21% compounded annually, maturing April 12, 2013.	$ 100,900	$ -
Scotia Mortgage Corporation, bearing interest at 1.44% compounded annually, maturing October 10, 2013.	289,972	-
The Bank of Nova Scotia, bearing interest at 1.96% payable annually, maturing October 12, 2013.	196,011	196,011
The Bank of Nova Scotia, bearing interest at 0.90% payable at maturity, matured October 12, 2011.	-	100,000
Scotia Mortgage Corporation, bearing interest at 2.04% compounded annually, matured October 10, 2011.	-	278,486
	$ 586,883	$ 574,497
Current portion due within one year	$ -	$ 378,486
Long-term portion	586,883	196,011
	$ 586,883	$ 574,497

6. Capital assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 35,736	$ 24,239	$ 22,962	$ 22,962
Computer equipment	11,047	11,047	11,047	8,285
Computer software	11,040	11,040	11,040	11,040
	$ 57,823	$ 46,326	$ 45,049	$ 42,287
Cost less accumulated amortization		$ 11,497		$ 2,762

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7. Provincial funding

The Province of Manitoba has committed funding in the amount of $2,004,000 for the year ended March 31, 2013.

8. Commitment

The Council has leased realty pursuant to a lease agreement, until March 31, 2015. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum base rent payment for the next three years is as follows:

2013	$ 13,080
2014	13,080
2015	13,080

9. Pension plan

The employees of the organization participate in the United Way Agencies' Employee Benefits Retirement Plan, a multi-employer, defined benefit pension plan. The Council's pension contribution and expense for the year was $11,051 (2011 - $11,064).

In accordance with the provisions of the Manitoba Pensions Benefit Act the plan is required to calculate the value of its assets and actuarial liabilities on a going concern valuation, a hypothetical wind-up valuation and a solvency basis.

The most recent triennial actuarial valuation as at December 31, 2009 was reported September 2010. In 2010 the Board of Trustees amended the Plan to increase the employee and employer contribution rates beginning January 1, 2011. The 2009 actuarial report included adjustments related to the 2010 amendment.

Based on the results of the valuation, the Plan is not fully funded. In accordance with the Act, any going-concern deficits must be amortized over a period not exceeding 15 years and any solvency deficits must be amortized over a period not exceeding five years. The Plan has applied to the Pension Regulator for a 10 year solvency amortization rather than five years.

The Province of Manitoba has committed annual on-going funding assistance to the member agencies, and as a result of these commitments, the Trustees of the Plan have committed to preserving the Plan as a defined benefit pension plan.

Based on the increased employee and employer contribution rates and a 10 year solvency amortization, the increased contributions should be sufficient to fund the current solvency deficit without additional solvency payments from the agencies.

Del Halliday
Certified Management Accountant Inc.

10. Bingo earnings

The Council allocates a certain number of bingo events to various organizations that it funds.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporations to the above organizations. These funds are not reflected on the statement of financial activities.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **MANITOBA DEVELOPMENT CORPORATION** and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 22, 2012.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **MANITOBA DEVELOPMENT CORPORATION** are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
MANITOBA DEVELOPMENT CORPORATION

Jim Kilgour, General Manager

June 22, 2012

BDO

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

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

Independent Auditor's Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

MANITOBA DEVELOPMENT CORPORATION
Statement of Financial Position

	PNP-B	MDC Part I	MDC Part II	March 31 2012 Total	March 31 2011 Total	April 1 2010 Total
Financial Assets						
Cash	$ 810,131	$ 793,325	$ -	$ 1,603,456	$ 1,142,032	$ 1,034,565
Cash held in trust	-	-	513,373	513,373	380,452	78,290
Temporary investments (Note 5)	19,949,732	4,408,779	-	24,358,511	22,414,977	19,754,087
Accounts receivable (Note 6)	1,099,129	57,301	-	1,156,430	1,006,219	960,682
Loans receivable (Note 7)	-	-	94,819,221	94,819,221	81,973,571	89,943,981
Portfolio investments (Note 8)	-	-	7,338,335	7,338,335	8,152,798	9,860,506
Trust Funds (Note 9)	75,840,155	-	-	75,840,155	75,528,506	57,856,704
	97,699,147	5,259,405	102,670,929	205,629,481	190,598,555	179,488,815
Liabilities						
Accounts payable	2,638,559	456,756	-	3,095,315	2,353,074	1,364,489
Funds provided by the Province of Manitoba	-	-	102,670,929	102,670,929	90,502,256	99,872,212
Trust liabilities (Note 9)	75,840,155	-	-	75,840,155	75,528,506	57,856,704
	78,478,714	456,756	102,670,929	181,606,399	168,383,836	159,093,405
Net financial assets	19,220,433	4,802,649	-	24,023,082	22,214,719	20,395,410
Accumulated surplus (Note 10)	$ 19,220,433	$ 4,802,649	$ -	$ 24,023,082	$ 22,214,719	$ 20,395,410

Commitments (Note 12)

Approved on behalf of the Board:

________________ Director

________________ Director

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Accumulated Surplus

For the years ended March 31	2012 Budget	2012 Actual	2011 Actual
Income			
Interest	$ 11,562,204	$ 7,070,591	$ 6,640,373
Deposit Retentions (Note 9)	5,618,000	3,275,321	2,800,215
Recovery of Program Administration Expenses (Note 11)	33,300	25,919	33,729
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba			
Provision for doubtful accounts	2,525,736	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	1,300,978	(130,857)
Foreign currency translation loss	-	-	1,360,329
	20,226,149	18,335,112	14,400,315
Expenses			
Program administration	2,607,800	1,497,822	1,393,411
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	4,506,646	4,374,597
Provision for doubtful accounts	2,525,736	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	1,300,978	(130,857)
Foreign currency translation loss	-	-	1,360,329
	14,430,445	13,967,749	10,694,006
Transfers to the Department of Immigration and Multiculturalism (Note 13)	2,871,000	1,649,000	1,293,000
Transfers to the Department of Entrepreneurship, Training and Trade (Note 13)	-	910,000	594,000
	17,301,445	16,526,749	12,581,006
Annual surplus	$ 2,924,704	1,808,363	1,819,309
Accumulated surplus, beginning of year		22,214,719	20,395,410
Accumulated surplus, end of year (Note 10)		$ 24,023,082	$ 22,214,719

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Changes in Net Financial Assets

For the years ended March 31	2012	2011
Annual surplus	**$ 1,808,363**	$ 1,819,309
Net financial assets, beginning of year	**22,214,719**	20,395,410
Net financial assets, end of year	**$ 24,023,082**	$ 22,214,719

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the years ended March 31	2012	2011
Cash Provided by (Applied to)		
Operating		
Annual surplus	**$ 1,808,363**	$ 1,819,309
Adjustments for		
Foreign currency translation loss	**-**	1,360,329
Provision for doubtful accounts	**6,662,303**	3,696,526
Provision for decline in value of investments (recovery)	**1,300,978**	(130,857)
Provision for Deposit Retentions	**(3,275,321)**	(2,800,215)
Recovery (reimbursement) of Part II expenses to the Province of Manitoba	**(7,963,281)**	(4,925,998)
	(1,466,958)	(980,906)
Changes in		
Accounts receivable	**(150,211)**	(45,537)
Accounts payable	**742,243**	988,585
Short-term investments	**(1,943,534)**	(2,660,890)
	(1,351,502)	(1,717,842)
Cash applied to operating activities	**(2,818,460)**	(2,698,748)
Investing		
Loans receivable		
Principal repayments	**7,092,760**	16,455,690
Loans issued	**(27,010,917)**	(13,906,944)
Change in accrued interest receivable	**(170,563)**	228,513
Capitalized interest written-off	**580,766**	-
Portfolio investments		
Investments made	**(491,082)**	(333,676)
Provincial Nominee Program for Business Trust Funds	**(1,655,761)**	(15,124,786)
	(21,654,797)	(12,681,203)
Funds provided by the Province of Manitoba		
Part II	**20,136,522**	(2,135,422)
Provincial Nominee Program for Business	**3,586,968**	20,472,017
Cash provided by investing activities	**2,068,693**	5,655,392
Net increase (decrease) in cash and cash equivalents	**(749,767)**	2,956,644
Cash and cash equivalents, beginning of year	**7,168,564**	4,211,920
Cash and cash equivalents, end of year	**$ 6,418,797**	$ 7,168,564
Represented by		
Cash	**$ 1,603,456**	$ 1,142,032
Cash held in trust	**513,373**	380,452
Cash held in trust included in Trust Funds	**4,301,968**	5,646,080
	$ 6,418,797	$ 7,168,564
Supplemental Cash Flow Information		
Interest paid	**$ 4,819,533**	$ 4,181,018
Interest received	**6,920,380**	6,592,751

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

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

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

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

The Province of Manitoba has directed that the balance of restricted surplus for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings. For the year ended March 31, 2011, the Corporation has complied with these restrictions.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook. Public sector accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates.

As of April 1, 2011, the Corporation adopted Public Sector Accounting (PSA) Standards with a transition date of April 1, 2010. More details on this transition are provided in Note 5.

The adoption of PSA Standards includes early adoption of Sections PS 1201 Financial Instruments, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments.

3. Summary of Significant Accounting Policies

a. Financial Assets

(i) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

(ii) Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.
Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

(iii) Portfolio Investments Under 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 cost method of accounting.

An allowance for Portfolio Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.

(iv) Trust Funds

Trusts funds are deposits held in trust under the Provincial Nominee Program for Business. These deposits are recorded at cost.

b. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

3. **Summary of Significant Accounting Policies** (continued)

c. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which transfers are authorized and eligibility criteria have been meet.

d. 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.

e. Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the time of settlement, the financial assets and liabilities are translated into Canadian dollars. An exchange gain or loss is recognized in the statement of operations in the period of settlement.

f. 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.

g. Program Administration and Recoveries

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

4. **First-time Adoption of Public Sector Accounting Standards**

In previous fiscal years, Manitoba Development Corporation classified itself as a Government Entity and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. In accordance with recommendations of the Public Sector Accounting Handbook, Manitoba Development Corporation has determined that it is an "other government organization" and has determined that PSA Standards are the most appropriate framework for reporting purposes.

4. **First-time Adoption of Public Sector Accounting Standards** (continued)

These new standards were required to be applied retroactively. The impacts of this change are as follows:

(a) Portfolio investments	March 31 2011	April 1 2010
Portfolio investments as per previous financial statements	$ 4,405,219	$ 5,685,135
Add: Pro-rata share of partnership losses	3,747,579	4,175,371
Portfolio investments balance as per PSA Standards	$ 8,152,798	$ 9,860,506

(b) Funds provided by the Province of Manitoba	March 31 2011	April 1 2010
Province of Manitoba as per previous financial statements	$ 86,754,677	$ 94,200,217
Add: Pro-rata share of partnership losses	3,747,579	4,175,371
Funds provided by the Province of Manitoba as per PSA Standards	$ 90,502,256	$ 98,375,588

(c) Income - Pro-rata share of partnership income	March 31 2011
Pro-rata share of partnership income as per previous financial statements	$ (427,609)
Add: Pro-rata share of partnership income	427,609
Pro-rata share of partnership income as per PSA Standards	$ -

(d) Expenses - Pro-rata share of partnership income	March 31 2011
Pro-rata share of partnership income as per previous financial statements	$ (427,609)
Add: Pro-rata share of partnership income	427,609
Pro-rata share of partnership income as per PSA Standards	$ -

4. First-time Adoption of Public Sector Accounting Standards (continued)

(e) Loans receivable	March 31 2011	April 1 2010
Loans receivable as per previous financial statements	$ 81,973,571	$ 88,447,357
Add: Historical cost adjustment of US dollar loan receivable	-	1,496,624
Loans receivable as per PSA Standards	$ 81,973,571	$ 89,943,981

(f) Funds provided by the Province of Manitoba	March 31 2011	April 1 2010
Funds provided by the Province of Manitoba as per previous financial statements	$ 90,502,256	$ 98,375,588
Add: Historical cost adjustment of US dollar loan receivable	-	1,496,624
Funds provided by the Province of Manitoba as per PSA Standards	$ 90,502,256	$ 99,872,212

(g) Income - Foreign currency loss	March 31 2011
Pro-rata share of partnership income as per previous financial statements	$ 1,382,008
Less: Adjustment to foreign exchange loss	21,679
Foreign currency loss as per PSA Standards	$ 1,360,329

(h) Expenses - Foreign currency loss	March 31 2011
Pro-rata share of partnership income as per previous financial statements	$ 1,382,008
Less: Adjustment to foreign exchange loss	21,679
Foreign currency loss as per PSA Standards	$ 1,360,329

5. Temporary Investments

Temporary investments are comprised of marketable securities, and include term deposits, provincial bonds, and GIC's. Effective interest rates range from 1.5% to 5.5%. Maturity dates range from April 2012 to March 2016. Fair values are considered to approximate cost.

6. Accounts Receivable

	2012	2011
Other	$ 3,966	$ -
Accrued Interest - PNPB	1,095,163	951,814
Accrued Interest - MDC Part I	57,301	54,405
	$ 1,156,430	$ 1,006,219

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

	2012	2011
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	$ 96,644,007	$ 88,939,892
Other loans receivable	18,081,630	11,777,792
	114,725,637	100,717,684
Allowance for doubtful accounts	(19,906,416)	(18,744,113)
	$ 94,819,221	$ 81,973,571

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

	2012	2011
2012	$ -	$ 5,422,260
2013	13,694,818	14,329,415
2014	10,027,300	9,176,756
2015	15,014,706	11,196,936
2016	11,654,040	8,134,934
2017	9,066,842	6,764,320
Subsequent to 2017	35,431,642	32,849,655
Accrued and capitalized interest	1,754,659	1,065,616
	96,644,007	88,939,892
Allowance	(14,694,471)	(18,266,642)
	$ 81,949,536	$ 70,673,250

7. 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, 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:

	2012	2011
Greater than Nil, less than 5%	**$ 33,207,941**	$ 27,069,764
5% or greater, less than 6%	**49,501,240**	47,434,292
6% or greater, less than 7%	**404,570**	597,222
7% or greater, less than 8%	**11,383,333**	12,300,000
9% or greater, less than 10%	**-**	80,735
Royalty-based interest repayment	**392,263**	392,263
Accrued and capitalized interest	**1,754,660**	1,065,616
	96,644,007	88,939,892
Allowance	**(14,694,471)**	(18,266,642)
	$ 81,949,536	$ 70,673,250

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

8. Portfolio Investments Managed for the Province of Manitoba Under Part II

	2012	2011
Share capital investments		
Inspyre Solutions Inc. (formerly Faneuil ISG Inc.)	**$ -**	$ 1
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	**2,985,075**	2,859,639
CentreStone Vision Fund	**3,254,118**	2,911,049
Manitoba Capital Fund	**4,363,200**	4,363,200
Manitoba Science and Technology Fund	**1,824,126**	1,806,113
Renaissance Capital Fund	**3,000,000**	3,000,000
Western Life Sciences Venture Fund LLP	**4,875,000**	4,875,000
	20,301,519	19,815,001
Vision Capital Fund	**1**	1
	20,301,520	19,815,003
Less:		
Allowance for decline in value of investments	**(12,963,185)**	(11,662,205)
	$ 7,338,335	$ 8,152,798

The preference shares of Inspyre Solutions Inc. (formerly Faneuil ISG Inc.) were sold during the year for $1, resulting in no gain or loss occurring at the time of disposition. The investment in preference shares of Inspyre Solutions Inc. had been recorded in the books of the Corporation at a nominal value of $1.

9. Trust Funds/Liabilities - Provincial Nominee Program for Business

	2012	2011
Gross Trust Liabilities	$ 75,840,155	$ 75,528,506

The Corporation, Manitoba Entrepreneurship, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. Starting in the 2003 fiscal year, the Corporation began entering into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2012, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $71,538,187 (2011 - $69,882,456) and with a chartered bank totaled $4,301,968 (2011 - $5,646,080). Interest earned on these deposits during the year and retained by the Corporation totaled $2,419,417 (2011 - $2,003,022). Actual deposits retained during the year amounted to $3,200,295 (2011 - $3,225,187) and are presented net of an allowance adjustment of $75,026 (2011 - $424,972). Net deposits retained are $3,275,321 (2011 - $2,800,215).

10. Accumulated Surplus

Accumulated surplus is made up of the following:

	PNP-B	MDC Part I	MDC Part II	Total 2012	Total 2011
Unrestricted surplus	$ 14,201,921	$ 4,801,649	$ -	$ 19,003,570	$ 17,523,787
Restricted surplus	5,018,512	-	-	5,018,512	4,689,932
Share capital	-	1,000	-	1,000	1,000
	$ 19,220,433	$ 4,802,649	$ -	$ 24,023,082	$ 22,214,719

For the years ended March 31, 2012 and March 31, 2011

11. Recovery of Program Administration Expenses

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

	2012	2011
Program participants - PNP-B	$ 25,919	$ 33,729

12. Commitments

Commitments and undisbursed balances of approved loans and portfolio investments under Part II:

	2012	2011
Manitoba Industrial Opportunities Program	$ 7,987,867	$ 21,127,734
Manitoba Science & Technology Fund	675,874	693,887
Canterbury Park Capital	5,766,849	5,893,119
CentreStone Venture Fund Limited	1,285,929	1,977,361
Manitoba Capital Fund	636,800	353,334
	$ 16,353,319	$ 30,045,435

13. Growing Through Immigration Strategy and Economic Development Support

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

	2012	2011
Entrepreneurship, Training and Trade	$ 910,000	$ 594,000
Immigration and Multiculturalism	1,649,000	1,293,000
	$ 2,559,000	$ 1,887,000

14. 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.

Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Finance and Planning Committee are composed entirely of Directors who are neither management nor employees of the Organization. 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 Finance and Planning Committee and management to discuss their audit findings.

June 1, 2012

Carole Vivier, CEO	Kevin Gabriel, Manager of Finance and Operations

Independent Auditors’ Report

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

We have audited the accompanying financial statements of Manitoba Film & Sound Recording Development Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Film & Sound Recording Development Corporation as at March 31, 2012, 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

June 1, 2012

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

Manitoba Film & Sound Recording Development Corporation
Operating as Manitoba Film & Music
Statement of Financial Position
As at March 31, 2012

	2012	2011
Assets		
Current		
Cash *(Note 3)*	**629,057**	339,753
Restricted cash *(Note 3)*	**952,146**	1,717,538
Accounts receivable	**2,689**	626
Prepaid expenses	**62,104**	43,372
	1,645,996	2,101,289
Capital assets *(Note 4)*	**106,359**	115,472
	1,752,355	2,216,761
Liabilities		
Current		
Accounts payable and accruals	**73,259**	61,682
Carry-over commitments *(Note 5)*	**952,146**	1,717,538
Deferred recoupment revenue *(Note 6)*	**136,835**	-
	1,162,240	1,779,220
Net Assets		
Invested in capital assets	**106,359**	115,472
Unrestricted	**483,756**	322,069
	590,115	437,541
	1,752,355	2,216,761

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Operating as Manitoba Film & Music
Statement of Operations
For the year ended March 31, 2012

	2012	2011
Revenues		
Province of Manitoba	**3,944,600**	3,944,600
Program recoupments	**176,529**	109,329
Other	**20,801**	37,071
	4,141,930	4,091,000
Expenses (Schedule 1)		
Film and Television Programs	**1,897,925**	2,002,116
Music Programs	**568,699**	562,803
Program Delivery - Film and Television and Music Programs (Note 9)	**663,943**	671,313
Film Commission/Location Services	**354,084**	352,270
Industry Support (Note 7)	**298,720**	285,915
Corporate Administration	**205,985**	196,420
	3,989,356	4,070,837
Excess of revenues over expenses	**152,574**	20,163

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Operating as Manitoba Film & Music
Statement of Changes in Net Assets
For the year ended March 31, 2012

	Invested in capital assets	*Unrestricted*	***2012***	*2011*
Net assets, beginning of year	115,472	322,069	**437,541**	417,378
Excess of revenues over expenses	(18,413)	170,987	**152,574**	20,163
Investment in capital assets	9,300	(9,300)	**-**	-
Net assets, end of year	**106,359**	**483,756**	**590,115**	437,541

The accompanying notes are an integral part of these financial statements

Manitoba Film & Sound Recording Development Corporation
Operating as Manitoba Film & Music
Statement of Cash Flows
For the year ended March 31, 2012

	2012	*2011*
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	**152,574**	20,163
Amortization	**18,413**	19,268
	170,987	39,431
Changes in working capital accounts		
Accounts receivable	**(2,063)**	157,701
Prepaid expenses	**(18,732)**	(8,800)
Accounts payable and accruals	**11,577**	7,385
Carry-over commitments	**(765,392)**	(433,455)
Deferred recoupment revenue	**136,835**	-
	(466,788)	(237,738)
Investing activity		
Purchase of capital assets	**(9,300)**	(2,723)
Decrease in cash resources	**(476,088)**	(240,461)
Cash resources, beginning of year	**2,057,291**	2,297,752
Cash resources, end of year	**1,581,203**	2,057,291
Cash resources are composed of:		
Cash	**629,057**	339,753
Restricted cash	**952,146**	1,717,538
	1,581,203	2,057,291

The accompanying notes are an integral part of these financial statements

1. Nature of operations

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

The Organization has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Capital assets

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

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

Program funding

The Organization provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and music recording artists and industries. The grant may take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

Revenue recognition

a) Program recoupments

Any recovery of principal or return on investment of programs funded is recorded as program recoupments when received.

b) Province of Manitoba funding

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

c) Jump Start program recoupments

Any recovery of principal or return on investment of programs funded under the Jump Start program must be re-invested in the Organization’s Market Driven Television Production and Market Driven Feature Film Production financing programs within the fiscal year that the recoupment occurs, if possible. If not possible, recoupments will be deferred to the following fiscal year and recognized as revenue at that time.

Measurement uncertainty

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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is provided based on the estimated useful lives of capital assets.

2. Significant accounting policies *(Continued from previous page)*

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Long-lived assets

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

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Financial instruments

Held for trading:

The Organization has classified cash and restricted cash as held for trading. These instruments are initially recognized at fair value. Fair value is approximated by the instruments' initial cost in a transaction between unrelated parties.

Loans and receivables:

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon impairment.

Other financial liabilities:

The Organization has classified accounts payable and accruals as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition.

Financial instruments deferral of Section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation to replace Section 3861 Financial Instruments - Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. As such, not-for-profit organizations continue to apply Section 3861.

2. Significant accounting policies *(Continued from previous page)*

Recent accounting pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations to be included in Part III of the CICA Handbook-Accounting ("the Handbook"). Part III comprises of the existing "4400 series" of standards dealing with the unique circumstances of not-for-profit organizations, and the new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to not-for-profit organizations. The Public Sector Accounting Board ("PSAB") has incorporated the 4400 series into the CICA Public Sector Accounting Handbook ("PSA Handbook"), as well as made amendments to the Introduction to Public Sector Accounting Standards. PSAB has executed these changes as a transitional strategy to bring government not-for-profit organizations ("GNFPOs") into the PSA Handbook.

Effective for fiscal years ending March 31, 2013, GNFPOs must adopt the PSA Handbook. Earlier adoption is permitted. The Organization expects to adopt the PSA Handbook as its new financial reporting standards. The Organization has not yet determined the impact of the adoption of the PSA Handbook on its financial statements.

3. Cash

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates. The Organization's internally restricted cash represents the carry-over commitments as described in Note 5.

4. Capital assets

	Cost	***Accumulated amortization***	***2012 Net book value***
Computer equipment	**53,902**	**46,447**	**7,455**
Equipment	**9,617**	**6,006**	**3,611**
Furniture	**55,363**	**53,931**	**1,432**
Leasehold improvements	**139,154**	**47,116**	**92,038**
Website	**37,862**	**36,039**	**1,823**
	295,898	**189,539**	**106,359**

	Cost	*Accumulated amortization*	*2011 Net book value*
Computer equipment	**45,995**	**41,132**	**4,863**
Equipment	**8,224**	**4,766**	**3,458**
Furniture	**55,363**	**52,987**	**2,376**
Leasehold improvements	**139,154**	**40,158**	**98,996**
Website	**37,862**	**32,083**	**5,779**
	286,598	**171,126**	**115,472**

5. Carry-over commitments

Due to lead times required to obtain all the resources necessary to complete film, television and music recording projects, the Organization approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2012 and prior years, which were not fully advanced as at March 31, 2012 are as follows:

	Year of Commitment			Total		
	11/12	10/11	Prior	2012	2011	2010
Film						
Development Financing Programs	42,760	7,189	(8,432)	41,517	122,317	70,123
Production Financing Programs	514,616	182,546	29,500	726,662	1,045,570	1,009,647
Jump Start Program	-	-	-	-	191,250	625,000
Emerging Talent Matching Funds	6,450	-	-	6,450	5,050	7,050
Feature Film Marketing Program	600	500	-	1,100	2,500	1,800
Portfolio Investment Envelope	-	-	-	-	4,000	10,000
Access to Markets/Festivals	5,000	-	-	5,000	5,000	17,000
Industry Support	12,700	-	-	12,700	12,400	32,500
	582,126	190,235	21,068	793,429	1,388,087	1,773,120
Music						
Music Recording Production Fund Level 1	4,865	-	-	4,865	21,995	13,178
Music Recording Production Fund Level 2	65,850	9,600	(5,016)	70,434	104,061	71,230
Music Recording Production Fund Level 3	40,665	2,000	(2,001)	40,664	60,900	167,240
Music Recording - Out-of-Province Artists	-	-	-	-	-	21,000
Music Video Fund	2,074	-	-	2,074	5,321	5,281
Record Product Marketing Fund	24,501	1,782	(3,167)	23,116	53,946	36,338
Recording Artist Touring Fund	15,833	1,731	-	17,564	74,228	48,606
Portfolio Investment Envelope	-	-	-	-	4,000	11,000
Market Access Fund	-	-	-	-	5,000	4,000
	153,788	15,113	(10,184)	158,717	329,451	377,873
Total Commitments:	**735,914**	**205,348**	**10,884**	**952,146**	**1,717,538**	**2,150,993**

6. Deferred recoupment revenue

The Organization has $136,835 (2011 - $nil) of deferred recoupment revenue from recoupments received through the Jump Start program that took place in 2010. Funds received as recoupments from this program must be reinvested in the Organization's Market Driven Television Production and Market Driven Feature Film Production financing programs within the fiscal year that the recoupment occurs. As no such projects were available at the time the funds were received, the restricted revenue must be deferred and recognized as revenue in the period in which the related expenses are incurred.

7. Industry support

The Organization indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and music recording professionals by providing funding for specific programming administered by organizations such as Manitoba Music, On Screen Manitoba, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include Access to Markets, Aboriginal Music Program, Features First, Drama Prize, Totally Television, New Voices and WFG First Film, Post-Production and Marketing funds.

8. Lease commitments

The Organization occupies leased premises subject to minimum monthly rent of $5,196 until August 2013 plus various equipment leases with quarterly payments until September 2014. Future minimum annual payments as follows:

2013	73,242
2014	31,672
2015	2,923

9. Program delivery

Program delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program ("MTC"). While the value of the MTC does not flow through the Organization, the management of it does and is therefore determined to be worth noting. A total of 115 applications were received for processing during the 2012 fiscal year (2011 - 116). This represents production activity for projects which took place in the current and prior years, in excess of $129 million worth of production activity (2011 - $150 million). The tax credits are subject to approval by the Province of Manitoba. The cost to administer the Program in the fiscal year was approximately $67,300 (2011 - $65,200).

10. Economic dependence

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

11. Capital management

The Organization’s objective when managing capital is to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide financial and other assistance to its applicants.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may decrease expenses or seek other sources of funding.

The Organization manages the following as capital:

	2012	*2011*
Invested in capital assets	**106,359**	115,472
Unrestricted net assets	**483,756**	322,069
	590,115	437,541

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take.

12. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The fair values of cash, restricted cash, accounts receivable and accounts payable and accruals is approximated by their carrying amounts due to their short-term nature.

Manitoba Film & Sound Recording Development Corporation
Operating as Manitoba Film & Music
Schedule 1 - Schedule of Expenses
For the year ended March 31, 2012

	2012	2011
Expenses		
Film and Television Programs		
Development Financing	**160,800**	251,722
Production Financing	**1,706,625**	1,775,730
Emerging Talent Matching Funds	**21,500**	16,000
Feature Film Marketing	**9,000**	8,664
Jump Start	**-**	(50,000)
	1,897,925	2,002,116
Music Programs		
Music Recording Production Level III	**55,321**	70,974
Music Recording Production Level III - Adjustments to prior year commitments	**-**	(90,553)
Music Recording Production Level II	**143,455**	148,473
Music Recording Production Level I	**31,126**	57,028
Music Video	**14,108**	23,081
Music Recording Production Level - Out of Province	**8,500**	(1,417)
Record Product Marketing Support	**78,290**	85,013
Recording Artist Touring Support	**237,899**	271,204
Sound PIE Program	**-**	(1,000)
	568,699	562,803
Program Delivery - Film and Television and Music Programs		
Salaries	**454,446**	440,224
Operating	**209,497**	231,089
	663,943	671,313
Film Commission/Location Services	**354,084**	352,270
Industry Support		
Film industry associations	**112,000**	83,433
Film sponsorships/partnerships	**37,170**	57,642
Music industry associations	**130,000**	125,000
Music sponsorships/partnerships	**19,550**	19,840
	298,720	285,915
Corporate Administration		
Salaries	**128,285**	125,674
Operating	**77,700**	70,746
	205,985	196,420
Total expenses	**3,989,356**	4,070,837

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and Directors of the
Manitoba Floodway and East Side Road Authority

We have audited the accompanying financial statements of the **Manitoba Floodway and East Side Road Authority**, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Manitoba Floodway and East Side Road Authority** as at March 31, 2012, 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

Chartered Accountants

Winnipeg, Canada,
July 30, 2012.

Manitoba Floodway and East Side Road Authority
Statement of Financial Position
As at March 31

	2012	2011
FINANCIAL ASSETS		
Funds on deposit with Minister of Finance	$ 16,174,076	$ 21,736,710
	$ 16,174,076	$ 21,736,710
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	$ 7,126,092	$ 8,381,329
Interest payable	2,229,596	1,290,403
Due to the Province of Manitoba (Note 3)	6,818,388	12,064,978
	16,174,076	21,736,710
NET ASSETS	$ -	$ -

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Manitoba Floodway and East Side Road Authority
Statement of Operations
Year ended March 31

	2012	2011
Expenses		
Salaries and Benefits	5,094,075	3,945,535
Other Operating Expenses		
Transportation	849,379	565,813
Communications	237,181	184,295
Supplies and services	1,145,354	1,279,978
Minor capital	224,375	963,607
Other operating	1,551,614	1,086,632
	4,007,903	4,080,325
Total Expenses	9,101,978	8,025,860
Recoveries		
Funding from the Province of Manitoba for (Note 4):		
Floodway expansion	1,931,693	1,776,336
East Side Transportation Initiative	5,795,824	5,492,049
Operating grants (Note 5)	1,374,461	757,475
	9,101,978	8,025,860
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway and East Side Road Authority
Statement of Cash Flows
Year ended March 31

	2012	2011
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	(43,773)	148,377
Accounts payable and accrued liabilities	62,536	(44,795)
Cash provided by operating transactions	18,763	103,582
Financing transactions		
Due to the Province of Manitoba	(5,202,817)	(3,436,485)
Capital transactions		
Capital assets constructed on behalf of the Province	(92,032,265)	(59,377,342)
Net changes in non-cash working capital balances related to capital		
Accounts payable and accrued liabilities	(1,317,773)	(3,358,014)
Interest payable	939,193	109,792
Contributions related to capital assets	92,032,265	59,377,342
Cash used in capital transactions	(378,580)	(3,248,222)
Decrease in funds on deposit with Minister of Finance	$ (5,562,634)	$ (6,581,125)
Funds on deposit with Minister of Finance, beginning of year	21,736,710	28,317,835
Funds on deposit with Minister of Finance, end of year	$ 16,174,076	$ 21,736,710

(see accompanying notes and schedules to the financial statements)

Schedule 1

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31

	2012	2011
Funding from the Province of Manitoba (Note 4)	$ 92,032,265	$ 59,377,342
Capital Expenditures (Note 4):		
Floodway Channel	22,610,907	35,448,120
East Side Transportation Initiative	69,421,358	23,929,222
	92,032,265	59,377,342
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Schedule 2

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets
As at March 31

	Cost	Federal Contributions	Cost, net of Federal Contributions	Accumulated Amortization	2012 Net Book Value
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

Schedule 2
(cont'd)

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets
As at March 31

	Cost	Accumulated Amortization	2012 Net Book Value
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007	$ 145,664,474	$ -	$ 145,664,474
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2008	$ 149,945,209	$ -	$ 149,945,209
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2009			
Floodway Expansion	$ 113,751,625	$ -	$ 113,751,625
East Side Transportation Initiative	$ 943,206	$ -	$ 943,206
Manitoba Floodway and East Side Road Authority - Capital Assets Constructed on behalf of the Province - 2010			
Floodway Expansion	$ 74,649,855	$ -	$ 74,649,855
East Side Transportation Initiative	$ 12,263,681	$ -	$ 12,263,681

Schedule 2
(cont'd)

Manitoba Floodway and East Side Road Authority
Schedule of Capital Assets
As at March 31

	Cost	Accumulated Amortization	2012 Net Book Value
Manitoba Floodway and East Side Road Authority - Capital Assets Constructed on behalf of the Province - 2011			
Floodway Expansion	$ 35,448,120	$ -	$ 35,448,120
East Side Transportation Initiative	$ 23,929,222	$ -	$ 23,929,222
Manitoba Floodway and East Side Road Authority - Capital Assets Constructed on behalf of the Province - 2012			
Floodway Expansion	$ 22,610,907	$ -	$ 22,610,907
East Side Transportation Initiative	$ 69,421,358	$ -	$ 69,421,358

Note: Due to changes in public sector accounting standards in 2007, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets.

Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the Year ended March 31, 2012

Note 1 - Nature of Operations and Basis of Presentation

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (MFA) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

On December 1, 2009, Bill 31, the Manitoba Floodway Authority Amendment Act was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority (the Authority). The expanded mandate includes constructing and maintaining an all-season road on the east side of Lake Winnipeg, ensuring that the expansion of the floodway and east side road construction are carried out in a manner that provides increased benefits, and maximizes the benefits provided.

The creation of the Authority reflects the merger of the MFA and the East Side Road Authority. The merger was accounted for using the continuity of interests basis of accounting. The financial statements reflect the assets, liabilities, operations and cash flows of the MFA and the East Side Road Authority at their carrying values as if they had always been combined on a historical basis.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as established by the Canadian Public Sector Accounting Board.

Tangible Capital Assets

Tangible capital assets in excess of $10,000 are recorded at cost and are amortized on a straight-line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Employee Future Benefits

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $194,649 (2011 - $155,421).

Accounting Estimates

The preparation of financial statements 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.

Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the Year ended March 31, 2012

Financial Instruments

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

Note 3 - Due to the Province of Manitoba

The Authority receives interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2012, $6,818,388 was payable to the Province of Manitoba (2011 - $12,064,978).

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

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2012 and 2011 for the floodway expansion are as follows:

	2012	2011
Administration	$ 1,931,693	$ 1,776,336
Contract Administration and Final Design	2,273,262	4,614,178
Environmental Mitigation	761,888	1,634,508
Floodway Channel	4,130,993	6,499,411
Inlet Structure	10,265,073	1,409,735
Insurance	772,885	30,007
Interest	581,356	891,115
Land	399,537	71,598
Outlet Structure	-	29,787
Pedestrian Bridge	386,799	1,056,516
Railway Bridges	34,467	522,582
Roadway Bridges	786,862	15,060,229
Seine River Siphon	-	66,916
Utility Relocations	-	430,752
West Dike	286,092	1,354,450
Total	$ 22,610,907	$ 35,448,120

Capital expenditures incurred and transferred to the Province of Manitoba during 2012 and 2011 for the east side road transportation initiative are as follows:

	2012	2011
Administration	$ 5,795,824	$ 5,492,049
Contract Administration	2,597,767	-
Environmental Assessment and Licensing	3,266,169	1,383,711
Final Design	4,115,023	1,803,008
Interest	1,648,240	399,287
Preconstruction Activities	26,898,958	8,391,747
Preliminary Designs and Studies	107,444	1,944,380
Roads	8,181,956	599,335
Temporary Bridges	16,809,977	3,915,705
Total	$ 69,421,358	$ 23,929,222

Note 5 - Transactions related to Operations and Capital

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of $7,613,015 (2011 - $16,639,402) are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $1,166,401 (2011 - $533,147) related to operating expenses were reflected in the operations of the Authority. In addition, $208,060 (2011 - $224,328) of operating grants were received as government transfers under the shared cost agreement and were recorded as revenue of the Authority.

Note 6 - Contractual Obligations

As an agent of the Province of Manitoba, the Authority has entered into various contracts in all phases of the projects. Contractual obligations relating to the projects totalled $121,817,605 at March 31, 2012 (2011 - $67,769,943).

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

2013 - $282,332

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 financial statement available on request.

Note 9 - Contingencies

The Authority is involved in various legal matters arising in the normal course of business. As the outcomes of these matters are not determinable and amounts cannot be reasonably estimated at this time, liabilities have not been recorded in the financial statements.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Manitoba Gaming Control Commission, which comprise the statement of financial position as at as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ending March 31, 2012, the Manitoba Gaming Control Commission adopted Canadian public sector accounting standards. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
June 27, 2012
Winnipeg, Manitoba

MANITOBA GAMING CONTROL COMMISSION
Statement of Financial Position

For the year ended March 31	Actual 2012	Actual 2011	April 1 2010[1]
Financial assets			
		Restated – Note 2	
Cash and cash equivalents	**$ 2,653,267**	$ 2,107,628	$ 1,600,251
Accounts receivable (Note 4)	**31,891**	32,211	30,429
Long term investment (Note 5)	**146,079**	146,079	146,079
	2,831,237	2,285,918	1,776,759
Liabilities			
Accounts payable and accrued liabilities (Note 6)	**572,333**	537,444	523,259
Employee future benefits – severance (Note 7)	**729,505**	637,812	565,743
Employee future benefits – sick leave (Note 7)	**69,968**	69,968	69,968
Employee future benefits – pension (Note 7)	**39,125**	28,511	34,900
Total employee future benefits	**838,598**	736,291	670,611
	1,410,931	1,273,735	1,193,870
Net financial assets	**1,420,306**	1,012,183	582,889
Non-financial assets			
Tangible capital assets (Note 8)	**299,063**	316,042	350,193
Prepaid expenses	**35,533**	33,716	31,532
	334,596	349,758	381,725
Accumulated surplus	**$ 1,754,902**	$ 1,361,941	$ 964,614

On behalf of the Board:

Director

Director

[1] This is the opening statement of financial position at the date of transition.
The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Accumulated Surplus

For the year ended March 31	Budget 2012	**Actual 2012**	Actual 2011
Revenue			Restated – Note 2
Registration fees	$ 4,459,800	**$ 4,443,822**	$ 4,409,675
Licence fees	1,148,500	**1,045,376**	1,103,886
Other revenue	74,400	**59,078**	71,129
	5,682,700	**5,548,276**	5,584,690
Expenses			
Salaries and benefits	4,264,400	**3,824,700**	3,889,683
Rent	350,300	**355,129**	343,385
Legal and professional fees	153,700	**230,487**	137,691
Supplies and services	124,300	**122,483**	98,757
Transportation	179,200	**122,363**	127,179
Education, training, conferences	134,900	**117,557**	112,923
Communications	106,500	**110,082**	121,584
Amortization	64,900	**64,802**	72,257
Commission Board	71,800	**59,915**	46,987
Other expenses	35,700	**43,767**	30,571
Accommodations	67,300	**40,911**	42,064
Public education	51,000	**33,269**	123,046
HR/Systems support	46,900	**19,018**	28,500
First Nations legal and professional	0	**10,832**	12,736
	5,650,900	**5,155,315**	5,187,363
Annual surplus	31,800	**392,961**	397,327
Accumulated surplus, beginning of year	1,294,200	**1,361,941**	964,614
Accumulated surplus, end of year	$ 1,326,000	**$ 1,754,902**	$ 1,361,941

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

MANITOBA GAMING CONTROL COMMISSION
Statement of Change in Net Financial Assets

For the year ended March 31	Budget 2012	**Actual 2012**	Actual 2011
Annual surplus (deficit)	$ 31,800	**$ 392,961**	$ 397,327
Acquisition of tangible capital assets	(52,250)	**(47,823)**	(38,106)
Amortization of tangible capital assets	64,900	**64,802**	72,257
	12,650	**16,979**	34,151
Increase in prepaid expenses	0	**(1,817)**	(2,184)
Increase in net financial assets	44,450	**408,123**	429,294
Net financial assets, beginning of year	977,850	**1,012,183**	582,889
Net financial assets, end of year	$ 1,022,300	**$ 1,420,306**	$ 1,012,183

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	2012	2011
Operating transactions		
Annual surplus	$ **392,961**	$ 397,327
Changes in non-cash items		
Accounts receivable	**320**	(1,782)
Prepaid expenses	**(1,817)**	(2,184)
Accounts payable and accrued liabilities	**34,889**	14,185
Provision for employee severance benefits	**91,693**	72,069
Provision for employee sick leave benefits	**0**	0
Provision for employee pension benefits	**10,614**	(6,389)
Amortization	**64,802**	72,257
Cash provided by operating transactions	**593,462**	545,483
Capital transactions		
Cash used to acquire tangible capital assets	**(47,823)**	(38,106)
Investing transactions		
	0	0
Financing transactions		
	0	0
Increase (decrease) in cash and cash equivalents	**545,639**	507,377
Cash and cash equivalents, beginning of year	**2,107,628**	1,600,251
Cash and cash equivalents, end of year	$ **2,653,267**	$ 2,107,628

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

1. Nature of Operations

The Manitoba Gaming Control Commission (MGCC) was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. Conversion to Public Sector Accounting Standards

Commencing with the 2011/12 fiscal year, the MGCC has adopted Canadian Public Sector Accounting Standards (PSAS). These statements are the first financial statements for which the MGCC has applied Canadian public sector accounting standards. These accounting changes have been applied retroactively with restatement of prior periods. The impacts of this change are as follows.

Employee future benefits

	March 31, 2011	April 1, 2010
Provision for employee severance benefits per previous financial statements	$ 606,675	$565,743
Provision for employee pension benefits per previous financial statements	28,511	34,900
Add		
March 31, 2011 actuarial gain on severance liability (Note 7)	31,137	-
Provision for employee sick leave benefits (Note 7)	$69,968	$69,968
	$736,291	$670,611

Accumulated surplus

	March 31, 2011	April 1, 2010
Surplus per previous financial statements	$1,463,046	$1,034,582
Prior year actuarial gain on severance liability (Note 7)	31,137	-
Provision for employee sick leave benefits (Note 7)	69,968	$69,968
Accumulated surplus per PSA standards	$1,361,941	$964,614

PSAS allow first-time adopters certain exemptions from the retroactive application of certain standards. The MGCC has applied the following exemption in preparing these financial statements.

- The MGCC has elected to apply the transitional provision in PSAS for retirement and post employment benefits and to recognize all cumulative actuarial gains and losses at the date of transition to PSAS directly in accumulated surplus. Actuarial gains and losses after the date of transition to PSAS are accounted for in accordance with Sections PS 3250 and PS 3255 and deferred and amortized over the Employee Average Remaining Service Life (EARSL).

Additionally, certain prior year figures have been reclassified to conform with the new financial statement presentation adopted for 2012.

3. Summary of Significant Accounting Policies

a. Basis of Accounting

These financial statements are prepared by management in accordance with Canadian PSAS established by the Public Sector Accounting Board (PSAB).

b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

c. Employee Future Benefits

(i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2012. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

(ii) The employees of the MGCC belong to the Province of Manitoba's Superannuation Fund (the Fund), which is a multi-employer joint trustee plan. The Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Fund determines the required contribution rates.

The contribution of MGCC to the Fund is recorded as an expense for the year.

(iii) The cost of non-vested sick leave benefits are determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

d. Tangible Capital Assets

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

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (57 months)

e. Prepaid Expenses

Prepaid expenses include rent, insurance and supplies and are charged to expense over the periods expected to benefit from it.

f. Revenues

Revenues are recorded on an accrual basis except for licence and supplier registration fees, which are recognized on a cash receipt basis.

g. Expenses

Expenses are recorded on an accrual basis.

h. Measurement Uncertainty

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

4. Accounts Receivable

		2012		2011
Charitable licence holders	$	**6,321**	$	517
Manitoba Lotteries Corporation		**8,200**		14,200
First Nations casinos		**3,400**		4,550
Employee advances		**9,819**		10,810
Supplier investigations		**574**		574
Other trades		**3,577**		1,560
	$	**31,891**	$	32,211

5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of $146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2011 the Province of Manitoba placed the amount of $146,079 into an interest bearing trust account to be held on the MGCC's behalf until the cash is required to discharge the related liabilities.

6. Accounts Payable and Accrued Liabilities

		2012		2011
Accounts payable and accrued liabilities	$	**51,418**	$	39,991
Salaries and benefits payable		**73,738**		60,009
Accrued vacation pay		**410,576**		388,881
Other		**36,601**		48,563
	$	**572,333**	$	537,444

7. Employee Future Benefits

a. Severance Benefits

Effective April 1, 1998, the MGCC commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2012.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 19 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the MGCC.

An actuarial report was completed for the severance pay liability as of March 31, 2012. The MGCCs' actuarially determined net liability for accounting purposes as at March 31, 2012 was $683,396 (2011 - $606,675). An actuarial gain of $18,432 will be amortized over the expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2012 Valuation and in the determination of the March 31, 2012 present value of the accrued severance benefit obligation were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	4.00%
	6.00%

Annual salary escalation rates	
(i) general increases	
a) salary increase	2.00%
b) real rate	0.75%
	2.75%

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%

The severance benefit liability at March 31, 2012 includes the following components:

	2012	2011
Accrued benefit liability	$ **683,396**	$ 606,675
Unamortized actuarial gains (losses)	**46,109**	31,137
Severance benefit liability	$ **729,505**	$ 637,812

The total expenses related to severance benefits at March 31, 2012 include the following components:

	2012	2011
Interest of obligation	$ **39,434**	$ 39,602
Current period benefit cost	**17,573**	32,467
	57,007	72,069
Cost of change to allowable service payout	**38,146**	0
Amortization of actuarial gain over EARSL	**(3,460)**	0
Total expense related to severance benefit	$ **91,693**	$ 72,069

b. Retirement Benefits

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

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the MGCC are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The MGCC is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the MGCC has no further pension liability.

The MGCC's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $174,975. Contributions for the 2011 year were $183,065.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2012, a reserve of $39,125 has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were $10,614 (2011 - ($6,389)). Significant long-term actuarial assumptions used in the March 31, 2012 Valuation and in the determination of the March 31, 2012 present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	4.00%
	6.00%
Annual salary escalation rates	
(i) general increases	
a) salary increase	2.00%
b) productivity component	0.75%
	2.75%

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%

c. Non-Vested Sick Leave Benefits

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The Valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

3. Tangible Capital Assets

March 31, 2012

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	$65,169	$420,596	$996,692	$57,318	$1,539,775
Additions	3,627	4,516	39,680		47,823
Disposals			(15,618)		(15,618)
Closing balance	$68,796	$425,112	$1,020,754	$57,318	$1,571,980
Accumulated amortization					
Opening balance	$55,854	$261,723	$890,912	$15,244	$1,223,733
Amortization	2,165	16,057	39,263	7,317	64,802
Disposals			(15,618)		(15,618)
Closing balance	$58,019	$277,780	$914,557	$22,561	$1,272,917
				Net Book Value	**$299,063**

March 31, 2011

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	$64,367	$412,482	$1,006,065	$57,318	$1,540,232
Additions	802	8,114	29,190		38,106
Disposals			(38,563)		(38,563)
Closing balance	$65,169	$420,596	$996,692	$57,318	$1,539,775
Accumulated amortization					
Opening balance	$53,709	$244,401	$884,002	$7,927	$1,190,039
Amortization	2,145	17,322	45,473	7,317	72,257
Disposals			(38,563)		(38,563)
Closing balance	$55,854	$261,723	$890,912	$15,244	$1,223,733
				Net Book Value	$316,042

9. Commitments

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

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

2013	$ 291,497
2014	291,497
2015	296,581
2016	311,834

10. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Commissioners.

11. Working Capital Advance

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the MGCC. The aggregate of the outstanding advances is not to exceed $2,000,000 (2011 - $2,000,000). As at March 31, 2012, $2,000,000 (2011 - $2,000,000) of these advances were unused and available.

12. Subsequent Event

In the April 17, 2012 provincial budget, the Province of Manitoba announced the amalgamation of the Manitoba Liquor Control Commission's regulatory responsibilities with those of the MGCC. As a result, the MGCC will be taking over the responsibilities of the Manitoba Liquor Control Commission's regulatory responsibilities.

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and out of necessity, include some amounts based upon management's best estimate and judgments up to June 21, 2012.

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.

Chief Executive Officer

Business Manager

June 21, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

We have audited the accompanying financial statements of Manitoba Habitat Heritage Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Habitat Heritage Corporation as at March 31, 2012, 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
June 21, 2012
Winnipeg, Manitoba

STATEMENT OF FINANCIAL POSITION

as at March 31, 2012
(with comparative figures for 2011)

	North American Waterfowl Management Plan	Riparian Program	Wetland Restoration Incentive Program	Capital Assets	Land Management / Legal Fund	Inter Plan / Program Eliminations	2012	2011
ASSETS								
Current Assets								
Cash	$101,658	$2,576	$173,775	$118,117			$396,126	$134,237
Funds on deposit with Province of Manitoba (Note 3)	244,725	102,527			$189,236		536,488	504,232
Accounts receivable								
Government of Canada	493,546			72,243			565,789	653,457
Province of Manitoba	629	130					759	260,959
U.S. Governments	95,394			1,550			96,944	161,715
Other	64,652						64,652	21,446
Due from RP	45,018			700		$(45,718)		
Due from NAWMP and WRIP		98,143		12,995		(111,138)		
Prepaid expenses	40,541						40,541	35,033
	1,086,163	203,376	173,775	205,605	189,236	(156,856)	1,701,299	1,771,079
Capital Assets (Note 6)				10,951,808			10,951,808	10,042,274
Trust Assets (Note 11)							819,466	939,665
TOTAL ASSETS	$1,086,163	$203,376	$173,775	$11,157,413	$189,236	$(156,856)	$13,472,573	$12,753,018
LIABILITIES								
Current Liabilities								
Accounts payable and accrued liabilities	$207,372	$9,056					$216,428	$166,386
Due to North American Waterfowl Management Plan		45,718				$(45,718)		
Due to Riparian Program	111,138					(111,138)		
Deferred contributions related to operations (Note 4)	131,843	163,983	$155,122				450,948	655,552
Deferred contributions related to capital assets (Note 5)				$167,846			167,846	236,789
	450,353	218,757	155,122	167,846		(156,856)	835,222	1,058,727
FUND BALANCES								
Invested in Capital Assets				10,989,567			10,989,567	10,049,605
Unrestricted	635,810	(15,381)	18,653				639,082	596,282
Internally Restricted (Note 1 (d))					189,236		189,236	108,739
Trust Liabilities (Note 11)							819,466	939,665
TOTAL LIABILITIES & FUND BALANCES	$1,086,163	$203,376	$173,775	$11,157,413	$189,236	$(156,856)	$13,472,573	$12,753,018

On Behalf of the Board:

Director ______________________________

Director ______________________________

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the period ended March 31, 2012
(with comparative figures for 2011)

	North American Waterfowl Management Plan	Riparian Program	Wetland Restoration Incentive Program	Capital Assets	Land Management / Legal Fund	Inter Plan / Program Eliminations	2012	2011
REVENUE								
Government of Canada	$457,233	$3,864					$461,097	$520,153
Province of Manitoba	679,433	100,312	$245,794				1,025,539	892,617
U.S. Governments	55,772						55,772	58,526
Wildlife Habitat Canada	100,000						100,000	100,000
Royal Bank of Canada		75,000					75,000	
Conservation Districts	13,122	1,089					14,211	15,625
Donations	656						656	2,230
Interest Income	7,003	887					7,890	2,724
Other	73,261						73,261	42,126
Management Fees (Note 12)	60,480					$(33,710)	26,770	33,160
	1,446,960	181,152	245,794			(33,710)	1,840,196	1,667,161
EXPENSES								
Gain on disposal of capital assets				$(2,693)			(2,693)	(286)
Amortization of capital assets				21,598			21,598	32,082
Service delivery - Schedule 1 (NAWMP)	1,324,756						1,324,756	1,268,762
- Schedule 2 (RP)		169,301				(26,413)	142,888	159,825
- Schedule 3 (WRIP)			238,089			(7,297)	230,792	121,252
	1,324,756	169,301	238,089	18,905		(33,710)	1,717,341	1,581,635
Excess (deficiency) of revenue over expenses	122,204	11,851	7,705	(18,905)			122,855	85,526
FUND BALANCES								
Fund balances, beginning of year	609,270	(23,936)	10,948	10,049,605	$108,739		10,754,626	9,879,710
Investment in capital assets				873,704			873,704	716,890
Donated land and land use rights				66,700			66,700	72,500
Interfund transfers (Note 7)	(95,664)	(3,296)		18,463	80,497			
TOTAL LIABILITIES & FUND BALANCES	$635,810	$(15,381)	$18,653	$10,989,567	$189,236		$11,817,885	$10,754,626

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

STATEMENT OF CASH FLOWS

as at March 31, 2012
(with comparative figures for 2011)

	North American Waterfowl Management Plan	Riparian Program	Wetland Restoration Incentive Program	Capital Assets	Land Management / Legal Fund	Inter Plan / Program Eliminations	2012	2011
OPERATING ACTIVITIES								
Excess (deficiency) of revenue over expenses	$122,204	$11,851	$7,705	$(18,905)			$122,855	$85,526
Amortization of capital assets				21,598			21,598	32,082
Net change in non-cash working capital	344,594	57,474	(17,312)				384,756	(399,453)
Gain on disposal of capital assets				(2,693)			(2,693)	(286)
Decrease in deferred contributions related to operating activities	(130,000)	4,897	(79,502)				(204,605)	164,665
Net cash used in operating activities	336,798	74,222	(89,109)				321,911	(117,466)
FINANCING AND INVESTING ACTIVITIES								
Purchase of capital assets net of disposals				(20,196)			(20,196)	(40,815)
Net change in accounts receivable for acquisition of land rights				86,042			86,042	(27,013)
Received restricted grants for purchase of land rights				876,401			876,401	716,890
Acquisition of land rights with restricted grants				(844,240)			(844,240)	(716,890)
Net change in accounts payable for acquisition of land rights				(56,830)			(56,830)	4,480
Decrease in deferred contributions related to capital assets				(68,943)			(68,943)	(72,338)
Received donation of land and land rights				66,700			66,700	72,500
Acquisition of donated land and land rights				(66,700)			(66,700)	(72,500)
Net cash used in financing and investing activities				(27,766)			(27,766)	(135,686)
Net increase (decrease) in cash	336,798	74,222	(89,109)	(27,766)			294,145	(253,152)
Cash and cash equivalents, beginning of year	105,249	34,177	262,884	127,420	$108,739		638,469	891,621
Interfund transfers	(95,664)	(3,296)		18,463	80,497			
Cash and cash equivalents, end of year	$346,383	$105,103	$173,775	$118,117	$189,236		$932,614	$638,469
Cash and cash equivalents consist of :								
Cash	$101,658	$2,576	$173,775	$118,117			$396,126	$134,237
Funds on deposit with Province of Manitoba	244,725	102,527			$189,236		536,488	504,232
	$346,383	$105,103	$173,775	$118,117	$189,236		$932,614	$638,469

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Nature of Organization

The Manitoba Habitat Heritage Corporation (hereinafter called "the Corporation") was established in 1986 as a Crown Corporation under The Manitoba Habitat Heritage Act. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to The Income Tax Act, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January, 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006/07 it was changed to the Riparian Program to reflect the broadening of the program activities.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) Wetland Restoration Incentive Program (WRIP)

In 2008/09 Manitoba Water Stewardship created the Wetland Restoration Incentive Program as a means to sequester carbon to help the Province meet its carbon reduction commitments under Kyoto Agreement. Core funding is provided by Manitoba's Budgeting for Outcomes. This program is a partnership with the Corporation and Ducks Unlimited Canada as delivery agents for the Province. The Corporation administers all funds on behalf of the Province. Funding for this program ends fiscal year 2011/12.

d) Land Management/Legal Fund

In 2011 the Corporation established an internally-restricted fund, using non-government revenues, to fund future cash outlays for legal fees required to defend its land and land use rights interests. Funds may also be used for future management costs associated with these land and interests. Funds of this nature are a common practice within environmental non-government organizations, such as the Nature Conservancy of Canada and Ducks Unlimited Canada, which have considerable habitat assets protected in perpetuity.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	-	20%
Computer software	-	33%
Equipment	-	10%
Furniture and fixtures	-	10%
Leasehold improvements	-	10%

c) Contributed Services

Services had been contributed by the Province of Manitoba's Department of Water Stewardship, Ecological Services Division to the Corporation up until July 4, 2008 with the retirement of long time CEO, Lorne Colpitts. Contributed services were recognized at their fair value.

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 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.

2. Significant Accounting Policies (continued)

e) Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings. This financial asset is recorded at a carrying value that approximates its fair value.

Funds on Deposit with Province of Manitoba are classified as held to maturity. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Management of Risk:

The Corporation's financial instruments consist of cash, Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity and the fact the majority of these instruments are associated with government entities.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

2. Significant Accounting Policies (continued)

f) Capital Disclosures

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations and to draw on the maximum funds available for environmental projects which fall under its mandate. Capital consists of the unrestricted net assets in the amount of $639,082 (2011 - $596,282), $189,236 (2011 - $108,739) internally restricted funds for land management/legal costs, and externally restricted funds recorded as Deferred Contributions (see notes 4 and 5). All externally restricted capital must be disbursed on predetermined expenses outlined by the funder or returned to the funder within a specified time period. There were no changes in the Corporation's approach to capital management during the period.

g) Future Accounting Changes

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the "4400 series" of standards, which discusses the accounting for the unique circumstances of not-for-profit organizations (NFPO), from the CICA Handbook-Accounting into the CICA Public Sector Accounting Handbook ("PSA Handbook"). This set of standards will be appropriately modified to fit with public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, all GNFPOs will have the option to apply either the PSA Handbook with or without the NFPO standards. The Corporation expects to adopt the PSA Handbook with the NFPO standards on April 1, 2012. The Corporation has not yet completely determined the impact of the adoption of the new standards on its consolidated financial statements.

3. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature no later than May 28, 2012, yielding 0.87%.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

4. Deferred Contributions Related to Operations

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

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

	NAWMP	RP	WRIP	2012	2011
Balance, beginning of year	$261,843	$159,085	$234,624	$655,552	$490,887
Less: revenue recognized in the year	(135,713)	(69,307)	(279,502)	(484,522)	(425,791)
Add: Amount transferred from Capital Fund	713	71,420		72,133	53,613
Add: revenue received related to the following year	5,000	2,785	200,000	207,785	536,843
Balance, end of year	$131,843	$163,983	$155,122	$450,948	$655,552

NAWMP

Manitoba Infrastructure and Transportation contributed $76,843 as mitigation for Highway 110 construction, $50,000 came from Manitoba Water Stewardship for Carp removal at Delta Marsh and Upper Assiniboine Conservation District contributed $5,000 for a wetland restoration project. The single difference from 2011 was the absence of our $135,000 from the Province of Manitoba for the staffing of the Chief Executive Officer.

RP

In 2012, the Manitoba Rural Adaptation Council, had a balance of $36,395 for riparian conservation and enhancement activities. The Pembina Valley Conservation District contributed $2,500 for the appraisal of a conservation agreement donation and the remainder of $125,088 is restricted for the delivery of riparian easements. In 2011, the balance of $159,085, originated with $36,395 from the Manitoba Rural Adaptation Council for riparian conservation and enhancement activities, $4,758 was restricted to the Watershed Management Planning Program, East Interlake Conservation District had $4,300 for Wetland restoration dam construction and the remainder of $113,632 was restricted for the delivery of riparian easements from Manitoba Water Stewardship.

WRIP

The balance of $155,122 in 2012, originated from the Province of Manitoba, and is restricted for carbon sequestration through wetland restoration activities. In comparison, the 2011 amount was $234,624.

5. 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	2012	2011
Balance, beginning of year	$84,369	$152,420	$236,789	$309,127
Add: Contributions received	37,485	85,135	122,620	67,000
Less: Amounts transferred to Operations Fund	(713)	(71,420)	(72,133)	(53,613)
Less: Amounts transferred to Capital Fund	(84,845)	(34,585)	(119,430)	(85,725)
Balance, end of year	$36,296	$131,550	$167,846	$236,789

The balance of $167,846 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The contributions received in 2012 totaled $122,620 consisting of, $22,910 from the Turtle Mountain Conservation District, $49,715 from East Interlake Conservation District, $35,420 from Whitemud Conservation District, $9,625 from the Pembina Valley Conservation District, and $4,950 from Wildlife Habitat Canada. In comparison the contributions received in 2011 included, $20,000 from the Turtle Mountain Conservation District, and $47,000 from the La Salle Redboine Conservation District.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

6. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Land and Land Use Rights	$10,849,599		$10,849,599	$9,938,659
Computer Hardware	268,128	$234,526	33,602	21,927
Computer Software	81,974	76,812	5,162	4,941
Equipment	142,389	86,032	56,357	65,893
Furniture and Fixtures	67,947	65,213	2,734	5,412
Leasehold Improvements	5,442	1,088	4,354	5,442
Total Capital Assets	$11,415,479	$463,671	$10,951,808	$10,042,274

Purchases of capital assets in the period are as follows:

	2012	2011
Land and Land Use Rights	$910,940	$789,390
Computer Hardware	22,621	8,219
Computer Software	4,542	555
Equipment	623	21,392
Furniture and Fixtures		5,493
Leasehold Improvements		5,442
	$938,726	$830,491

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

	2012	2011
Environment Canada	$389,045	$335,055
U.S. Fish & Wildlife / Delta Waterfowl Foundation	355,160	217,275
Ducks Unlimited Canada		(11,760)
Manitoba Conservation and Water Stewardship	3,000	112,045
Manitoba Conservation Districts	97,035	64,275
Donations	66,700	72,500
	$910,940	$789,390

7. Interfund Transfers

In 2012, $15,167 was transferred from the NAWMP operating funds to the Capital Asset fund in order to fund the cash outlays for capital asset acquisitions. $3,296 was transferred from the RP operating funds for capital purchases. In 2011, a total of $41,101 was transferred from NAWMP only for the same purpose.

Also in 2012, $80,497 was transferred from the NAWMP operating funds to the internally restricted Land Management/Legal Fund in order to fund the cash outlays for contingent legal fees associated with its land and land use rights. $48,594 was transferred in 2011.

8. Operational Commitments

The Corporation leases space under existing leases for five NAWMP offices. The minimum annual lease payments for the next three years are as follows:

2013	$60,667
2014	$1,200
2015	Nil

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

2013	$12,394
2014	$8,645
2015	$4,896

9. Capital Commitments

At March 31, 2012, the NAWMP and RP had signed several commitments to purchase Conservation Agreements (CAs). These CAs are to be paid out upon filing of the caveats associated with each CA in the fiscal year 2011/12. These commitments to March 31, 2012 totaled approximately $192,040 (2011 - $124,100).

10. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees, the plan is accounted for as a defined contribution plan in accordance with the requirements of Section 3461. The amounts paid by the Corporation in 2012 were $32,276 (2011 - $27,403). All funds contributed to the RPP are paid to and administered by Manulife Financial.

11. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2012	2011
Cash and Funds on Deposit with Province of Manitoba	$226,186	$346,385
Land	593,280	593,280
	$819,466	$939,665

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

a) The Critical Wildlife Habitat Program (CWHP)

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

	2012	2011
Cash and Funds on Deposit with Province of Manitoba	$226,186	$213,209
Land Portfolio	593,280	593,280
	$819,466	$806,489

11. Trust Assets and Liabilities (continued)

b) 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. The PHJV agreed that the partner agencies would contribute to the costs of a Policy Committee with the Corporation holding the funds in trust.
In June, 2011, the partners agreed to transfer the funds, in trust, to Ducks Unlimited Canada at the Corporation's request.

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

	2012	2011
Cash and Funds on Deposit with Province of Manitoba	NIL	$131,882

c) Oak Hammock Marsh Wildlife Management Area (OHM-WMA)

On October 2, 2003, the Province of Manitoba, the Corporation 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 the Corporation holding the funds in trust. All monies were expended in fiscal year 2011/12 with no new agreement to be signed.

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

	2012	2011
Cash and Funds on Deposit with Province of Manitoba	NIL	$1,294

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

12. Management Fees

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

	2012	2011
RP	$26,413	$55,582
WRIP	7,297	39,685
Miscellaneous	7	Nil
CWHP	26,763	33,160
	$60,480	$128,427

13. Economic Dependence

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

14. Related Party Transactions

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

15. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.

16. Contingencies

The Corporation is subject to possible legal claims arising in the normal course of operations, none of which are expected to materially affect the financial condition of the Corporation.

17. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totaled $6,300. Nine employees were paid the following amounts in the fiscal year:

	2012
T. Sopuck, Chief Executive Officer	$107,735
G. Ouellette, Business Manager	76,585
S. Carlyle, Program Development Manager	79,286
C. Hullick, Habitat Field Manager	74,102
A. Bourrier, Habitat Conservation Specialist	61,298
R. Bullion, Habitat Conservation Specialist	62,780
W. Pankratz, Habitat Conservation Specialist	59,433
M. Kowalchuk, Riparian Coordinator	51,812
S. Beaton, Habitat Conservation Specialist	56,843

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2012
(with comparative figures for 2011)

SCHEDULE 1

	2012	2011
EXPENSES		
Habitat Activities		
Salaries and Benefits	$388,642	$320,680
Field Office Operations	61,273	78,618
Staff Support Costs	67,049	71,280
Habitat Development	8,886	10,171
Nest Basket Program	48,485	54,760
Land Securement	714	714
Property Taxes	10,644	14,700
	585,693	550,923
Evaluation	83,269	80,727
Communications		
Salaries and Benefits	4,800	13,933
Program Delivery	26,680	30,335
	31,480	44,268
Program Coordination		
Salaries and Benefits	418,009	383,698
Rent	41,842	44,044
Office Expenses	53,610	50,336
Staff Support	16,259	26,157
Board Remunerations	11,860	12,669
Professional Fees	51,974	44,637
Other	30,760	31,303
	624,314	592,844
TOTAL EXPENSES	$1,324,756	$1,268,762

RIPARIAN PROGRAM

Schedule of Expenses for the year ended March 31, 2012
(with comparative figures for 2011)

SCHEDULE 2

	2012	2011
EXPENSES		
Habitat Activities		
Salaries and Benefits	$60,585	$62,789
Field Office Operations	4,585	4,544
Staff Support Costs	8,590	10,523
Workshops	194	
	73,954	77,856
Evaluation	3,512	15,385
Communications		
Program Delivery		1,394
Communications Management Fees		1,218
		2,612
Program Coordination		
Salaries and Benefits	53,997	56,571
Rent	7,094	7,082
Office Expense	3,077	2,662
Staff Support	3,772	6,828
Board Remunerations		1,408
Professional Fees	6,298	626
Other		5,350
Program Coordination Management Fees	17,597	39,027
	91,835	119,554
TOTAL EXPENSES	$169,301	$215,407

WETLAND RESTORATION INCENTIVE PROGRAM

Schedule of Expenses for the year ended March 31, 2012
(with comparative figures for 2011)

SCHEDULE 3

	2012	2011
EXPENSES		
Habitat Activities		
Salaries and Benefits	$5,885	$26,331
Staff Support Costs	490	232
Project Delivery		
- MHHC	14,658	67,820
- DUC	145,196	2,947
E.G.&S. Payments		
- MHHC	19,600	27,400
- DUC	50,260	1,020
	236,089	125,750
Evaluation	2,000	42,977
TOTAL EXPENSES	$238,089	$168,727

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

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

Independent Auditor's Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the accompanying financial statements of MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION, which comprise the balance sheet as at March 31, 2012, the statements of operations and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 4, 2012

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31	2012	2011
Assets		
Current Assets		
Cash and bank	$ **443,063**	$ 382,654
Long-term investment - Miller Environmental Corporation (Note 4)	**1,509,486**	1,509,486
Capital assets - land, at cost	**170,305**	170,305
	$ **2,122,854**	$ 2,062,445
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ **10,655**	$ 11,117
Contingencies (Note 6)		
Equity		
Share capital (Note 3)	**7,500,000**	7,500,000
Deficit	**(5,387,801)**	(5,448,672)
	2,112,199	2,051,328
	$ **2,122,854**	$ 2,062,445

On behalf of the Board:

_______________________ Director

_______________________ Director

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2012	2011
Revenue		
Rent - Miller Environmental Corporation (Note 5)	$ **90,000**	$ 90,000
Pattern Energy Wind Rent	**1,035**	31,200
	91,035	121,200
Expenses		
General and administrative expenses	**30,164**	31,862
Net income and comprehensive income for the year	**60,871**	89,338
Deficit, beginning of year	**(5,448,672)**	(5,538,010)
Deficit, end of year	$ **(5,387,801)**	$ (5,448,672)

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

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Net income and comprehensive income for the year	$	60,871	$	89,338
Changes in non-cash working capital balances				
Rent receivable		-		554,486
Accounts payable and accrued liabilities		(462)		1,094
		60,409		644,918
Cash Flows from Investing Activities				
Long-term investment		-		(509,486)
Increase in cash and cash equivalents for the year		60,409		135,432
Cash and cash equivalents, beginning of year		382,654		247,222
Cash and cash equivalents, end of year	$	443,063	$	382,654

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

Basis of Accounting	These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.
Revenue Recognition	Rental revenue is recognized over the term which it applies and when collectibility is reasonably assured.
Capital Disclosures	The corporation's capital consists of share capital and retained earnings. The corporation manages its capital to ensure it retains sufficient cash resources to enable it to carry out its objectives. There were no changes in the corporation's approach to capital management during the period. The corporation is not subject to externally imposed capital requirements.
New Accounting Pronouncement	Effective April 1, 2012, the corporation will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board plus the Section 4200 series of non-profit specific standards. The corporation is currently in the process of quantifying the impact these changes will have on its financial position.

1. Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

2. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and bank	Held for trading	Fair value
Long-term investment	Available for sale	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they will be recorded in the statement of operations and retained earnings.

2. Financial Instruments and Financial Risk Management (continued)

Fair Value of Financial Instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. The fair value of the Agency's long-term investment cannot be reliably measured because it is not traded in an active market. The Agency has no intentions to dispose of this investment.

Financial Risk Management - Overview

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

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the corporation to credit risk consist principally of cash and bank and long-term investments.

The maximum exposure of the corporation to credit risk at March 31, 2012 is:

Cash and bank	$ 443,063
Long-term investments	1,509,486
	$ 1,952,549

Cash and bank: The corporation is not exposed to significant credit risk as the cash and bank deposits are primarily held by a Canadian chartered bank.

Long-term investment: The corporation is not exposed to significant credit risk as the long-term investment is in another reliable organization that had positive cash flows and net earnings for the past year. The long-term investment represents an investment in Miller and was written down to $1,000,000 in 2003 due to it being impaired. Since 2003, the shareholders' equity of Miller has increased, which has resulted in the investment not being a significant credit risk to the corporation. During the year, an additional $509,486 was invested in Miller in settlement of rent arrears owing to the corporation.

2. Financial Instruments and Financial Risk Management (continued)

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.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the corporation's income or the fair values of its financial instruments. The significant market risks the corporation is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

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

The interest rate risk on cash and bank is considered to be low because of the short-term nature of these financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

3. Share Capital

The authorized capital of the corporation is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2012	2011
75,000 common shares	**$ 7,500,000**	$ 7,500,000

4. Long-Term Investment - Miller Environmental Corporation

The investment in Miller is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value at that time. In addition, on August 12, 2010 the outstanding rent receivable of $509,486 (net of a $45,000 payment received) from Miller was converted into an additional 1,242,648 Class A Special Preferred Shares in Miller Environmental Corporation for a total of 4,242,648 Shares.

5. Rent - Miller Environmental Corporation

On March 1, 2008, a rental agreement was entered into with Miller requiring fixed annual rent payments of $90,000 per calendar year.

6. Contingencies

Under the terms of the agreements with Miller, the corporation would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

7. Economic Dependence

The corporation is economically dependent on Miller. The corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

8. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $6,961. No employee's compensation exceeded $50,000 per year.

9. Use of Estimates

The preparation of financial statements in accordance with 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.

BDO

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

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

Independent Auditor's Report

To the Members of the Council of the Manitoba Health Research Council

We have audited the accompanying financial statements of the **MANITOBA HEALTH RESEARCH COUNCIL**, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and fund balances and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA HEALTH RESEARCH COUNCIL** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 11, 2012

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash and bank	$	**253,321**	$	74,020
Short-term investments (Note 2)		**6,438,086**		6,870,416
Accounts receivable		**9,930**		9,665
Accrued interest receivable		**46,829**		32,745
Prepaid expenses		**11,629**		2,158
Deposits		**500**		500
		6,760,295		6,989,504
Capital assets (Note 3)		**37,501**		14,955
	$	**6,797,796**	$	7,004,459
Liabilities and Fund Balances				
Current Liabilities				
Accounts payable and accrued liabilities	$	**21,103**	$	46,968
Deferred revenue (Note 4)		**5,000,000**		5,000,000
Research grants payable		**289,227**		52,263
		5,310,330		5,099,231
Commitments (Note 5)				
Fund Balances				
General Research Fund (Page 4)		**1,487,466**		1,905,228
	$	**6,797,796**	$	7,004,459

Approved on behalf of the Board:

______________________ Director

______________________ Director

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

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the year ended March 31			2012	2011
	General Research Fund	Regional Partnership Fund	Total	Total
Revenue				
Province of Manitoba grants	$ 5,002,600	$ 1,000,000	$ 6,002,600	$ 6,002,600
Regional Health Authorities of Manitoba	50,000	-	50,000	-
Grants returned/rescinded	96,305	-	96,305	130,772
Investment income	164,241	-	164,241	65,215
MS Health Research	-	-	-	5,000,000
	5,313,146	1,000,000	6,313,146	11,198,587
Less addition to deferred revenue, during the year	-	-	-	5,000,000
	5,313,146	1,000,000	6,313,146	6,198,587
Expenditures				
Administration (Page 11)	804,193	-	804,193	615,954
Personnel awards	1,512,349	20,188	1,532,537	1,758,801
Research grants	3,428,687	965,491	4,394,178	3,847,381
	5,745,229	985,679	6,730,908	6,222,136
Excess (deficiency) of revenue over expenditures for the year	(432,083)	14,321	(417,762)	(23,549)
Fund balances, beginning of year	1,905,228	-	1,905,228	1,928,777
Transfer Regional Partnership Fund to General Research Fund	14,321	(14,321)	-	-
Fund balances, end of year (Page 3)	$ 1,487,466	$ -	$ 1,487,466	$ 1,905,228

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

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Deficiency of revenue over expenditures for the year	$	**(417,762)**	$	(23,549)
Adjustments for				
Amortization of capital assets		**10,432**		3,739
		(407,330)		(19,810)
Changes in non-cash working capital balances				
Short-term investments		**432,330**		(4,882,526)
Accounts receivable		**(265)**		(352)
Accrued interest receivable		**(14,084)**		(22,667)
Prepaid expenses		**(9,471)**		(1)
Accounts payable and accrued liabilities		**(25,865)**		(58,213)
Deferred revenue		**-**		5,000,000
Research grants payable		**236,964**		(253,034)
		212,279		(236,603)
Cash Flows from Investing Activities				
Purchase of capital assets		**(32,978)**		-
Increase (decrease) in cash and cash equivalents during the year		**179,301**		(236,603)
Cash, beginning of year		**74,020**		310,623
Cash, end of year	$	**253,321**	$	74,020
Supplementary Information				
Interest received	$	**150,157**	$	42,548

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

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

Financial Instruments

The organization utilizes various financial instruments. 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 and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The organization classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and bank	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued interest receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Research grants payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Capital Assets

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

Office equipment	20% diminishing balance basis
Computer equipment	20% diminishing balance basis
Computer equipment for review committees	33.3% diminishing balance basis

Fund Accounting

The Manitoba Health Research Council ("MHRC") follows the restricted fund method of accounting for contributions.

The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by the Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Revenue Recognition

Grant revenue is reflected in income in the period in which the grant is received or becomes receivable. Interest income is recognized as revenue when earned and is allocated to the General Fund.

Grants and Awards

All grants and awards and their renewals are charged to expenditures when funding is approved by Council.

Administrative Expenditures

Administration expenses are allocated 100% to the General Research Fund.

New Accounting Pronouncements

The MHRC has made a decision to follow Government NPO 4200 series, when it takes affect for year ends beginning on or after January 1, 2012.

For the year ended March 31, 2012

1. Entity Definition

The MHRC 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 MHRC is a registered charity and is exempt from tax under the Income Tax Act.

2. Short-term Investments

	2012	2011
Steinbach Credit Union, charity regular savings account, 2.200%, no maturity date.	**$ 6,339,363**	$ 6,771,693
National Bank Financial, Manitoba Savings Bond, 4.65%, matures on June 15, 2012.	**98,723**	98,723
	$ 6,438,086	$ 6,870,416

3. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 21,059**	**$ 17,007**	$ 21,059	$ 10,285
Computer equipment	**45,839**	**12,390**	12,861	8,680
	$ 66,898	**$ 29,397**	$ 33,920	$ 18,965
Cost less accumulated amortization		**$ 37,501**		$ 14,955

4. Deferred Revenue

Deferred revenue of $5,000,000, received from the Province of Manitoba, Department of Health at the end of March 2011, is intended to fund clinical research into whether the chronic cerebrospinal venous insufficiency treatment is a safe, effective treatment for Multiple Sclerosis patients. A process to select a suitable research team to undertake the clinical trials is ongoing. Beginning in April 2012, the MHRC will be jointly funding a project with the MS Society of Canada over 3 years in the amount of $140,000 as the first expenditure of these funds.

5. Commitments

The MHRC has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year		General Research Fund		Regional Partnership Fund		Total
2013	$	3,027,124	$	787,045	$	3,814,169
2014		1,062,680		206,712		1,269,392
2015		473,000		19,347		492,347
2016		200,000		-		200,000
	$	4,762,804	$	1,013,104	$	5,775,908

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	$	1,487,466
Future Province of Manitoba grants		4,288,442
	$	5,775,908

6. Related Party Transactions

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

		2012		2011
Grant revenue	**$**	**6,052,600**	$	6,002,600
MS Health Research Revenue		**-**		5,000,000

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.

7. Economic Dependence

The MHRC relies almost entirely on grants from the Province of Manitoba.

8. Capital Disclosures

The MHRC considers its capital consists of its end of year fund balances. There have been no changes to what the MHRC considers to be its capital since the previous period.

The MHRC manages its capital to ensure it retains sufficient cash resources to enable it to carry out its mission of providing grants to assist with medical research in Manitoba.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the year ended March 31		2012		2011
Accounting and audit	$	4,787	$	4,670
Amortization		10,432		3,739
Bank charges and interest		1,253		328
Communications		37,583		91,698
Conferences, meetings and travel		18,921		17,359
Consulting and professional fees		17,000		7,910
Council and committee expenses		4,502		5,098
Delivery		1,411		1,293
Insurance		4,529		4,523
Marketing		65,196		35,310
Office space		51,427		-
Parking		3,462		968
Printing, stationery and office supplies		16,206		10,143
Repairs and maintenance		5,807		12,061
Reviewer's expenses		31,166		23,888
Salaries and benefits		515,724		393,904
Workshops and training		14,787		3,062
	$	804,193	$	615,954

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the accompanying financial statements of the Manitoba Health Services Insurance Plan, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and accumulated surplus and net debt and cash flow for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Health Services Insurance Plan as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flow for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that the Manitoba Health Services Insurance Plan adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
August 23, 2012
Winnipeg, Manitoba

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

MANAGEMENT REPORT

Management of Manitoba Health is responsible to the Minister of Health for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2012 have been prepared in accordance with Public Sector Accounting Standards.

Manitoba Health maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, an internal audit program and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities.

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

Management 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
Milton Sussman
Deputy Minister of Health

original signed by
Karen Herd, CA
Associate Deputy Minister and
Chief Financial Officer

Winnipeg, Manitoba
August 23, 2012

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Financial Position
As At March 31, 2012
(in thousands of dollars)

	2012	2011	As At April 1, 2010
Financial Assets			
Cash	**$ 55,710**	$ 29,479	$ 14,660
Funds on deposit with the Province of Manitoba	**337,800**	408,336	262,501
Due from:			
Province of Manitoba	**-**	-	63,904
Province of Manitoba - vacation pay (Note 4)	**121,663**	121,663	121,663
Province of Manitoba - post employment benefits (Note 4)	**128,177**	128,177	128,177
Other Provinces and Territories	**31,785**	24,721	29,351
Other	**16,981**	56,397	45,540
	692,116	768,773	665,796
Liabilities			
Accounts Payable and Accrued Liabilities (Note 5)	**384,037**	496,978	414,739
Due to:			
Province of Manitoba	**58,239**	21,955	1,217
Province of Manitoba - vacation pay (Note 4)	**121,663**	121,663	121,663
Province of Manitoba - post employment benefits (Note 4)	**128,177**	128,177	128,177
	692,116	768,773	665,796
Accumulated Surplus and Net Debt	**$ -**	$ -	$ -

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

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Operations and Accumulated Surplus and Net Debt
For the Year Ended March 31, 2012
(in thousands of dollars)

	Budget 2012	Actual 2012	Actual 2011
Revenue			
Province of Manitoba - Grants (Note 7)	**$ 4,762,807**	**$ 4,550,889**	$4,402,906
Inter-provincial reciprocal recoveries - Hospital	**63,272**	**55,915**	56,953
Inter-provincial reciprocal recoveries - Medical	**14,103**	**15,439**	15,070
Third party recoveries	**25,343**	**23,707**	22,669
Miscellaneous	**2,000**	**2,018**	2,130
	4,867,525	**4,647,968**	4,499,728
Expenses			
Health Authorities and Facilities (Note 6)	**3,453,863**	**3,278,694**	3,143,858
Medical (Notes 6,9)	**1,031,223**	**996,924**	986,515
Provincial programs	**136,639**	**123,127**	128,971
Pharmacare	**245,800**	**249,223**	240,384
	4,867,525	**4,647,968**	4,499,728
Annual Surplus and Net Debt	**-**	**-**	-
Accumulated Surplus and Net Debt, Beginning of Year	**-**	**-**	-
Accumulated Surplus and Net Debt, End of Year	**$ -**	**$ -**	$ -

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

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Cash Flow
For the Year Ended March 31, 2012
(in thousands of dollars)

	2012	2011
Operating Activities		
Annual Surplus (Deficit)	**$ -**	$ -
Changes in Working Capital:		
Due from:		
Province of Manitoba	**-**	63,904
Other Provinces and Territories	**(7,064)**	4,630
Other	**39,416**	(10,857)
Accounts Payable and Accrued Liabilities (Note 5)	**(112,941)**	82,239
Due to:		
Province of Manitoba	**36,284**	20,738
	(44,305)	160,654
Financing Activities		
Funds advanced from the Province of Manitoba	**-**	-
Increase in Cash and Funds on Deposit	**(44,305)**	160,654
Cash and Funds on Deposit with the Province, Beginning of year	**437,815**	277,161
Cash and Funds on Deposit with the Province, End of year	**$ 393,510**	$ 437,815
Consists of:		
Cash	**55,710**	29,479
Funds on Deposit with Province of Manitoba	**337,800**	408,336
	393,510	437,815

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

Manitoba Health Services Insurance Plan
Notes to the Financial Statements
For the Year ending March 31, 2012
(amounts in thousands of dollars)

1. Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of *The Health Services Insurance Act*. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Public Sector Accounting Standards.

b. Revenue Recognition

Grants from the Province of Manitoba are recognized as funds are drawn from Provincial Appropriations.

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Revenue related to reciprocal recoveries is recognized in the period that the services are provided.

Manitoba Health recovers amounts for hospital and medical services provided to individuals that are covered under other insurance plans, primarily Manitoba Public Insurance. Revenue related to third party recoveries is recognized in the period that the services are provided.

All revenues are recognized on a gross basis.

c. Expenses

Expenses are recognized at a gross amount on an accrual basis.

d. Liabilities

Liabilities are recognized in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

e. Net Debt

Net Debt is equivalent to accumulated surplus as there are no non-financial assets. Financial assets are valued at cost.

f. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

g. Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

3. First Time Adoption of Public Sector Accounting Standards

The Plan adopted Public Sector Accounting Standards on April 1, 2011, with a transition date of April 1, 2010. These new standards were adopted retroactively. There were no changes to the accumulated surplus/deficit at the date transition to Public Sector Accounting Standards resulting from the adoption of these standards.

4. Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post employment liabilities.

5. Accounts Payable and Accrued Liabilities

	2012	2011
Health Authorities and Facilities	**$241,631**	$333,252
Medical Service Claims	**114,982**	132,900
Pharmacare Claims	**13,103**	12,087
General	**14,321**	18,739
	$384,037	$496,978

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.

Regional Health Authority	**2012**			**2011**
	Facilities	**Medical**	**Total**	**Total**
Winnipeg	**$2,156,730**	**$201,595**	**$2,358,325**	$2,195,465
Brandon	**180,982**	**12,233**	**193,215**	178,479
North Eastman	**49,661**	**2,874**	**52,535**	48,862
South Eastman	**84,212**	**6,834**	**91,046**	83,997
Interlake	**117,638**	**8,749**	**126,387**	111,777
Central	**179,713**	**17,903**	**197,616**	190,853
Assiniboine	**146,321**	**15,687**	**162,008**	153,452
Parkland	**124,890**	**5,796**	**130,686**	120,405
NOR-MAN	**95,570**	**13,019**	**108,589**	86,018
Burntwood	**79,072**	**16,879**	**95,951**	84,999
Churchill	**12,055**	**-**	**12,055**	11,384
CancerCare	**96,289**	**14,569**	**110,858**	100,974
Total Payments	**$3,323,133**	**$316,138**	**$3,639,271**	$3,366,665

The expense category, Health Authorities and Facilities, in the Statement of Operations and Accumulated Surplus and Net Debt is comprised of the following:

	2012	2011
Health Authorities payments	**$3,323,133**	$3,092,535
Accruals and payments to facilities and third parties	**(44,439)**	51,323
Total Expenses	**$3,278,694**	$3,143,858

The expense category, Medical, in the Statement of Operations and Accumulated Surplus and Net Debt is comprised of the following:

	2012	2011
Fee for Services Medical payments and accruals	**$658,648**	$692,040
Health Authorities payments	**316,138**	274,130
Optometric	**11,520**	9,849
Chiropractic	**10,618**	10,496
Total Expenses	**$996,924**	$986,515

7. Economic Dependence

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

8. Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

9. *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.

10. Comparative Figures

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

11. Subsequent Events

As part of the 2012 Provincial Budget, there was an announcement on the Amalgamation of the Regional Health Authorities (RHAs) from eleven to five RHAs. An estimate of the financial impact and finalization of the structure of this amalgamation are unknown at this time.

Independent Auditors' Report

To the Office of the Auditor General:

We have audited the accompanying financial statements of Manitoba Horse Racing Commission, which comprise the statement of financial position as at March 31, 2012, and the statements of operating revenues and expenses and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Horse Racing Commission as at March 31, 2012 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

June 29, 2012

MNP LLP
Chartered Accountants

Manitoba Horse Racing Commission

Statement of Financial Position

As at March 31, 2012

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total As at March 31: 2012	Total As at March 31: 2011
ASSETS								
Current								
Cash	122,156	-	-	2,322	27,787	172,869	**325,134**	295,688
Accounts receivable	-	-	-	-	-	-	**-**	6,000
Receivable from Province of Manitoba - Pension	-	-	-	-	-	-	**-**	10,589
	122,156	-	-	2,322	27,787	172,869	**325,134**	312,277
Long term investment (Note 3)	261,967	-	-	-	-	-	**261,967**	259,811
Capital assets (Note 4)	-	18,045	-	-	-	-	**18,045**	10,145
	384,123	**18,045**	**-**	**2,322**	**27,787**	**172,869**	**605,146**	582,233
LIABILITIES AND FUND BALANCES								
Current								
Accounts payable and accrued liabilities	39,555	-	-	2,322	27,787	172,869	**242,533**	256,087
	39,555	-	-	2,322	27,787	172,869	**242,533**	256,087
Provision for employee pension benefits (Note 6)	261,609	-	-	-	-	-	**261,609**	270,400
	301,164	-	-	2,322	27,787	172,869	**504,142**	526,487
Fund Balances								
Unrestricted	82,959	-	-	-	-	-	**82,959**	45,601
Invested in Capital Assets	-	18,045	-	-	-	-	**18,045**	10,145
	82,959	18,045	-	-	-	-	**101,004**	55,746
	384,123	**18,045**	**-**	**2,322**	**27,787**	**172,869**	**605,146**	582,233

APPROVED BY THE COMMISSION

______________________________ Chairman

______________________________ Comptroller

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission

Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31, 2012

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total Year ended March 31: 2012	Total Year ended March 31: 2011
Revenue								
Fees, licenses and fines (Note 7)	141,088	-	-	-	-	-	141,088	147,807
Grant revenue	38,000	-	-	487,000	-	-	525,000	525,000
Interest	959	-	-	-	-	-	959	-
Pari-mutuel levy	-	-	2,579,203	-	-	-	2,579,203	2,499,848
Other income	38,048	-	-	-	-	-	38,048	-
	218,095	-	2,579,203	487,000	-	-	3,284,298	3,172,655
Expenses								
General Fund operating expenses (Schedule 1)	433,902	-	-	-	-	-	433,902	376,430
Overnight purse support thoroughbred	-	-	-	-	1,822,911	-	1,822,911	1,767,827
Owners/breeders incentive thoroughbred	-	-	-	-	-	491,041	491,041	473,069
Quarter Horse support	-	-	-	37,500	-	-	37,500	37,500
Amortization of capital assets	-	3,204	-	-	-	-	3,204	1,647
Standardbred rural	-	-	-	449,500	-	-	449,500	449,500
Other expenses	982	-	-	-	-	-	982	3,908
	434,884	3,204	-	487,000	1,822,911	491,041	3,239,040	3,109,881
Excess (deficiency) of revenues over expenses	(216,789)	(3,204)	2,579,203	-	(1,822,911)	(491,041)	45,258	62,774
Capital asset fund transfer	(11,104)	11,104	-	-	-	-	-	-
Pari-mutuel levy fund transfer	265,251	-	(2,579,203)	-	1,822,911	491,041	-	-
Fund balances, beginning of year	45,601	10,145	-	-	-	-	55,746	(7,028)
Fund balances, end of year	82,959	18,045	-	-	-	-	101,004	55,746

The accompanying notes are an integral part of these financial statements

Manitoba Horse Racing Commission
Statement of Cash Flows
For the year ended March 31, 2012

	2012	*2011*
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	**45,258**	62,774
Amortization of capital assets	**3,204**	1,647
Employee pension (recovery) costs (note 6)	**14,808**	(13,656)
	63,270	50,765
Changes in working capital accounts		
Accounts receivable	**6,000**	17,600
Pari-mutuel levy receivable	**-**	11,006
Receivable from Province of Manitoba - Pension	**10,589**	4,934
Accounts payable and accrued liabilities	**(13,554)**	(78,623)
Employee pension benefits paid (note 6)	**(23,599)**	(40,889)
	42,706	(35,207)
Investing and Financing activities		
Purchase of capital assets	**(11,104)**	-
Net change in long-term investments	**(2,156)**	49,611
	(13,260)	49,611
Increase in cash resources	**29,446**	14,404
Cash resources, beginning of year	**295,688**	281,284
Cash resources, end of year	**325,134**	295,688

The accompanying notes are an integral part of these financial statements

1. Nature of the 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 Commission's sustainability is dependent upon on-going financial resources realized through The Horse Racing Commission Act.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from the Department of Agriculture, Food and Rural Initiatives, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution.

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

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

Effective April 1, 1997, Pari-mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The levy is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Department of Agriculture, Food and Rural Initiatives.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the following significant accounting policies:

Fund accounting

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

Financial instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings. All other financial instruments are subsequently measured at amortized cost.

The Commission's financial instruments consist of cash, long term investment, accounts receivable, receivable from Province of Manitoba - pension and accounts payable and accrued liabilities.

The Commission has designated its financial instruments as follows:

Cash and long term investment are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Accounts receivable and receivable from Province of Manitoba - pension are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in net earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in net earnings for the current period.

Fair value of financial instruments

The fair value of cash, accounts receivable, receivable from Province of Manitoba - pension, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

The fair value of long term investments approximates its carrying value as the original deposit is reinvested annually at rates for investments with similar terms and conditions.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

Pension costs

Employees of the Commission are pensionable under the Civil Service Superannuation Act. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2010. Experience gains or losses are recognized in the year the actuarial valuation becomes available.

2. Significant accouning policies *(Continued from previous page)*

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.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Fund transfers

i) Capital asset fund transfer
Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer
A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital assets

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

Computer equipment	5 years
Security equipment	10 years
Furniture and fixtures	10 - 20 years

Financial instruments deferral of section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, the CICA released a decision to allow deferral of Sections 3862 and 3863 for not-for-profit organizations. As such the Commission continues to apply Section 3861.

Recent accounting pronouncements

Government Not-for-Profit Organizations

Government not-for-profit Organizations (GNPOs) previously followed not-for-profit accounting standards in the CICA Accounting Handbook. The Public Sector Accounting Board (PSAB) approved the inclusion of existing Canadian GAAP for not-for-profit organizations in the CICA Public Sector Accounting Handbook (PSA Handbook) with some minor modifications. GNPOs will be required to adopt these accounting standards effective for fiscal periods beginning on or after January 1, 2012 or the PSA Handbook without the not-for-profit sections. Until the transition to the new standards, GNPOs can continue to follow existing not-for-profit standards in the CICA Accounting Handbook.

2. Significant accouning policies *(Continued from previous page)*

Transition Planning

The Commission has elected to follow the PSA Handbook with non-profit sections for the year ended March 31, 2013. The Commission has not yet determined the resulting impact on the financial statements.

3. Long term investment

In 2009 the Province of Manitoba made a payment of the March 31, 2008 receivable balance related to the prior years' funding for the pension liability. This payment has been placed in a trust account (bearing interest at 0.82%, 2011 - 0.85%) maturing April 4, 2012 on behalf of the Commission, and held until the cash is required to discharge the related liabilities. As this is expected to occur in a future year and the amounts are re-invested annually, this amount has been classified as a long term asset.

4. Capital assets

	Cost	*Accumulated amortization*	*2012 Net book value*
Computer equipment	12,300	6,089	6,211
Security equipment	13,117	2,922	10,195
Furniture and fixtures	7,572	5,933	1,639
	32,989	**14,944**	**18,045**

	Cost	*Accumulated amortization*	*2011 Net book value*
Computer equipment	11,599	4,780	6,819
Security equipment	2,714	1,675	1,039
Furniture and fixtures	7,572	5,285	2,287
	21,885	11,740	10,145

5. Bank indebtedness

The Commission has an operating line of credit to a maximum of $40,000 (2011 - $40,000) bearing interest at prime plus 2%. At March 31, 2012 this facility has not been utilized.

6. Provision for employee pension benefits

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

An actuarial valuation of the employee pension benefit liability as at December 31, 2010 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 6.50% (2011 - 6.50%), 2.00% inflation (2011 – 2.00%), salary rate increases of 3.75% (2011 - 3.75%), discount rate of 6.00% (2011 - 6.00%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2012 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:

	2012	2011
Balance, beginning of year	**270,400**	324,945
Benefits accrued	**9,795**	9,023
Interest accrued on benefits	**18,870**	19,694
Benefits paid	**(23,599)**	(40,889)
Experience gain	**(13,857)**	(42,373)
Balance, end of year	**261,609**	270,400

The Commission's pension plan costs consist of the following:

	2012	2011
Benefits accrued	**9,795**	9,023
Interest accrued on benefits	**18,870**	19,694
Experience gain	**(13,857)**	(42,373)
Pension (recovery) cost	**14,808**	(13,656)

7. Fees, licenses and fines

	2012	2011
Assiniboia Downs		
Daily licenses	**91,880**	86,200
Fees and licenses	**36,709**	44,827
Fines	**11,209**	14,970
	139,798	145,997
Rural Circuit		
Fees and licenses	**1,290**	1,810
	141,088	147,807

8. Financial instruments

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature and the long term investment is re-invested annually.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash, long term investment, accounts receivable and receivable from Province of Manitoba - pension.

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

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Accounts receivable is not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

9. Related party transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Commission is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Commission enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

10. Capital management

The Commission's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the various fund balances in a surplus position of $101,004 (2011 - $55,746). The Commission is not subject to externally imposed capital requirements. There have been no changes in the Commission's approach to capital management during the period.

11. Comparative figures

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

Manitoba Horse Racing Commission
Schedule 1 - General Fund Operating Expenses
For the year ended March 31, 2012

	2012	2011
Expenses		
Commissioners' per diem and honoraria	**11,985**	17,598
Bad debt expense	**700**	-
Drug, alcohol and security	**28,772**	6,798
Employee benefits	**25,747**	19,611
Equipment and office furniture	**1,960**	2,147
Equipment rentals	**2,730**	734
Insurance	**1,097**	1,061
Memberships and dues	**5,250**	11,703
Office	**8,089**	12,942
Pension (recovery) cost (note 6)	**14,808**	(13,656)
Professional fees	**23,345**	11,721
Salaries		
Administration	**131,567**	134,881
Security	**5,939**	4,481
Stewards and judges	**82,476**	83,210
Veterinarian services	**50,007**	50,836
Support grant	**20,396**	19,332
Telephone	**9,276**	6,039
Travel	**9,758**	6,992
	433,902	376,430

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Independent Auditor's Report

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

We have audited the accompanying financial statements of The Manitoba Housing and Renewal Corporation, which comprise of the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations, changes in net assets, and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Manitoba Housing and Renewal Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Basis of Presentation
Without modifying our opinion, we draw attention to Note 2a) to the financial statements, which describes that Manitoba Housing and Renewal Corporation adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements.

Office of the Auditor General

Office of the Auditor General
August 24, 2012
Winnipeg, Manitoba

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

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	2012	2011	April 1, 2010
Assets			
Current assets:			
Cash and cash equivalents (note 4)	$ 107,318,656	$ 136,905,200	$ 153,049,249
Accounts receivable (note 5)	39,661,386	41,660,196	52,063,670
Prepaid expenses	8,529,215	10,919,629	5,824,831
Current portion of loans and mortgages receivable (note 6)	7,478,104	7,211,004	7,112,598
	162,987,361	196,696,029	218,050,348
Loans and mortgages receivable (note 6)	121,331,605	125,287,703	132,590,474
Land inventory (note 7)	61,759,140	51,067,211	51,490,537
Capital assets (note 9)	286,676,364	187,442,527	119,991,749
	$ 632,754,470	$ 560,493,470	$ 522,123,108
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 86,073,713	$ 69,958,649	$ 54,953,106
Current portion of long-term debt (note 10)	23,005,547	20,297,450	18,780,128
	109,079,260	90,256,099	73,733,234
Long-term debt (note 10)	627,727,155	549,727,620	512,833,644
Deferred revenue (note 11)	17,864,747	19,513,339	14,195,710
Funds held for third party expenses (note 12)	9,312,620	10,701,475	10,584,953
Deferred contributions: (note 13)			
Expenses of future periods	9,118,064	45,520,520	48,712,407
Capital assets	16,474,112	3,252,219	3,590,923
	25,592,176	48,772,739	52,303,330
Net assets:			
Unrestricted	(156,821,488)	(158,477,802)	(141,527,763)
Commitment (note 26)			
Contingencies (note 25)			
Guarantees (note 27)			
	$ 632,754,470	$ 560,493,470	$ 522,123,108

See accompanying notes to financial statements

On behalf of the Board:

Original signed by Joy Cramer
Director

Original Signed by Darrell Jones
Director

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Operations

Years ended March 31, 2012 and 2011

	2012	2011
Revenue:		
Grants from the Province of Manitoba (note 14)	$ 67,046,063	$ 61,034,954
Contributed services (note 15)	2,269,700	1,929,800
Rental revenue (note 16)	74,179,002	73,511,403
Other government contributions (note 17)	86,313,646	96,897,789
Other (note 18)	6,091,154	2,932,724
Amortization of deferred contributions (note 13)	339,771	638,704
	236,239,336	236,945,374
Interest:		
Loans and mortgages	11,933,067	12,658,621
Bank and other	241,147	752,742
	12,174,214	13,411,363
Sales of land:		
Joint venture (note 8)	79,689	91,002
Waverley West (note 18)	40,028,159	28,517,650
Other land holdings	9,177,816	551,550
	49,285,664	29,160,202
Gain (loss) on disposal of capital assets	(1,495)	1,779,453
Other	3,178,826	5,555,698
Total revenue	300,876,545	286,852,090
Expenses:		
Housing operations - excluding amortization and interest (note 16)	131,918,356	142,295,412
Housing operations amortization (note 16)	11,004,619	8,951,886
Housing operations interest (note 16)	20,805,657	22,322,932
Rental subsidies (note 19)	38,052,693	36,470,254
Grants and subsidies (note 20)	4,188,964	5,196,710
Interest expense	14,060,417	12,609,766
Administrative services	3,807,800	4,286,800
Provision for loss and write downs	782,727	247,491
Cost of land sales - joint venture (note 8)	79,689	91,002
Cost of land sales - Waverley West (note 18)	40,028,159	28,517,651
Cost of land sales - other land holdings	812,950	90,288
Housing program supports (note 21)	32,271,521	40,301,342
Pension (note 22)	393,376	1,623,357
Other	1,013,303	797,238
	299,220,231	303,802,129
Excess (deficiency) of revenue over expenses	$ 1,656,314	$ (16,950,039)

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Changes in Net Assets

Years ended March 31, 2012 and 2011

	2012	2011
Net assets, beginning of year	$ (158,477,802)	$ (141,527,763)
Excess (deficiency) of revenue over expenses	1,656,314	(16,950,039)
Net assets, end of year	$ (156,821,488)	$ (158,477,802)

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 1,656,314	$ (16,950,039)
Adjustments for:		
Amortization of capital assets	11,004,619	8,951,886
Amortization of deferred contributions related to capital assets	(339,771)	(638,704)
Amortization of rental subsidies related to capital assets	707,052	707,052
Deferral of land development profits	(5,113,472)	(5,913,948)
Land inventory development costs	(52,503,996)	(28,275,613)
Proceeds from disposal of land inventory	54,399,136	35,074,150
Gain on sales of land - other	(8,364,866)	(461,262)
Provision for loss and write downs	782,727	247,491
Loss (gain) on disposal of capital assets	1,495	(1,779,453)
Changes in the following:		
Accounts receivable	1,998,810	10,403,475
Prepaid expenses	2,390,415	(5,094,798)
Accounts payable and accrued liabilities	16,115,065	15,005,543
Net decrease in deferred revenue	(1,648,593)	5,317,629
Net decrease in deferred contributions related to expenses of future periods	(36,402,456)	(3,191,887)
Net decrease in funds held for third party expenses	(1,388,855)	116,522
	(16,706,376)	13,518,044
Capital activities:		
Proceeds from disposal of land	2,975	12,050
Proceeds from disposal of capital assets	-	1,768,000
Purchase of capital assets	(110,949,979)	(77,110,314)
	(110,947,004)	(75,330,264)
Investing activities:		
Additions to loans and mortgages receivable	(4,644,230)	(950,043)
Proceeds from repayment of loans and mortgages receivable	8,441,771	7,906,917
	3,797,541	6,956,874
Financing activities:		
Net increase in deferred contributions related to capital assets	13,561,664	300,000
Repayment of long-term debt	(72,972,948)	(58,634,838)
Repayment of long-term debt - on retirement	(6,806,772)	(45,702)
Proceeds from long-term debt	160,487,351	97,091,837
	94,269,295	38,711,297
Net decrease in cash	(29,586,544)	(16,144,049)
Cash, beginning of year	136,905,200	153,049,249
Cash, end of year	$ 107,318,656	$ 136,905,200
Supplementary cash flow information:		
Interest paid	$ 36,068,044	$ 35,938,251
Interest received	13,846,707	15,080,649

See accompanying notes to financial statements

1. General

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objectives of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;
b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
c) to maintain and improve the condition of existing housing stock; and
d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

MHRC is economically dependent on the Government of the Province of Manitoba.

2. Significant accounting policies

a) Basis of presentation

On April 1, 2011, MHRC adopted the Canadian accounting standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these standards. The Public Sector Accounting Board requires a government not-for-profit organization to comply on a consistent basis with either Public Sector Accounting Standards (PSAS) or PSAS supplemented by not-for-profit standards contained within the PS4200 series of the Public Sector Accounting Handbook (ASGNFPO). MHRC has chosen to comply on a consistent basis with ASGNFPO.

In accordance with the transitional provisions of ASGNFPO, MHRC has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying ASGNFPO.

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

b) Revenue recognition

MHRC follows the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

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

Rental revenue is recognized in the fiscal period during which the service is provided.

An accounts receivable is recorded for any revenue earned but not received at fiscal year-end. An allowance for doubtful accounts is also recorded at fiscal year-end to reduce accounts receivable to their estimated realizable amounts.

Land sales are recognized in the period in which the ownership is transferred, except for the profit component associated with land development revenue.

Land development profits are restricted in use by Legislation and therefore revenue recognition is deferred until the profits are used to support eligible expenditures.

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

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid trust deposits with the Province of Manitoba that are convertible to cash within three months or less.

d) Financial instruments

Financial instruments are recorded at cost or amortized cost on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost using the effective interest method, unless management has elected to carry a group of financial instruments at fair value in accordance with its risk management or investment strategy. MHRC has not elected to carry any such group of financial instruments at fair value.

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

e) Loans and mortgages receivable

MHRC maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to MHRC's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. MHRC does not provide an additional non-specific, general provision for loan impairment. MHRC's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. MHRC records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, MHRC records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance. Any Federal contributions towards forgivable loans are recorded as revenue as loans are disbursed.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Construction in progress is transferred to the appropriate capital asset category when the project is completed and the asset is placed in service at which time, amortization commences. Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction. Repairs and maintenance costs are charged to expense. Betterments which extend or improve the life of an asset are capitalized. When a capital asset no longer contributes to the MHRC's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	25 and 40 years
Building improvements	15 years
Leasehold improvements	Over the lease term
Computer - major application	15 years
Computer software - other	4 years
Computer system - hardware	4 years
Furniture and equipment	8 years

g) Land inventory

Land under development includes the value of land and all costs incurred directly related to the land improvement. Development costs include but are not limited to site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes the original purchase price and related acquisition costs.

Land leased to co-operatives is valued at original cost. MHRC incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land and lease revenue flow through MHRC operations.

h) Interest in joint ventures

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's pro-rata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

i) Employee future benefits

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

MHRC has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003.

Under ASGNFPO, actuarial gains and losses are amortized to the liability or asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group (EARSL). As permitted upon first time adoption of ASGNFPO, MHRC has elected to recognized cumulative actuarial gains and losses at the date of transition to ASGNFPO directly to accumulated surplus/deficit.

Current actuarial gains and losses are recognized as operating expenses. MHRC will amortize actuarial gains and losses over EARSL on a prospective basis commencing in 2012/13.

j) Contributed services

Under an agreement entered into between MHRC and the Province of Manitoba in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

k) Use of estimates

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

3. First time adoption of Public Sector Accounting Standards

In previous fiscal years, MHRC's financial statements were presented in accordance with Canadian generally accepted accounting principles for profit oriented enterprises. The Accounting Standards Board has approved the accounting framework choices for government not-for-profit organizations. Effective, April 1, 2011 MHRC adopted ASGNFPO.

These new standards were required to be applied retroactively. The impacts of these changes are as follows:

Net assets

The following table summarizes the impact of the transition to ASGNFPO on MHRC's net assets as of April 1, 2010 and March 31, 2011.

	2011	April 1, 2010
As previously reported under Canadian generally accepted accounting principles	$ (183,698,603)	$ (202,020,675)
Differences decreasing previously reported amount:		
Accounts receivable (note 3a)	2,446,393	2,510,667
Capital assets (note 3b)	2,266,262	2,267,649
Accounts payable and accrued liabilities (note 3c)	536,418	361,174
Deferred revenue (note 3d)	(7,983,216)	(4,969,043)
Deferred revenue (note 3d)	10,037,786	6,443,680
Deferred contributions (note 3e)	16,594,361	34,497,863
Deferred contributions (note 3e)	1,221,337	19,357,774
Deferred contributions (note 3e)	101,460	23,148
	$ (158,477,802)	$ (141,527,763)

Excess (deficiency) of revenue over expenses

The following table summarizes the impact of the transition to ASGNFPO on MHRC's excess (deficiency) of revenue over expenses for the year ended March 31, 2011.

	2011
As previously reported under Canadian generally accepted accounting principles	$ 18,322,071
Differences increasing (decreasing) previously reported amount:	
Deferred revenue from Housing Development and Rehabilitation Fund (note 3d)	2,932,724
Deferred revenue land development profit to Housing Development and Rehabilitation Fund (note 3d)	(5,913,948)
Deferred contributions - Other government contributions (note 3e)	651,695
Deferred contributions - Housing operations (note 3e)	1,033,314
Deferred contributions - Other programs (note 3e)	(34,146,874)
Deferred contributions - Interest (note 3e)	170,979
	$ (16,950,039)

a) Accounts receivable

Balances adjusted to accounts receivable.

	2011	April 1, 2010
Accounts receivable as previously reported	$ 39,213,803	$ 49,553,003
Add: amount adjusted for other government contributions - federal contributions	2,446,393	2,510,667
	$ 41,660,196	$ 52,063,670

b) Capital assets

Under ASGNFPO, capital assets are to be reported at gross cost, and under the deferral method, any capital contributions from third party are recorded as deferred contributions and recognized as revenue on the same basis as the amortization of the related capital asset. Previously, MHRC netted third party contributions towards capital assets against the reported value of the asset and did not recognize the third party contributions as revenue. The conversion to ASGNFPO results in an increase in capital assets and an increase in opening net assets as the related assets have been fully amortized in prior years.

	2011	April 1, 2010
Capital assets as previously reported	$ -	$ -
Add: amount reclassified from housing projects	185,802,688	118,387,064
Less: amount reclassified from housing investment	(626,423)	(662,964)
Add: amount reclassified from housing investment	2,266,262	2,267,649
	$ 187,442,527	$ 119,991,749

c) Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities in prior years were amounts received as settlement for property losses which had previously been recorded as deferred revenue until the properties were rebuilt. Under ASGNFPO, because there are no external restriction on how these funds are to be used MHRC would record these as revenue when received. This results in a decrease in accounts payable and accrued liabilities and an increase in opening net assets.

	2011	April 1, 2010
Accounts payable and accrued liabilities as previously reported	$ 70,495,067	$ 55,314,280
Less: amount adjusted for housing operations - excluding amortization and interest	(536,418)	(361,174)
	$ 69,958,649	$ 54,953,106

d) Deferred revenue

Under ASGNFPO, MHRC is required to record any profits accumulated in the Housing Development and Rehabilitation Fund (HDRF) (note 18) as deferred revenue, because the use of the fund is externally restricted with respect to its use by the Housing and Renewal Corporation Act. The HDRF is recognized into revenue on the same basis as which the funds are used on eligible expenses as per the Act. Previously, MHRC recognized all HDRF profits as well as revenue when the profits were generated and the fund balance therefore was included in net assets. The conversion results in an increase in deferred revenue and a decrease in opening net assets.

	2011	April 1, 2010
Deferred revenue as previously reported	$ 66,591,309	$ 63,783,582
Add: amount reclassified from The Housing Development and Rehabilitation Fund	7,983,216	4,969,043
Less: amount adjusted for other government contributions - provincial contributions	(10,037,786)	(6,443,680)
Less: amount reclassified to funds held for third party expenses	(10,701,475)	(10,584,953)
Less: amount reclassified to deferred contributions	(34,321,925)	(37,528,282)
	$ 19,513,339	$ 14,195,710

e) Deferred contributions

Under ASGNFPO, only externally restricted contributions can be recorded as deferred contributions and recognized as revenue when the funds are used for the purposes specified by the restrictions. MHRC had previously recorded deferred federal and provincial contributions for which were only internally restricted in use but for which there were no external restrictions. Under ASGNFPO, internally restricted contributions should be recorded as revenue when received. The conversion results in a decrease in deferred contributions and an increase in opening net assets.

Under ASGNFPO, MHRC received federal funding under existing agreements which is restricted in use by the agreement. These were previously reported as deferred revenue. Under ASGNFPO, these are more appropriately classified as deferred contributions. MHRC also received federal contributions toward housing projects which were previously netted against the capital cost of the assets. Under ASGNFPO, these are more appropriately classified as deferred contributions.

	2011	April 1, 2010
Deferred contributions as previously reported	$ 29,115,753	$ 65,062,910
Add: amount reclassified from deferred revenue	34,321,925	37,528,282
Add: amount reclassified from housing projects	3,252,219	3,590,923
Less: amount adjusted for other government contributions - provincial contributions	(16,594,361)	(34,497,863)
Less: amount adjusted for other government contributions - federal contributions	(1,221,337)	(19,357,774)
Less: amount adjusted for interest - bank and other	(101,460)	(23,148)
	$ 48,772,739	$ 52,303,330

f) In addition to the preceding adjustments, there were significant changes in financial statement presentation required as a result of the adoption of ASGNPO. The details of these presentation changes and reclassifications are as follows:

i) Current portion of loans and mortgages receivable

	2011	April 1, 2010
Current portion of loans and mortgages receivable as previously reported	$ -	$ -
Add: amount reclassified from loans and mortgages receivable	7,211,004	7,112,598
	$ 7,211,004	$ 7,112,598

ii) Loans and mortgages receivable

		2011		April 1, 2010
Loans and mortgages receivable as previously reported	$	131,426,941	$	138,284,225
Less: amount reclassified to current portion of loans and mortgages receivable		(7,211,004)		(7,112,598)
Add: amount reclassified from housing investment		1,071,766		1,418,847
	$	125,287,703	$	132,590,474

iii) Housing projects

		2011		April 1, 2010
Housing projects as previously reported	$	182,550,469	$	114,796,141
Less: amount reclassified to capital assets		(185,802,688)		(118,387,064)
Add: amount reclassified to deferred contributions		3,252,219		3,590,923
	$	-	$	-

iv) Housing investment

		2011		April 1, 2010
Housing investment as previously reported	$	445,343	$	755,883
Less: amount reclassified to capital assets		(2,266,262)		(2,267,649)
Less: amount reclassified to loans and mortgages receivable		(1,071,766)		(1,418,847)
Add: amount reclassified to capital assets		626,423		662,964
Add: amount reclassified to net assets		2,266,262		2,267,649
	$	-	$	-

v) Land development costs

		2011		April 1, 2010
Land development cots as previously reported	$	44,907,121	$	39,691,944
Less: amount reclassified to land inventory		(44,907,121)		(39,691,944)
	$	-	$	-

vi) Land

		2011		April 1, 2010
Land as previously reported	$	6,160,090	$	11,798,593
Less: amount reclassified to land inventory		(6,160,090)		(11,798,593)
	$	-	$	-

vii) Land inventory

		2011		April 1, 2010
Land inventory as previously reported	$	-	$	-
Add: amount reclassified from land development costs		44,907,121		39,691,944
Add: amount reclassified from land		6,160,090		11,798,593
	$	51,067,211	$	51,490,537

viii) Current portion of long-term debt

	2011	April 1, 2010
Current portion of long-term debt as previously reported	$ -	$ -
Add: amount reclassified from long-term debt	20,297,450	18,780,128
	$ 20,297,450	$ 18,780,128

ix) Long-term debt

	2011	April 1, 2010
Long-term debt as previously reported	$ 570,025,070	$ 531,613,772
Less: amount reclassified to current portion of long-term debt	(20,297,450)	(18,780,128)
	$ 549,727,620	$ 512,833,644

x) Funds held for third party expenses

	2011	April 1, 2010
Funds held for third party expenses as previously reported	$ -	$ -
Add: amount reclassified from deferred revenue	10,701,475	10,584,953
	$ 10,701,475	$ 10,584,953

4. Cash and cash equivalents

	2012	2011
On deposit with the Minister of Finance:		
Trust deposits	$ 15,802,413	$ 28,908,702
Risk Reserve related to Social Housing Agreement	9,038,532	11,292,454
	24,840,945	40,201,156
Bank	82,469,586	96,695,794
Petty cash	8,125	8,250
	$ 107,318,656	$ 136,905,200

5. Accounts receivable

	2012	2011
Canada Mortgage and Housing Corporation	$ 9,017,434	$ 9,379,152
Government of the Province of Manitoba and its agencies	1,727,830	2,573,045
Rent receivables - net of allowance of $6,716,083 (2011 - $6,147,917)	4,186,497	4,052,189
Accrued interest on loans and mortgages receivable	741,956	638,158
City of Winnipeg	57,771	157,870
Other - net of allowance of $437,568 (2011 - $326,981)	12,954,902	14,278,162
Government of the Province of Manitoba:		
Severance benefits (note 23)	1,446,105	1,446,105
Pension recoverable (note 22)	9,528,891	9,135,515
	$ 39,661,386	$ 41,660,196

6. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2012	2011
Federal/Provincial Housing Programs:		
Private Non-Profit Housing	$ 85,225,008	$ 88,448,589
Rural and Native Housing	841,998	1,068,231
Urban Native Housing	17,500,607	20,935,388
	103,567,613	110,452,208
Market Rental Programs:		
Co-operative HomeStart	7,414,740	7,644,909
Co-operative Index Linked	4,642,074	5,237,483
Manitoba Rural RentalStart	222,356	215,806
Manitoba Senior RentalStart	4,197,174	4,199,188
	16,476,344	17,297,386
Other Programs:		
Community Residences	1,946,843	2,100,806
Market Homeowner	1,894	11,081
Homeowner Rehabilitation	93,455	104,522
Affordable Rental Housing	4,055,081	-
Other	3,501,814	3,585,169
	9,599,087	5,801,578
	129,643,044	133,551,172
Less - allowance for loan impairment	(833,335)	(1,052,465)
Subtotal repayable loans and mortgages receivable	128,809,709	132,498,707
Forgivable loans	204,293,643	174,759,728
	333,103,352	307,258,435
Less - forgivable loans asset valuation allowance	(204,293,643)	(174,759,728)
Loans and mortgages receivable	$ 128,809,709	$ 132,498,707
Current portion of loans and mortgages receivable	$ 7,478,104	$ 7,211,004
Long-term portion of loans and mortgages receivable	121,331,605	125,287,703
Loans and mortgages receivable	$ 128,809,709	$ 132,498,707

Loans and mortgages receivable bear interest at various rates between 0% and 14.25% with maturities at various dates to 2035.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2013	$ 9,949,859
2014	849,241
2015	1,814,526
2016	1,044,218
2017	1,069,106
Thereafter	114,916,094
	$ 129,643,044

b) Allowance for loan impairment

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

	2012	2011
Market rental programs	$ 705,810	$ 949,810
Other programs	127,525	102,655
	$ 833,335	$ 1,052,465

7. Land inventory

		2012		2011
Land under development	$	57,343,945	$	44,907,121
Future development or sale		2,755,403		3,568,353
Leased to co-operatives		1,659,792		1,659,792
Joint venture		-		931,945
	$	61,759,140	$	51,067,211

8. Joint venture

MHRC contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, MHRC has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 27).

Joint venture profits are recorded under deferred revenue - Housing Development and Rehabilitation Fund until such time as the profits are required for expenditures. The amount reduced from the sales of land for deferred revenue was $712,731.

The following is a summary of MHRC's pro rata share at 37.6% of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

		2012		2011
Current assets:				
Cash and short term investments	$	1,608,961	$	777,763
Prepaid expenses		16,231		22,160
Accounts receivable from land sales		329,766		397,904
		1,954,958		1,197,827
Long-term assets:				
Development in progress		(88,354)		(48,933)
	$	1,866,604	$	1,148,894
Current liabilities:				
Accounts payable and accrued liabilities	$	42,613	$	37,633
Net assets		1,823,991		1,111,261
	$	1,866,604	$	1,148,894

		2012		2011
Sales of land	$	792,420	$	507,600
Cost of land sales		45,473		43,090
Gross margin		746,947		464,510
Expenses:				
Interest on bank indebtedness		-		5,796
General		46,561		28,686
Other		(12,345)		(28,216)
		34,216		6,266
Net income for the year	$	712,731	$	458,244

9. Capital assets

	2012	2011
Land	$ 26,098,323	$ 24,282,626
Buildings and improvements	491,665,278	438,370,250
Less - accumulated amortization	(384,376,005)	(372,664,333)
Buildings - net book value	107,289,273	65,705,917
Under construction	152,979,749	97,453,984
Total land and buildings	286,367,345	187,442,527
Other assets	1,748,938	1,439,919
Less - accumulated amortization	(1,439,919)	(1,439,919)
Other assets - net book value	309,019	-
Total net capital assets	$ 286,676,364	$ 187,442,527

MHRC has capitalized $683,759 (2011 - $96,498) of interest during fiscal 2012 to construction in progress.

10. Long-term debt

	2012	2011
Government of the Province of Manitoba:		
Advances, convertible to long-term advances at MHRC's option, at prime interest rates.	$ 270,114,874	$ 167,223,349
Long-term advances, at interest rates from 3.375% to 13.375% maturing at various dates to 2029 and requiring annual principal and interest payments of $38,302,158 (2011 - $38,103,892).	247,009,059	255,949,896
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.375% to 10.50% maturing at various dates to 2030 and requiring annual principal and interest payments of $18,328,104 (2011 - $15,002,567).	133,106,566	144,291,009
Mortgages payable (assumed on property acquisitions), at interest rates from 5.375% to 9.625% maturing at various dates to 2028 and requiring annual principal and interest payments of $2,739,736 (2011 - $318,412).	502,203	2,560,816
	$ 650,732,702	$ 570,025,070
Current portion of long-term debt	$ 23,005,547	$ 20,297,450
Long-term debt	627,727,155	549,727,620
	$ 650,732,702	$ 570,025,070

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

2013	$ 23,005,547
2014	24,369,977
2015	25,749,783
2016	26,795,836
2017	27,660,173
Thereafter	523,151,386
	$ 650,732,702

11. Deferred revenue

	2012	2011
Tenant prepaid rent	$ 2,356,949	$ 2,382,003
Prepaid land lease	42,435	79,320
Housing Development and Rehabilitation Fund (note 18)	7,070,662	7,983,216
Lot options - land under development	8,394,701	9,068,800
	$ 17,864,747	$ 19,513,339

12. Funds held for third party expenses

	2012	2011
Affordable Housing Initiative	$ 8,553,714	$ 10,701,475
Investment in Affordable Housing	758,906	-
	$ 9,312,620	$ 10,701,475

13. Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent restricted funding received under various agreements primarily to mitigate future operating risks.

	2012	2011
Balance, beginning of year	$ 45,520,520	$ 48,712,407
Contributions received	-	29,070,530
Adjustment to third party equity accounts	(14,851)	47,059
Amount reclassified to accounts payable and accrued liabilities	56,407	14,472
Amount reclassified to deferred contributions - capital assets	(12,833,995)	(300,000)
Amount reclassified to funds held for third party expenses	(53,777)	-
Amount recognized as revenue in the year	(23,556,240)	(32,023,948)
Balance, end of year	$ 9,118,064	$ 45,520,520

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the construction and rehabilitation of capital assets.

	2012	2011
Balance, beginning of year	$ 3,252,219	$ 3,590,923
Amount reclassified from deferred contributions - expenses of future periods	12,833,995	300,000
Amount reclassified from funds held for third party expenses	727,669	-
Amount amortized to revenue in the year	(339,771)	(638,704)
Balance, end of year	$ 16,474,112	$ 3,252,219

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Years ended March 31, 2012 and 2011

14. Grants from the Province of Manitoba

	2012	2011
Department of Housing and Community Development:		
MHRC operating programs	$ 49,983,910	$ 42,029,898
MHRC administration	13,601,090	13,165,102
Grants and subsidies	2,867,928	3,978,589
	66,452,928	59,173,589
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	199,759	238,008
Pension recovery (note 22)	393,376	1,623,357
	593,135	1,861,365
	$ 67,046,063	$ 61,034,954

15. Contributed services

	2012	2011
Administrative services provided by Departments of the Province of Manitoba were allocated as follows:		
Included in Statement of Operations, administrative services	$ 940,500	$ 797,100
Included in administrative expenses in note 16, direct managed housing operations	896,200	744,900
Included in administrative expenses in note 16, sponsor managed housing operations	24,600	18,200
Included in rental subsidies, note 19	228,600	184,600
Included in Statement of Operations, housing program supports, note 21	179,800	185,000
	$ 2,269,700	$ 1,929,800

16. Housing operations

The management and operation of all MHRC owned social housing projects are direct managed and sponsor managed. The operating results are as follows:

	2012			2011		
	Direct Managed	Sponsor Managed	Total	Direct Managed	Sponsor Managed	Total
Revenue						
Rental revenue	$ 56,937,746	$ 17,241,256	$ 74,179,002	$ 54,833,648	$ 18,677,755	$ 73,511,403
Expenses						
Administration (note 15)	30,714,134	3,328,176	34,042,310	27,715,622	3,360,596	31,076,218
Property operating	64,955,650	19,241,628	84,197,278	73,441,257	23,916,730	97,357,987
Grants in lieu of taxes	11,203,131	2,475,637	13,678,768	11,113,031	2,748,176	13,861,207
Amortization	8,222,801	2,781,818	11,004,619	6,758,934	2,192,952	8,951,886
Interest	17,400,367	3,405,290	20,805,657	18,230,167	4,092,765	22,322,932
	132,496,083	31,232,549	163,728,632	137,259,011	36,311,219	173,570,230
Operating loss	$ 75,558,337	$ 13,991,293	$ 89,549,630	$ 82,425,363	$ 17,633,464	$ 100,058,827

17. Other government contributions

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031.

	2012	2011
Federal contributions	$ 86,149,168	$ 96,616,293
Municipal contributions	164,478	281,496
	$ 86,313,646	$ 96,897,789

18. Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by MHRC in respect of land owned or developed by it or by a partnership or joint venture in which MHRC is or was a participant. The gross proceeds from land development was $45,221,320 (2011 - $34,522,600) and the cost of land sales was $40,107,848 (2011 - $28,608,652). Interest earned on the amounts is to be credited to the fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which MHRC realized profits, including the development of new housing or the rehabilitation of existing housing.

All costs allocated to the portions of land sold in a land development project are deducted from the gross proceeds realized from sale of those portions of land in order to determine land development profits. MHRC uses the net yield method to allocate costs to the individual portions which are sold as part of a land development project. Common costs for the development project are allocated to portions which are sold based on acreage, and the cost allocation includes both an allocation of actual land development costs incurred as well as an allocation of costs which are required to complete those portions of the land which are reported as sold.

	2012	2011
Balance, beginning of year	$ 7,983,216	$ 4,969,043
Land development profits	5,113,472	5,913,948
Interest earned	65,128	32,949
Current year disbursements	(6,091,154)	(2,932,724)
Balance, end of year	$ 7,070,662	$ 7,983,216

19. Rental subsidies

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. The net rental subsidies required by these organizations are as follows:

	2012	2011
Not-for-Profit Housing	$ 28,188,009	$ 26,897,517
Co-operative Housing	4,141,299	3,970,663
Private Landlords	5,723,385	5,602,074
	$ 38,052,693	$ 36,470,254

20. Grants and subsidies

	2012	2011
Manitoba Shelter Benefit	$ -	$ 1,633,933
Portable Housing Benefit	1,533,441	1,166,756
Emergency Shelter Assistance	1,334,488	1,177,900
School Tax Assistance for Tenants 55 Plus	199,759	238,008
Elderly & Infirm Persons Housing	181,315	154,177
Co-op Homestart	72,689	76,578
Homeless Strategy	867,272	749,358
	$ 4,188,964	$ 5,196,710

21. Housing program supports

	2012	2011
Forgivable loans (note 6)	$ 29,533,915	$ 37,398,566
Administration and delivery agent fees	2,737,606	2,902,776
	$ 32,271,521	$ 40,301,342

22. Pension obligations

Employees of MHRC and Direct Managed employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the organization to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by Direct Managed employees at this time. Pension expense recorded for Direct Managed employees for the year ended March 31, 2012 is $993,422 (2011 - $806,951).

MHRC has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. This liability consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation each year based on data provided by MHRC with the balances for the intervening year being estimated by a formula provided by the actuary. The most recent valuation was completed at March 31, 2011.

	2012	2011
Balance at beginning of year	$ 9,135,515	$ 7,512,158
Experience (gain)/loss	(274,065)	441,979
Benefits accrued	799,204	692,338
Interest accrued on benefits	596,126	510,106
Benefits paid/retired and terminations released - estimated	(727,889)	(21,066)
Balance at end of year	$ 9,528,891	$ 9,135,515

The above liability is in respect of active employees only and does not reflect any liability with respect to retired or former employees. The key actuarial assumptions were a rate of return of 6.0% (2011 - 6.0%), 2.0% inflation (2011 - 2.5%), salary rate increases of 2.75% (2011 - 2.75%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been calculated as at March 31, 2012 by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore, MHRC has recorded a receivable from the Provincial of Manitoba equal to the estimated value of its actuarially determined pension liability of $9,528,891 as of March 31, 2012 (2011 - $9,135,515) and has recorded an increase in revenue for 2011/12 equal to the related pension expense increase of $393,376 (2011 - $1,623,357). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

23. Severance

a) Severance pay liability

Effective April 1, 1998, MHRC commenced recording the estimated liability for accumulated severance pay benefits for its Direct Managed employees. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from MHRC.

An actuarial report was completed for the severance pay liability as at March 31, 2012. MHRC's actuarially determined liability relating to the Direct Managed employees as at March 31, 2012 was $2,438,148 (2011 - $2,357,780). The report provides a formula to update the liability on an annual basis.

MHRC recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba.

An actuarial report was completed for the severance pay liability as at March 31, 2012. MHRC's actuarially determined liability relating to the former Department of Family Services and Housing employees as at March 31, 2012 was $1,236,335 (2011 - $1,274,821). The report provides a formula to update the liability on an annual basis.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by MHRC's employees. Accordingly, MHRC recorded effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of $569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The carrying value of the receivables approximates its fair value as the interest component described above is comparables to current market rates.

24. Financial instruments and financial risk management

Financial instruments comprise the majority of MHRC assets and liabilities. MHRC risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by MHRC.

MHRC is exposed to credit, liquidity and market risks in respect of its use of financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The financial instruments that potentially subject MHRC to credit risk consist principally of accounts receivable, loans and mortgages receivable and guarantees on loans. MHRC's investments are held by the Province of Manitoba who guarantees the associated payments of principal and interest.

MHRC's maximum possible exposure to credit risk is as follows:

	2012	2011
On deposit with the Minister of Finance (note 4)	$ 24,840,945	$ 40,201,156
Accounts receivable (note 5)	39,661,386	41,660,196
Loans and mortgage receivable (note 6)	128,809,709	132,498,707
Loan guarantees (note 27)	14,292,198	3,867,065
	$ 207,604,238	$ 218,227,124

MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on MHRC's estimates and assumptions regarding customer analysis, historical payment trends and statutes of limitations. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

	2012	2011
Balance, beginning of the year	$ 6,474,898	$ 5,648,959
Provision for receivable impairment	980,018	1,061,257
Amounts written off	(301,265)	(235,318)
Balance, end of the year	$ 7,153,651	$ 6,474,898

On deposit with the Minister of Finance

MHRC is not exposed to significant credit risk as its investments are held by the Province of Manitoba and the Province of Manitoba guarantees the associated payments of principal and interest.

Accounts receivable

The accounts receivable partially consists of $9,017,434 due from Canada Mortgage and Housing Corporation and $12,702,826 from the Province of Manitoba.

Loans and mortgage receivable

Impairment provisions are provided for losses that have been incurred as of the balance sheet date. Management of credit risk is an integral part of MHRC's activities with careful monitoring and appropriate remedial actions being taken.

b) Interest rate risk

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

MHRC's loans and mortgages are exposed to interest rate fluctuations. This risk is mitigated through the almost exclusive use of fixed rate terms. A change of +100 basis points would result in a decrease in value of $10,662,874 whereas a -100 basis point change would result in an increase in value of $11,791,402.

MHRC manages its interest rate risk on long term debt through the use of fixed rate terms for its long term debt. A change of +100 basis points in the interest rates would have decreased its fair value by $28,331,254 whereas a change of -100 basis points would have increased its fair value by $31,118,873.

On deposit with the Minister of Finance

MHRC's investment portfolio is mainly of short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MHRC's investments are placed through the Manitoba Department of Finance.

Loans and mortgage receivable/loans from the Province of Manitoba

MHRC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at reasonable percentage above the associated borrowing rate. All loans from the Province of Manitoba have fixed interest rates for the full term of the advance and MHRC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MHRC does not incur significant interest rate risk. However, some interest rate risk is imparted due to MHRC's lending policy of allowing prepayment of loans without penalty, given that MHRC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MHRC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

c) Liquidity risk

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

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MHRC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MHRC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MHRC's primary liquidity risk relates to its liability for insurance claims. MHRC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

25. Contingencies

MHRC is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of MHRC. Any settlement will be recognized in the year the settlement occurs.

26. Commitments

MHRC has the following commitments as at March 31, 2012:

a) Housing project enhancements and new construction	$	103,439,771
b) Third party repair, renovation and new construction	$	27,404,333
c) Public housing operations:		

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2013	$	74,228,000
2014		81,616,000
2015		91,986,900
2016		103,423,500
2017		111,462,700

27. Guarantees

MHRC has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The total authorized for MHRC is $20,000,000. The outstanding guarantees are as follows:

		2012		2011
Joint Venture Investment Guarantee (note 8)	$	2,400,000	$	2,400,000
Waverley West Letter of Credit		9,690,746		1,389,120
Oddy at Westland Letter of Credit		31,200		-
Mobile Home Loan Guarantee Program		22,252		77,945
Bridgepark Loan Guarantee		2,148,000		-
	$	14,292,198	$	3,867,065

28. Related party transactions

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

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **THE MANITOBA OPPORTUNITIES FUND LTD.** and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 22, 2012.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **THE MANITOBA OPPORTUNITIES FUND LTD.** are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
THE MANITOBA OPPORTUNITIES FUND LTD.

Jim Kilgour, General Manager

June 22, 2012

BDO

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of **THE MANITOBA OPPORTUNITIES FUND LTD.**, which comprise the statement of financial position as at March 31, 2012, and the statement of operations and accumulated surplus, statement of changes in net debt, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE MANITOBA OPPORTUNITIES FUND LTD.** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Financial Position

March 31		2012		2011
Financial Assets				
Temporary investments (Note 4)	$	**4,892,289**	$	4,809,470
Portfolio investments (Note 5)		**296,805,999**		262,054,455
Accrued interest receivable		**111,350**		110,800
		301,809,638		266,974,725
Liabilities				
Accounts payable and accrued liabilities		**2,974,500**		1,938,590
Borrowings (Note 6)		**299,247,472**		267,236,515
		302,221,972		269,175,105
Net Debt		**(412,334)**		(2,200,380)
Non-financial Assets				
Deferred charges		**10,177,214**		10,592,120
Accumulated surplus	**$**	**9,764,880**	$	8,391,740

Approved on behalf of the Board:

______________________________ Director

______________________________ Director

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

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Operations and Accumulated Surplus

For the year ended March 31	2012 Budget	2012 Actual	2011 Actual
Investment income	$ 8,893,100	$ 8,433,245	$ 8,038,574
Expenses			
Amortization of deferred charges	4,161,700	3,965,699	3,591,619
Professional fees	-	-	4,600
Program administration	107,600	124,506	74,781
	4,269,300	4,090,205	3,671,000
Operating income for the year	4,623,800	4,343,040	4,367,574
Growing Through Immigration Strategy Support and Economic Development (Note 7)	3,000,000	2,969,900	1,932,500
Annual surplus	1,623,800	1,373,140	2,435,074
Accumulated surplus, beginning of year	8,391,740	8,391,740	5,956,666
Accumulated surplus, end of year	$ 10,015,540	$ 9,764,880	$ 8,391,740

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

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Changes in Net Debt

For the year ended March 31		2012		2011
Annual surplus	$	**1,373,140**	$	2,435,074
Deferred Charges				
Additions of deferred charges		**(3,456,433)**		(4,531,586)
Amortization of deferred charges		**3,871,339**		3,496,582
		414,906		(1,035,004)
Decrease in net financial debt		**1,788,046**		1,400,070
Net financial debt, beginning of year		**(2,200,380)**		(3,600,450)
Net financial debt, end of year	$	**(412,334)**	$	(2,200,380)

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	2012	2011
Cash Provided by (Applied to)		
Operating		
Annual surplus	$ 1,373,140	$ 2,435,074
Amortization of deferred charges	3,871,339	3,496,582
Increase in present value of portfolio investments	(7,818,092)	(7,468,000)
	(2,573,613)	(1,536,344)
Changes in		
Accrued interest receivable	(550)	(24,384)
Accounts payable and accrued liabilities	1,035,910	(1,022,818)
Cash applied to operating activities	(1,538,253)	(2,583,546)
Investing		
Purchase of portfolio investments	(49,781,095)	(68,648,409)
Redemption of portfolio investments	22,753,284	33,959,093
Cash applied to investing activities	(27,027,811)	(34,689,316)
Financing		
Repayment of borrowings	(22,753,284)	(33,914,963)
Advances on borrowings	51,402,167	61,956,008
Cash provided by financing activities	28,648,883	28,041,045
Increase (decrease) in cash equivalents during the year	82,819	(9,231,817)
Cash equivalents, beginning of year	4,809,470	14,041,287
Cash equivalents, end of year	$ 4,892,289	$ 4,809,470
Represented by		
Temporary investments	$ 4,892,289	$ 4,809,470
Supplementary Information		
Interest received	$ 614,601	$ 546,190

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

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 Minister of Finance holds the one class A common share issued as a designated representative of Her Majesty the Queen in right of the Province of Manitoba with a value of $Nil. The company considers itself to be an Other Government Organization as defined by the PSAB of the CICA.

The objective 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 ("FIIP") seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. CIC has made changes to the FIIP in 2010. Effective December 1, 2010, applicants must meet a minimum Personal Net Worth requirement of $1.6 million, and make an investment deposit of $800,000. The funds invested are distributed among participating Provinces. After five years, the company returns the Provincial allocation, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the 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 borrowings payable to the Federal Government.

2. Basis of Accounting

The company's financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

3. Summary of Significant Account Policies

Revenue Recognition	Interest revenue on temporary investments is recorded on an accrual basis. Investment income on portfolio investments is determined by the difference in the present value of the term note and the cost of the term note.
Expenses	All expenses incurred for goods and services are recorded on an accrual basis. Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.
Contributed Services	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.
Deferred Charges	Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.
Temporary Investments	Temporary investments are carried at cost, which approximates market value. Funds available for investment are invested through the Province of Manitoba.
Portfolio Investments	Portfolio investments are recorded at cost which represents the discounted value of the term notes. Over time, the value of the portfolio investments increase equal to the effective interest rates on the term notes. The increase in the present value of the portfolio investments during the year is recorded as an increase in the portfolio investments and as investment income.
Liabilities	Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of the assets or other form settlement. Liabilities are recorded at the estimated amount ultimately payable.
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.

4. Temporary Investments

The temporary investments consist of 30 - 90 day deposit certificates held by the Province of Manitoba and 5 year bonds issued by the Provinces of Quebec, Ontario, and New Brunswick.

5. Portfolio Investments

The portfolio investments are made up of several 5-year zero coupon term notes which Manitoba Opportunities Fund Ltd. purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from April 2012 to March 2017. The effective interest rates range from 1.55% to 4.60% payable at the end of the 5-year term.

The discount on the bonds are amortized over the 5-year term. The present value of the bond less the face value is recorded each year as investment income.

6. Borrowings

The borrowings represents the Provincial allocation of immigrant's investments repayable to the Federal Government five years after the Federal Government has distributed these funds to the Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being distributed to the Manitoba Opportunities Fund Ltd.

Principal repayments for the next five years are as follows:

2013	$ 58,223,743
2014	58,335,840
2015	61,400,323
2016	66,487,937
2017	54,799,628
	$ 299,247,471

7. Growing Through Immigration Strategy Support and Economic Development

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

	2012	2011
Immigration and Multiculturalism	$ 1,593,000	$ 1,630,000
Entrepreneurship, Training and Trade	1,376,900	190,000
Education	-	112,500
	$ 2,969,900	$ 1,932,500

BDO

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of Manitoba Trade and Investment Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets, and cash flows for the then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Trade and Investment Corporation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2012

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash	$	**140,441**	$	384,140
Investment (Note 4)		**500,000**		500,000
Accounts receivable		**252,380**		21,488
	$	**892,821**	$	905,628
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**8,248**	$	7,895
Deferred revenue (Note 5)		**7,697**		41,149
Operating advance payable (Note 6)		**500,000**		500,000
		515,945		549,044
Net Assets				
Unrestricted		**376,876**		356,584
	$	**892,821**	$	905,628

Approved by:

______________________________ Chair of the Board

______________________________ Financial Officer

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

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Operations and Changes in Net Assets

For the year ended March 31	2012	2011
Revenue		
Participation fees	$ 312,826	$ 126,541
Interest	6,250	4,500
	319,076	131,041
Expenses		
Audit fees	8,175	7,500
Legal fees	112	205
Program	290,497	117,400
	298,784	125,105
Excess of revenue over expenses for the year	20,292	5,936
Net assets, beginning of year	356,584	350,648
Net assets, end of year	$ 376,876	$ 356,584

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

MANITOBA TRADE AND INVESTMENT CORPORATION
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	$	**20,292**	$	5,936
Changes in non-cash working capital				
Accounts receivable		**(230,892)**		(19,603)
Accounts payable and accrued liabilities		**353**		395
Deferred revenue		**(33,452)**		36,778
		(243,699)		23,506
Cash Flows from Investing Activities		**-**		-
Cash Flows from Financing Activities		**-**		-
Net increase (decrease) in cash and cash equivalents		**(243,699)**		23,506
Cash and cash equivalents, beginning of year		**384,140**		360,634
Cash and cash equivalents, end of year	$	**140,441**	$	384,140
Supplemental Cash Flow Information				
Interest received	$	**4,500**	$	2,750

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

For the year ended March 31, 2012

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of the Legislature in 1974. The objectives of the Corporation, as set out in the Act, are to:

- encourage, promote, develop and increase Manitoba exports and trade;
- promote investment in Manitoba; and
- promote international business opportunities for Manitoba businesses and assist Manitoba businesses in promoting those business opportunities.

The Corporation is economically dependent on the Province of Manitoba as all project deficits incurred by the Corporation are recovered from the Province.

2. Change in Accounting Policies

Future Accounting Changes – The Corporation will adopt Public Sector Accounting Board standards for Government Not-for-Profit Organizations effective April 1, 2012. The Corporation is currently in the process of assessing the impact of adoption on these new standards on its financial statements.

3. Significant Accounting Policies

(a) Basis of Reporting

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Participation fees are recognized as revenue in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

3. Significant Accounting Policies (continued)

(c) Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash	Held for trading	Fair value
Investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Operating advance payable	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and changes in net assets in the year the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and changes in net assets for the current year.

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The fair values of investment, accounts receivable, accounts payable and accrued liabilities, and operating advance payable approximate their carrying values due to their short-term maturity.

(d) 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 and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

3. Significant Accounting Policies (continued)

(e) 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.

4. Investment

Funds available for investment are invested with the Province of Manitoba. A term deposit for the principal amount of $500,000 will mature on March 31, 2013 with an interest rate of 1.10%.

5. Deferred Revenue

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

	2012	2011
Balance, beginning of year	**$ 41,149**	$ 4,371
Less amounts recognized as revenue in the year	**41,149**	1,500
Add amounts received and deferred during the year	**7,697**	38,278
Balance, end of year	**$ 7,697**	$ 41,149

6. Operating Advance Payable

The Corporation has $500,000 in non-interest bearing working capital advance from the Province of Manitoba. The advances are payable on demand.

7. Related Party Transactions

The Corporation is related in terms of common ownership to all departments, Crown organizations and government enterprises created by the Province of Manitoba. The Corporation enters into transactions with these entities in the normal course of business. The Corporation records these transactions at the exchange amount which is the amount agreed upon by both parties.

During the year, the Corporation received interest revenue in the amount of $6,250 from funds invested with the Province of Manitoba.

8. Fair Value of Financial Instruments and Financial Risk Management

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2012		2011	
Financial Asset/Liability	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Cash	**$ 140,441**	**$ 140,441**	$ 384,140	$ 384,140
Investment	**500,000**	**500,000**	500,000	500,000
Accounts receivable	**252,380**	**252,380**	21,488	21,488
Accounts payable and accrued liabilities	**8,248**	**8,248**	7,895	7,895
Operating advance payable	**500,000**	**500,000**	500,000	500,000

The fair value of the Corporation's financial instruments has been determined based on quoted prices from active markets.

Financial Risk Management - Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - → Interest risk
  - → Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance in accordance with its risk management framework.

8. Fair Value of Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash, short-term investment and accounts receivable.

The maximum exposure of the Corporation to credit risk at March 31, 2012 is:

Cash	$	140,441
Investment		500,000
Account receivable		252,380
	$	892,821

Cash and short-term investment – The Corporation is not exposed to significant risk as the cash and short-term investment are held by the Minister of Finance.

Accounts receivable – Trade - The Corporation is not exposed to significant credit risk as trade receivables are typically collected within 30 days. The Corporation does not establish an allowance for doubtful accounts as the potential for any receivable impairment is negligible.

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 through cash management. Accounts payable and accrued liabilities are typically paid when due. In the case of the operating advance payable a matching short-term investment exists should a demand for repayment occur.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the fair value of its financial instruments. The significant market risks the Corporation is exposed to are interest rate risk and foreign currency risk.

8. Fair Value of Financial Instruments and Financial Risk Management (continued)

Interest Rate Risk

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

The interest rate risk on the short-term investment is low because of its short-term nature.

The interest rate risk on operating advance payable is nil because it is non-interest bearing.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

9. Capital Management

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations. Capital consists of retained earnings in the amount of $376,876 ($356,584 in 2011). The Corporation is not subject to externally imposed capital requirements. There have been no changes in the Corporation's approach to capital management during the year.

10. Public Sector Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Corporation's Board members and of individual compensation paid to Board members or staff, where such compensation is $50,000 or more per year.

During the current and prior year, there was no compensation paid to Board members. The Corporation no longer has employees as of January 19, 2008.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

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

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

David Shwaluk, P.Eng.
A/General Manager

C. Brigden
Chief Financial Officer

September 7, 2012

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Manitoba Water Services Board, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations, change in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Water Services Board as at March 31, 2012, March 31, 2011, and April 1, 2010, and its results of operations, its changes in net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

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

THE MANITOBA WATER SERVICES BOARD

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
Financial assets			
Cash	$ 2,214,663	$ 969,371	$ 2,483,044
Accounts receivable	4,250,527	10,417,304	2,248,801
Accrued interest	3,074	1,770	976
	6,468,264	11,388,445	4,732,821
Liabilities			
Accounts payable and accrued charges	6,205,561	7,829,386	5,376,274
Advances from the Province of Manitoba payable on demand (note 13)	7,800,000	10,900,000	6,450,800
	14,005,561	18,729,386	11,827,074
Net debt	(7,537,297)	(7,340,941)	(7,094,253)
Non-financial assets			
Construction in progress (note 4)	7,888,321	7,319,536	7,030,501
Tangible capital assets (note 5)	10,494	10,494	10,494
Prepaid supplies	62,770	67,307	67,159
	7,961,585	$ 7,397,337	7,108,154
Accumulated surplus (note 6)	$ 424,288	$ 56,396	$ 13,901

Commitments (note 9)
Contingencies (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Chair

THE MANITOBA WATER SERVICES BOARD

Statements of Operations

Years ended March 31, 2012 and 2011

	Budget (Unaudited - note 14)	2012	2011
Revenues:			
Sale of water	$ 3,500,000	$ 3,940,076	$ 3,255,200
Administrative expenses paid by the Province of Manitoba (note 8)	2,454,000	2,263,000	2,023,662
Interest	2,500	1,304	3,325
	5,956,500	6,204,380	5,282,187
Expenses:			
Direct expenses for water supply plants:			
Interest expense	150,000	192,000	271,319
Interest allocated to new construction	(275,000)	(267,941)	(352,718)
	(125,000)	(75,941)	(81,399)
Chemicals	285,000	316,784	230,444
Heat, telephone, light and power	750,000	780,340	728,231
Professional services	700,000	745,062	660,481
Salaries and benefits	775,000	806,952	735,069
Repairs and maintenance	490,000	717,203	450,467
Administrative (note 8)	2,454,000	2,263,000	2,023,662
	5,329,000	5,553,400	4,746,955
Annual surplus	627,500	650,980	535,232
Accumulated surplus, beginning of year	56,396	56,396	13,901
Disposition of surplus (note 6)	(200,000)	(283,088)	(492,737)
Accumulated surplus, end of year	$ 483,896	$ 424,288	$ 56,396

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statements of Change in Net Debt

Years ended March 31, 2012 and 2011

	Budget (Unaudited - note 14)	2012	2011
Annual surplus	$ 627,500	$ 650,980	$ 535,232
New construction costs	(45,100,000)	(48,619,630)	(50,875,799)
Funds recovered from:			
Province of Manitoba	10,813,000	10,634,908	10,615,365
Municipalities	34,287,000	37,415,937	39,971,399
	–	(568,785)	(289,035)
Decrease (increase) in prepaid supplies	1,000	4,537	(148)
Disposition of surplus	(200,000)	(283,088)	(492,737)
Increase in net debt	428,500	(196,356)	(246,688)
Net debt, beginning of year	(7,340,941)	(7,340,941)	(7,094,253)
Net debt, end of year	$ (6,912,441)	$ (7,537,297)	$ (7,340,941)

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 650,980	$ 535,232
Change in non-cash operating working capital:		
Accounts receivable	6,166,777	(8,168,503)
Prepaid supplies	4,537	(148)
Accounts payable and accrued charges	(1,623,825)	2,453,112
Accrued interest	(1,304)	(794)
Cash provided by (used in) operating activities	5,197,165	(5,181,101)
Financing activities:		
Advances received	8,800,000	16,300,000
Advances repaid	(11,900,000)	(11,850,800)
Cash provided by (used in) financing activities	(3,100,000)	4,449,200
Capital activities:		
New construction costs	(48,619,630)	(50,875,799)
Funding recovered from:		
Province of Manitoba	10,634,908	10,615,365
Municipalities	37,415,937	39,971,399
Increase in construction in progress	(568,785)	(289,035)
Net plant surplus transferred to municipalities	(283,088)	(492,737)
Cash used in capital activities	(851,873)	(781,772)
Increase (decrease) in cash	1,245,292	(1,513,673)
Cash, beginning of year	969,371	2,483,044
Cash, end of year	$ 2,214,663	$ 969,371

See accompanying notes to financial statements.

1. Nature of operations:

The Manitoba Water Services Board (the Board) was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board assists municipalities with the development of sustainable water and wastewater works, including; water supply, treatment, storage and distribution; collection and treatment of sewage; the disposal of treated effluent and waste sludge in an environmentally sustainable manner and the provision of drought resistant, safe water supplies to rural residents for domestic and livestock needs.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared using Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Conversion to Public Sector Accounting Standards:

Commencing with the 2011/12 fiscal year, the Board has adopted Canadian public sector accounting standards. These financial statements are the first financial statements that the Board has applied Canadian public sector accounting standards. The Board has early adopted the accounting standards contained in section PS 1201 - *Financial statement presentation*, section PS 3410 - *Government transfers*, section PS 2601 - *Foreign currency translation*, and section PS 3450 - *Financial instruments* in the preparation of these financial statements.

There is no impact on the opening balances as at April 1, 2010 or the balances for the year ended March 31, 2011, as previously reported, as a result of the conversion to Canadian public sector accounting standards.

2. **Significant accounting policies (continued):**

(c) Tangible capital assets and construction in progress:

Tangible capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Asset	Term
Plants constructed prior to January 1, 1972:	
Equipment	18 years
Buildings	35 years
Plants constructed after January 1, 1972:	
Equipment	20 years
Buildings	20 years

Tangible capital assets which are constructed by the Board are recorded as construction in progress until the capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the construction in progress amounts.

(d) Revenue recognition:

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(e) 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.

(f) 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.

2. Significant accounting policies (continued):

(g) Use of estimates:

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

3. Financial instruments and financial risk management:

(a) Classification and measurement of financial instruments:

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

The Board records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and accrued interest. The Board also records its financial liabilities at cost or amortized cost, which include accounts payable and accrued charges and advances from the province of Manitoba.

The financial assets and liabilities of the Board are classified and measured as follows:

Financial asset/liability	Category	Subsequent measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued interest	Loans and receivables	Amortized cost
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Advances from Province of Manitoba	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest method.

3. Financial instruments and financial risk management (continued):

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

The Board did not incur any remeasurement gains and losses during the year (2011 - nil).

(b) Financial risk management - overview:

The Board has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk, and
- Foreign currency risk

The Board manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Board's Directors have the overall responsibility for the establishment and oversight of the Board's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Board has exposure to the following risks associated with its financial instruments:

Credit risk:

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

The maximum exposure of the Board's credit risk is as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Cash	$ 2,214,663	$ 969,371	$ 2,483,044
Accounts receivable	4,250,527	10,417,304	2,248,801
Accrued interest	3,074	1,770	976
	$ 6,468,264	$ 11,388,445	$ 4,732,821

3. Financial instruments and financial risk management (continued):

Cash: The Board is not exposed to significant credit risk as the cash is primarily held with a large reputable financial institution.

Accounts receivable: The Board is not exposed to significant credit risk as the receivables are with Municipal and other government entities and payment in full is typically collected when it is due. Credit evaluations are done for each Rural Municipality.

The aging of accounts receivable are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Current	$ 2,084,236	$ 2,441,397	$ 1,803,007
30-60 days past billing date	1,043,050	4,702,989	16,028
60-90 days past billing date	760,603	3,272,918	429,766
90-120 days past billing date	362,638	–	–
	$ 4,250,527	$ 10,417,304	$ 2,248,801

Accrued interest: The Board is not exposed to significant credit risk as the accrued interest relates to one receivable with a town for ongoing construction and payment is anticipated at the completion of the work.

Liquidity risk:

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due. The Board manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances as required. The Board prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified capital supply requirements are reviewed and approved by the Minister of Finance to ensure adequate funding will be available to meet the Board's obligations utilizing bridge financing through The *Loan Act*. The Board continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba.

The interest rate risk on the above exposures is considered to be low because of their short-term nature.

4. Construction in progress:

	March 31, 2012	March 31, 2011	April 1, 2010
Balance, beginning of year	$ 7,319,536	$ 7,030,501	$ 1,187,164
New construction costs	48,619,631	50,875,799	38,244,542
	55,939,167	57,906,300	39,431,706
Funding recovered from:			
Municipalities	37,415,937	39,971,399	20,866,996
Province of Manitoba	10,634,909	10,615,365	11,534,209
	48,050,846	50,586,764	32,401,205
Construction in progress	$ 7,888,321	$ 7,319,536	$ 7,030,501

5. Tangible capital assets:

March 31, 2012	Cost	Accumulated amortization	Net book value
Land and easements	$ 10,494	$ –	$ 10,494
Buildings	526,032	526,032	–
Equipment	132,628	132,628	–
	$ 669,154	$ 658,660	$ 10,494

March 31, 2011	Cost	Accumulated amortization	Net book value
Land and easements	$ 10,494	$ –	$ 10,494
Buildings	526,032	526,032	–
Equipment	132,628	132,628	–
	$ 669,154	$ 658,660	$ 10,494

April 1, 2010	Cost	Accumulated amortization	Net book value
Land and easements	$ 10,494	$ –	$ 10,494
Buildings	526,032	526,032	–
Equipment	132,628	132,628	–
	$ 669,154	$ 658,660	$ 10,494

6. Accumulated surplus:

Accumulated surplus consist of accumulated excess revenues over expenses pertaining to the water supply plants operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities. Net plant surplus transferred to municipalities during the year amount to $283,088 (2011 - $492,737).

	No.	March 31, 2012	No.	March 31, 2011	No.	April 1, 2010
Plants operated by the Board:						
Plants with a deficit	5	$ (2,728,289)	6	$ (3,150,396)	5	$ (806,142)
Plants with a surplus	5	3,052,577	4	3,106,792	2	720,043
Total funds retained (deficit), water supply plants	10	324,288	10	(43,604)	7	(86,099)
Interest and adjustment fund account (note 7)		100,000		100,000		100,000
		$ 424,288		$ 56,396		$ 13,901

Net plant surplus (deficit) transactions during 2011/2012 include capital works approved by the Board for the Baldur water treatment plant and regional systems operated by the Board including, Cartier Regional, G3 Regional and the Southwest Regional Water Co-operatives.

7. Interest and adjustment fund account:

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest costs incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

8. **Administrative expenses paid by the Province of Manitoba:**

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

	2012	2011
Professional services	$ 13,088	$ 8,737
Salaries and benefits	1,982,644	1,742,837
Telephone and utilities	14,884	15,330
Travel	981	2,177
Rental for office premises	149,908	150,999
Other administrative	101,495	103,582
	$ 2,263,000	$ 2,023,662

9. **Commitments:**

The Board has commitments as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives	$ 46,198,000	$ 58,203,900	$ 59,459,000
These commitments are expected to be funded as follows:			
Subsidization of construction costs - Province of Manitoba	$ 18,807,200	$ 18,690,900	$ 18,679,200
Recovery of construction costs - municipalities and cooperatives	27,390,800	39,513,000	40,779,800
	$ 46,198,000	$ 58,203,900	$ 59,459,000

10. **Contingencies:**

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

11. Related party transactions:

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

12. Economic dependency:

The Board is economically dependent on the Province of Manitoba.

13. Unfixed advances from the Province of Manitoba:

The Board finances construction in progress by borrowing advances from the Province through The *Loan Act*. The Board pays interest on these unfixed advances. Interest payable is set at Prime less 0.75 percent. During 2011/2012 the rate of interest charged was 2.50 percent on a quarterly basis. These advances are repaid once funding is received from the municipalities and cooperatives and the Province for their share of the eligible project costs.

As at March 31, 2012, the Province had unused authority of $60,339,000 under The *Loan Act* - 2011 to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

14. Budgeted figures:

The unaudited budgeted figures presented in these financial statements have been derived from the estimates approved by the Board.

BDO

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

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

Independent Auditor's Report

To the Directors of the Metis Child and Family Services Authority

We have audited the accompanying financial statements of the Metis Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Metis Child and Family Services Authority as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters
The financial statements of the Metis Child and Family Services Authority for the year ended March 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on August 20, 2011.

Our examination did not include a review of the the 2012 budget figures and, consequently, we do not express an opinion on these figures.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 30, 2012

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Financial Position

March 31	2012	2011
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 1,283,945	$ 918,700
Accounts receivable (Note 3)	639,532	293,745
Prepaid expenses	9,744	11,012
	1,933,221	1,223,457
Advances due from agencies (Note 5)	4,567,500	2,967,500
Capital assets (Note 4)	63,369	72,742
	$ 6,564,090	$ 4,263,699
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 447,434	$ 527,145
Deferred revenue (Note 7)	1,349,903	560,428
	1,797,337	1,087,573
Advance due to Province of Manitoba (Note 5)	4,567,500	2,967,500
Deferred contributions related to capital assets (Note 8)	63,369	72,742
	6,428,206	4,127,815
Commitments (Note 11)		
Net Assets		
Unrestricted net assets (Page 4)	135,884	135,884
	$ 6,564,090	$ 4,263,699

Approved on behalf of the Board of Directors:

_____________________ Director

_____________________ Director

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

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Operations and Changes in Net Assets

For the year ended March 31	2012	2012	2011
	Budget (Unaudited)	**Actual**	**Actual**
Revenue			
Province of Manitoba (Note 9)	$ 15,524,266	$ 16,265,674	$ 10,500,044
Other	-	30,543	-
Amortization of deferred contributions (Note 8)	30,000	29,203	34,596
Interest	2,000	2,243	1,581
	15,556,266	16,327,663	10,536,221
Expenses			
Agency operations (Schedules 3 and 4)	13,118,997	14,234,907	8,263,402
Salaries and benefits	1,346,240	1,382,636	1,165,062
Office	201,500	210,221	215,725
Professional fees	495,829	175,837	727,580
Agency education and training	127,000	117,594	95,106
Information technology	70,000	48,634	43,404
Board expenses	50,000	47,383	45,433
Staff expenses	33,000	30,279	19,991
Amortization of capital assets	30,000	29,203	34,596
Communications	43,600	14,180	11,214
Annual general meeting	12,300	13,354	10,801
Professional development	12,000	12,476	10,535
Insurance	11,000	9,708	9,106
Bank charges	800	751	723
Other	4,000	500	14,185
	15,556,266	16,327,663	10,666,863
Excess (deficiency) of revenue over expenses	-	-	(130,642)
Net assets, beginning of year		135,884	266,526
Net assets, end of year		$ 135,884	$ 135,884

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

METIS CHILD AND FAMILY SERVICES AUTHORITY
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	$ -	$ (130,642)
Adjustments for non-cash items		
Amortization of capital assets	29,203	34,596
Amortization of deferred contributions related to capital assets	(29,203)	(34,596)
	-	(130,642)
Changes in non-cash working capital items		
Accounts receivable	(345,787)	583,897
Due to agencies	5,993	(487,006)
Prepaid expenses	1,268	54,058
Accounts payable and accrued liabilities	(85,704)	26,138
Deferred contribution	789,475	11,499
	365,245	57,944
Cash Flows from Investing Activities		
Purchase of capital assets	(19,829)	(6,321)
Contributions received for purchase of capital assets	19,829	6,321
	-	-
Increase in cash and cash equivalents for the year	365,245	57,944
Cash and cash equivalents, beginning of year	918,700	860,756
Cash and cash equivalents, end of year	$ 1,283,945	$ 918,700

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

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using the accrual basis of accounting.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The Authority utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Agencies	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to Province of Manitoba	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

Transition costs are expensed as incurred.

For the year ended March 31, 2012

Capital Assets

Capital assets funded by the Province of Manitoba are recorded at cost less accumulated amortization and the related funding is recorded as deferred contributions.

Deferred contributions are amortized in accordance with the estimated useful lives of the assets to which they relate.

Other capital assets are recorded at cost less accumulated amortization.

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

Computer equipment	5 years
Office furniture and equipment	5 years

Use of Estimates

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

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and Public Sector Accounting Board ("Boards") issued new standards for not-for-profit organizations ("NPOs") as follows:

For government (public sector) NPOs they have a choice of:

1. Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

Cash and cash equivalents

Cash and cash equivalent consist of cash on hand, bank balances and investments in cashable instruments.

Pension Plan

The Authority also maintains defined contribution pension plans for its personnel. Expense for this plan is equal to the Authority's required contribution for the year.

1. Nature of Organization

The Metis Child and Family Services Authority (the "Authority") was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Metis and Inuit people. In partnership with the Manitoba Metis Federation and the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of Metis and Inuit people in Manitoba.

The Authority is a non-profit organization and as such is exempt from income taxes under The Income Tax Act (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Cash and cash equivalents

Cash and cash equivalents contains guaranteed investment certificates in the amount of $10,000. The GICs bear interest at rates ranging from 0.75% to 0.90% and matures in August and November 2012.

3. Accounts Receivable

	2012	2011
Due from Province of Manitoba	$ 523,285	$ 200,818
GST receivable	5,096	12,909
Other	111,151	80,018
	$ 639,532	$ 293,745

4. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 144,965	$ 105,790	$ 39,175	$ 127,753	$ 87,955	$ 39,798
Furniture and fixtures	62,811	38,617	24,194	60,194	27,250	32,944
	$ 207,776	$ 144,407	$ 63,369	$ 187,947	$ 115,205	$ 72,742

5. Advances due from Agencies and Advance due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $4,567,500 ($2,967,500 in 2011), which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2012	2011
Metis Child, Family and Community Services	$ 3,813,048	$ 2,967,500
Michif Child & Family Services	754,452	-
	$ 4,567,500	$ 2,967,500

6. Accounts Payable and Accrued Liabilities

	2012	2011
Due to agencies	$ 205,294	$ 199,301
Trade payables	84,442	225,514
Accrued expenses	157,698	102,330
	$ 447,434	$ 527,145

7. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

	2012	2011
Balance, beginning of year	$ 560,428	$ 548,929
Unspent contributions received:		
Province of Manitoba - Core operations	422,448	30,360
Province of Manitoba - Standing Committee	711,100	477,999
	1,133,548	508,359
Less amounts recognized as revenue in the year		
Core operations	(82,429)	(45,107)
Standing Committee	(261,644)	(451,753)
	(344,073)	(496,860)
Balance, end of year	$ 1,349,903	$ 560,428

Deferred contributions are restricted for the following programs as at March 31:

	2012	2011
Core operations	$ 421,871	$ 82,429
Standing committee operations	428,032	477,999
Standing committee - differential response	500,000	-
	$ 1,349,903	$ 560,428

8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represents funds received during the year for the purpose of purchasing furniture, computers and other equipment. These contributions are deferred and subsequently amortized on the same basis as the related assets.

	2012	2011
Balance, beginning of year	$ 72,742	$ 101,017
Funds received:		
Province of Manitoba	19,830	6,321
Less amortization	(29,203)	(34,596)
Balance, end of year	$ 63,369	$ 72,742

9. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	$ 23,743,072
Add	
Deferred revenue amounts recognized as revenue in the year	344,073
Funding claims subsequent to confirmation	105,786
	449,859
Deduct	
Unspent contributions received	1,133,548
Working capital advances	1,600,000
Grants related to capital assets	19,829
New funding modal adjustment to agencies	5,143,520
Funding of prior year accounts receivable	30,360
	7,927,257
Revenue from Province of Manitoba	$ 16,265,674

10. Related Party Disclosures

The Authority rents office space from the Manitoba Metis Federation Inc. as disclosed in Note 11. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

This transaction is in the normal course of operations and is measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for the leased premises.

11. Commitments

The Authority leases office space from the Manitoba Metis Federation Inc and is currently leasing the space on a month-to-month basis as its previous lease expired on March 20, 2012. The Authority is currently in the process of negotiating a 10 year lease and expects the minimum annual lease payments of $181,716.

The Authority has also entered into various agreements to purchase and maintain computers and office equipment until March 31, 2015.

Minimum annual lease payments over the next five years are as follows:

2013	$ 192,997
2014	193,785
2015	193,785
2016	183,808
2017	181,716

12. Capital Management

The Authority considers its capital to comprise its unrestricted net assets. There have been no changes to what the Authority considers to be its capital since the previous period.

The Authority's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue with improvement of the financial situation of families through the provision of services and information on a range of financial issues.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Authority monitors capital quarterly through the Board of Directors meeting. During the year, the Authority's strategy was to protect its capital through managing revenues and expenses as well as through maintaining a balanced investment portfolio. The strategy remained unchanged from the previous year.

13. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit Risk

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

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $639,532 ($293,745 at March 31, 2011).

The Authority is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies funded by the Authority.

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

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

13. Financial Risk Management (continued)

Liquidity Risk

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

Fair Value

The carrying values of cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

14. Pension

During the year the Authority contributed $28,760 (2011 - $21,745) to a defined contribution pension plan. Contributions are made at 3% of employee salaries and invested in RRSPs held with Great-West Life.

15. Economic Dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

BDO

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

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

Auditor's Comments on Supplementary Financial Information

To the Directors of METIS CHILD AND FAMILY SERVICES AUTHORITY

We have audited the financial statements of the **METIS CHILD AND FAMILY SERVICES AUTHORITY**, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated July 30, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedules 1, 2 and 3 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information is prepared to assist the **METIS CHILD AND FAMILY SERVICES AUTHORITY** to meet the requirements of the Province of Manitoba Department of Family Services and Housing, Child Protection Branch (the "Province"). As a result, the supplementary information is not presented in accordance with Canadian generally accepted accounting principles and may not be suitable for another purpose. Our report is intended solely for the **METIS CHILD AND FAMILY SERVICES AUTHORITY** and the Minister and should not be distributed to or used by parties other than the **METIS CHILD AND FAMILY SERVICES AUTHORITY** or the Province.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 30, 2012

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 1 - Statement of Program Operations: Core Operations

For the year ended March 31	2012	2012	2011
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba - Core	$ 1,658,839	$ 1,576,928	$ 1,422,879
Grant - Province of Manitoba - Education and training	127,000	117,594	95,106
Grant - Province of Manitoba - Other	33,330	74,602	39,903
Amortization of deferred contributions related to capital assets	20,000	18,707	24,100
Interest	2,000	2,243	1,581
	1,841,169	1,790,074	1,583,569
Expenses			
Salaries and benefits	1,219,154	1,255,236	1,059,269
Office	129,000	134,545	137,234
Professional fees	155,615	125,837	294,796
Agency education and training	127,000	117,594	95,106
Board expenses	50,000	47,383	45,433
Staff expenses	28,000	28,836	15,256
Information technology	40,000	19,593	13,806
Amortization of capital assets	20,000	18,707	24,100
Annual general meeting	12,300	13,354	10,801
Communications	40,300	11,096	7,897
Professional development	7,000	10,670	1,557
Insurance	8,000	6,472	4,568
Bank charges	800	751	723
Other	4,000	-	3,665
	1,841,169	1,790,074	1,714,211
Excess (deficiency) of revenue over expenses	$ -	$ -	$ (130,642)

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 2 - Statement of Program Operations: Office of the Child and Family Services Standing Committee

For the year ended March 31	2012	2012	2011
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba	$ 586,100	$ 261,643	$ 678,754
Other	-	30,543	-
Amortization of deferred contributions related to capital assets	10,000	10,496	10,496
	596,100	302,682	689,250
Expenses			
Salaries and benefits	127,086	127,400	105,793
Office	72,500	75,676	78,491
Professional fees	340,214	50,000	432,784
Information technology	30,000	29,041	29,598
Amortization of capital assets	10,000	10,496	10,496
Insurance	3,000	3,236	4,538
Communications	3,300	3,084	3,317
Professional development	5,000	1,806	8,978
Staff expenses	5,000	1,443	4,735
Other	-	500	10,520
	596,100	302,682	689,250
Excess of revenue over expenses	$ -	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 3 - Statement of Program Operations: Metis Child, Family and Community Services Agency Inc

For the year ended March 31	2012	2012	2011
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba			
Core and Operational	$ 10,304,665	$ 10,319,765	$ 7,039,800
Other	-	614,655	801,452
Differential Response	-	422,150	422,150
	10,304,665	11,356,570	8,263,402
Expenses			
Grant to Agency			
Core and Operational	10,304,665	10,319,765	7,039,800
Other	-	614,655	801,452
Other	-	422,150	422,150
	10,304,665	11,356,570	8,263,402
Excess of revenue over expenses	$ -	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
Schedule 4 - Statement of Program Operations: Michif Child and Family Services Inc.

For the year ended March 31	2012	2012	2011
	Budget (unaudited)	Actual	Actual
Revenue			
Grant - Province of Manitoba			
Core and Operational	$ 2,814,332	$ 2,814,332	$ -
Other	-	64,005	-
	2,814,332	2,878,337	-
Expenses			
Grant to Agency			
Core and Operational	2,814,332	2,814,332	-
Other	-	64,005	-
	2,814,332	2,878,337	-
Excess of revenue over expenses	$ -	$ -	$ -

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

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

INDEPENDENT AUDITORS' REPORT

To the Directors of Taking Charge! Inc./Se Prendre En Main! Inc.

We have audited the accompanying financial statements of Taking Charge! Inc./Se Prendre En Main! Inc., which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Taking Charge! Inc./Se Prendre En Main! Inc as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

May 28, 2012

Winnipeg, Canada

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Accounts receivable	$ 170,617	$ 195,494
Goods and services tax receivable	6,094	10,580
Prepaid expenses	56,072	65,502
	232,783	271,576
Capital assets (note 3)	672,530	289,817
	$ 905,313	$ 561,393
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 4)	$ 157,235	$ 115,299
Accounts payable and accrued liabilities	103,543	255,461
Demand bank loan (note 5)	190,072	70,360
	450,850	441,120
Deferred contributions (note 6):		
Expenses of future periods	30,618	80,963
Capital assets	471,646	55,572
	502,264	136,535
Net assets:		
Unrestricted	(248,685)	(250,507)
Invested in capital assets (note 7(a))	200,884	234,245
	(47,801)	(16,262)
Commitment (note 9)		
	$ 905,313	$ 561,393

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Director

______________________ Director

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Province of Manitoba:		
Entrepreneurship, Training and Trade	$ 1,000,331	$ 1,071,757
Advanced Education and Literacy	50,000	49,900
Labour and Immigration	50,000	49,900
Klinic - Parent/Child Coalition	–	467
Province of Manitoba - Family Services and Housing:		
Child Daycare:		
Parent fees	18,135	18,132
Parent subsidies	272,484	262,579
Operating grant	372,796	366,234
Staff training grant	8,237	564
Staff pension grant	12,636	4,702
Staffing grant	1,162	9,358
Wages grant	2,315	6,692
Other:		
Interest	–	(1,699)
Donations and fund raising	1,375	488
Amortization of deferred contributions related to capital assets (note 6(b))	51,657	85,477
	1,841,128	1,924,551
Expenses:		
Direct client services (schedule):		
Taking Charge - participant support	59,232	54,537
Taking Charge - participant training	32,054	33,376
Employment Assistance Services - on-site	812,889	858,876
English as an Additional Language	150,000	149,702
Taking Charge of Academics	46,156	75,066
Taking Care - Child Daycare (schedule)	687,710	666,539
Special events and grant expenses	1,430	2,664
Amortization	71,814	97,339
Interest on demand bank loan	11,382	1,314
	1,872,667	1,939,413
Deficiency of revenues over expenses	$ (31,539)	$ (14,862)

See accompanying notes to financial statements.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

			2012	2011
	Unrestricted	Invested in capital assets	Total	Total
Balance, beginning of year	$ (250,507)	$ 234,245	$ (16,262)	$ (1,400)
Deficiency of revenues over expenses	(11,382)	(20,157)	(31,539)	(14,862)
Transfer of funds related to purchase of capital assets (note 7(b))	13,204	(13,204)	–	–
Balance, end of year	$ (248,685)	$ 200,884	$ (47,801)	$ (16,262)

See accompanying notes to financial statements.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (31,539)	$ (14,862)
Adjustments for:		
Amortization of deferred contributions related to capital assets	(51,657)	(85,477)
Amortization	71,814	97,339
Change in the following:		
Goods and services tax receivable	4,486	(2,171)
Accounts receivable	24,877	6,537
Contribution receivable	–	30,000
Prepaid expenses	9,430	(46,500)
Accounts payable and accrued liabilities	(151,917)	135,451
Net change in deferred contributions related to expenses of future periods	(50,345)	(5,422)
	(174,851)	114,895
Investing activities:		
Additions to capital assets	(454,528)	(260,630)
Financing activities:		
Increase in bank indebtedness	41,936	81,834
Repayment of demand bank loan	(43,101)	(34,000)
Demand bank loan funding for leasehold improvements	162,813	70,360
Additions to deferred contributions related to capital assets	467,731	27,541
	629,379	145,735
Cash, beginning and end of year	$ –	$ –
Supplementary cash flow information:		
Interest paid	$ 11,382	$ 1,314

See accompanying notes to financial statements.

1. General:

Taking Charge! Inc./Se Prendre En Main! Inc. (the Organization) is a not-for-profit organization which was incorporated under the Manitoba Corporations Act on April 5, 1995. The Organization is funded by the Province of Manitoba Department of Entrepreneurship, Training and Trade, Province of Manitoba Department of Labour and Immigration, Province of Manitoba Advanced Education and Literacy and the Province of Manitoba Department of Family Services and Housing (together, the Government) to help single parents on social assistance to become self-sufficient.

Any funds received which are not expended in accordance with the funding agreement with the Government or any funds which are unexpended or uncommitted at the end of the Organization's fiscal year are repayable to the government. If a deficit exists in the Organization at the end of its fiscal year, this deficit will not be funded by the Government.

Under Section 149 (1) (l) of the *Income Tax Act*, the Organization is exempt from income taxes.

2. Significant accounting policies:

(a) Financial instruments:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The Organization designated bank indebtedness as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities and demand bank loan as other liabilities. The Organization has neither available-for-sale nor held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

2. Significant accounting policies (continued):

The Organization has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation.* In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures,* and Section 3863, *Financial Instruments - Presentation*, the Organization has elected not to adopt these standards in the financial statements.

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at date of contribution. Repairs and maintenance are charged to expense. Betterments, which extend the estimated useful life of an asset are capitalized. Capital assets are amortized using the declining balance method at the following rates which are sufficient to amortize the costs over the estimated useful lives of the assets:

Asset	Rate
Computers	30%
Furniture and equipment	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

2. Significant accounting policies (continued):

(d) Use of estimates:

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

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Computers	$ 307,431	$ 304,822	$ 2,609	$ 3,727
Furniture and equipment	189,928	164,422	25,506	25,460
Leasehold improvements	709,448	65,033	644,415	260,630
	$ 1,206,807	$ 534,277	$ 672,530	$ 289,817

4. Bank indebtedness:

The Organization has an operating line of credit to a maximum of $165,000 (2011 - $75,000) to April 30, 2012 and then decreases to a maximum of $75,000. The operating line of credit is due on demand, bears interest at bank prime plus 1.75 percent and is unsecured. At March 31, 2012, the Organization had utilized $117,488 (2011 - $87,513) of the operating line of credit.

5. Demand bank loan:

The Organization has a demand bank loan which was utilized for funding of leasehold improvements. The demand bank loan is interest bearing at prime plus 2.75 percent and is secured by a general security agreement over all assets. Assuming payment of the demand bank loan is not demanded, principal payments required on the loan until maturity are as follows:

2013	$ 47,518
2014	47,518
2015	47,518
2016	47,518
	$ 190,072

6. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions relate to expenses of future periods and represent unspent Government funding. Deferred contributions will be recognized as income in the year when the related program expenditures are incurred.

	2012	2011
Balance, beginning of year	$ 80,963	$ 86,385
Add amount received related to future periods	16,145	33,618
Add amount received from Department of Advanced Education and Literacy	14,078	12,850
Amounts recognized as revenue in the year	(46,073)	(51,890)
Less amounts transferred to deferred contributions - capital assets	(34,495)	–
Balance, end of year	$ 30,618	$ 80,963

(b) Capital assets:

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

	2012	2011
Balance, beginning of year	$ 55,572	$ 113,508
Add contributions from:		
Winnipeg Foundation	52,000	–
Neighborhoods Alive	25,000	25,000
Manitoba Community Places	40,000	–
Manitoba Community Services Council	20,500	–
Province of Manitoba - Family Services and Housing - prior years' surplus	34,495	–
Province of Manitoba - Family Services and Housing - equipment grant	6,875	–
Longboat Properties LP - Landlord	286,562	–
Donations	2,299	2,541
	467,731	27,541
Less amount amortized to revenue	(51,657)	(85,477)
Balance, end of year	$ 471,646	$ 55,572

7. Invested in capital assets:

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

	2012	2011
Capital assets	$ 672,530	$ 289,817
Amounts financed by deferred contributions	(471,646)	(55,572)
	$ 200,884	$ 234,245

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

	2012	2011
Surplus of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 51,657	$ 85,477
Amortization of capital assets	(71,814)	(97,339)
	$ (20,157)	$ (11,862)

	2012	2011
Transfer of funds related to acquisition of capital assets:		
Purchase of capital assets	$ 454,527	$ 260,630
Amounts funded by deferred contributions in current year	(467,731)	(27,541)
	$ (13,204)	$ 233,089

8. Employee pension plan:

The employees of the Organization are members of a defined contribution pension plan administered by Standard Life.

Employer contributions made to the plan during the year amounted to $42,332 (2011 - $42,093).

9. Commitment:

The Organization rents premises under long-term operating leases. The following is a schedule by year of rental payments required under operating leases outstanding at March 31, 2012:

2013	$ 184,851
2014	184,851
2015	184,851
2016	184,851
2017	200,492
Thereafter	824,483
	$ 1,764,379

10. Fair value:

The fair value of accounts receivable, accounts payable and accrued liabilities and demand bank loan approximate their carrying value due to the short term nature of these instruments.

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Schedule - Expenses

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Taking Charge - participant support:		
Child care	$ 36,195	$ 36,659
Sundry	16,525	13,639
Transportation	6,512	4,239
	$ 59,232	$ 54,537
Taking Charge - participant training:		
Projects	$ 295	$ 4,982
Customized training	31,759	28,394
	$ 32,054	$ 33,376
Employment Assistance Services - on-site:		
Board	$ 5,016	$ 4,145
Communication	4,704	4,874
Employee benefits	105,380	103,661
Equipment lease	2,117	3,992
Janitorial and supplies	13,201	13,195
Office	16,024	18,710
Rent	78,370	115,587
Repairs and maintenance	8,895	4,357
Professional fees	17,350	20,979
Program materials (recovery)	(1,459)	10,259
Salaries	546,325	541,137
Staff development	3,719	2,517
Telephone	7,390	8,381
Travel mileage and parking	5,857	7,082
	$ 812,889	$ 858,876
English as an Additional Language:		
Board	$ 1,029	$ 871
Communication	144	540
Employee benefits	10,512	8,226
Equipment lease	408	818
Janitorial and supplies	2,972	3,063
Office	3,258	4,394
Rent	15,224	23,852
Repairs and maintenance	1,810	354
Professional fees	8,036	7,899
Program materials	2,976	4,332
Salaries	101,333	93,256
Staff development	724	310
Telephone	1,430	1,787
Travel	144	–
	$ 150,000	$ 149,702

TAKING CHARGE! INC./SE PRENDRE EN MAIN! INC.

Schedule - Expenses (continued)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Taking Charge of Academics:		
Board	$ 1,320	$ 1,093
Communication	611	1,046
Equipment lease	395	1,058
Janitorial and supplies	2,923	4,396
Office	4,726	6,507
Rent	15,622	37,782
Repairs and maintenance	2,475	375
Professional fees	12,435	14,140
Program materials	4,190	6,271
Staff development	204	200
Telephone	1,183	2,198
Travel	72	–
	$ 46,156	$ 75,066

	2012	2011
Taking Care - Child Daycare:		
Board	$ 3,104	$ 2,878
Communication	982	2,770
Employee benefits	81,822	85,234
Equipment lease	6,270	1,305
Food	13,102	11,659
Office	9,855	11,819
Janitorial and supplies	16,436	14,971
Professional fees	28,625	19,009
Rent	74,902	77,184
Repairs and maintenance	6,630	3,268
Salaries	424,636	422,807
Staff development	5,092	1,822
Supplies and materials	8,241	4,980
Telephone	6,488	5,850
Travel mileage and parking	1,525	983
	$ 687,710	$ 666,539

BDO

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

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

Rapport de l'auditeur indépendant

L'Assemblée législative du Manitoba
Le Bureau des gouverneurs de l'**Université de Saint-Boniface**

Rapport sur les états financiers
Nous avons effectué l'audit des états financiers ci-joints de l'**Université de Saint-Boniface**, qui comprennent le bilan au 31 mars 2012, l'état de l'évolution des soldes de fonds, l'état des résultats et l'état des flux de trésorerie pour l'exercice terminé à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction à l'égard des états financiers
La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux principes comptables généralement reconnus du Canada, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur
Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'organisme portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'organisme. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion
À notre avis, les états financiers donnent, dans tous les aspects significatifs, une image fidèle de la situation financière de l'**Université de Saint-Boniface** au 31 mars 2012, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux principes comptables généralement reconnus du Canada.

BDO Canada SRL

Comptables agréés

Winnipeg (Manitoba)
Le 26 juin 2012

Université de Saint-Boniface
Bilan

Au 31 mars

	Fonctionnement général 000 $	Fonds affectés 000 $	Immobilisations 000 $	Dotation 000 $	2012 000 $	2011 000 $
Actif						
Actif à court terme						
Encaisse (note 3)	7 173	-	-	-	7 173	6 333
Comptes à recevoir et autres actifs	1 725	-	-	290	2 015	2 799
	8 898	-	-	290	9 188	9 132
Placements (note 4)	11 949	-	-	10 921	22 870	21 951
Immobilisations (note 5)	-	-	26 774	-	26 774	25 032
Interfonds	(12 216)	12 001	-	215	-	-
	8 631	12 001	26 774	11 426	58 832	56 115
Passif et soldes de fonds						
Passif à court terme						
Comptes à payer et frais courus	3 263	-	-	-	3 263	3 947
Revenus reportés	427	-	-	-	427	411
Contributions reportées (note 6)	2 285	-	-	-	2 285	1 044
Emprunt à court terme (note 7)	146	-	-	-	146	159
	6 121	-	-	-	6 121	5 561
Emprunt à long terme (note 7)	-	-	-	-	-	146
Engagements (note 9)						
Soldes de fonds						
Non grevés d'affectations	2 510	-	-	-	2 510	2 509
Grevés d'affectations (note 11)	-	12 001	-	-	12 001	12 206
Investis en immobilisations	-	-	26 774	-	26 774	25 032
En dotation (note 12)	-	-	-	11 426	11 426	10 661
	2 510	12 001	26 774	11 426	52 711	50 408
	8 631	12 001	26 774	11 426	58 832	56 115

Approuvé par le Bureau des gouverneurs de l'Université de Saint-Boniface :

____________________ Président

____________________ Rectrice

Les notes afférentes font partie intégrante de ces états financiers.

Université de Saint-Boniface
État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars

	Fonctionnement général 000 $	Fonds affectés (note 11) 000 $	Immobilisations 000 $	Dotation 000 $	2012 000 $	2011 000 $
Solde, au début de l'exercice présenté antérieurement	2 509	10 911	25 032	11 956	50 408	36 801
Changement de présentation (note 10)	-	1 295	-	(1 295)	-	-
Solde, au début de l'exercice retraité	2 509	12 206	25 032	10 661	50 408	36 801
Excédent des revenus sur les dépenses pour l'exercice	901	381	227	794	2 303	13 607
Virements (note 11)						
Intérêts	(193)	193	-	-	-	-
Allocations pour projets futurs	(666)	666	-	-	-	-
Financement de projets	87	(87)	-	-	-	-
Reclassification de restrictions	-	29	-	(29)	-	-
Achats/transferts d'immobilisations	(128)	(1 387)	1 515	-	-	-
	(900)	(586)	1 515	(29)	-	-
Changement net de l'exercice	1	(205)	1 742	765	2 303	13 607
Solde, à la fin de l'exercice	2 510	12 001	26 774	11 426	52 711	50 408

Les notes afférentes font partie intégrante de ces états financiers.

Université de Saint-Boniface
État des résultats

Pour l'exercice terminé le 31 mars

	Fonctionnement général 000 $	Fonds affectés 000 $	Immobilisations 000 $	Dotation 000 $	2012 000 $	2011 000 $
Revenus						
Subventions						
Provincial	14 667	-	1 241	-	15 908	20 101
Fédéral	4 968	-	292	-	5 260	7 952
Droits de scolarité	3 804	-	-	-	3 804	3 861
Autres revenus	2 345	-	3	61	2 409	3 087
Dons	-	391	-	762	1 153	2 290
Produits financiers	536	-	-	333	869	1 698
	26 320	391	1 536	1 156	29 403	38 989
Dépenses						
Salaires et avantages sociaux	19 776	-	-	-	19 776	18 874
Matériel et autres	4 389	-	-	150	4 539	4 291
Amortissement	-	-	1 309	-	1 309	835
Déplacements et conférences	643	-	-	-	643	563
Services publics	511	-	-	-	511	520
Bourses et prix	100	10	-	212	322	299
	25 419	10	1 309	362	27 100	25 382
Excédent des revenus sur les dépenses pour l'exercice	901	381	227	794	2 303	13 607

Les notes afférentes font partie intégrante de ces états financiers.

Université de Saint-Boniface
État des flux de trésorerie

Pour l'exercice terminé le 31 mars	2012	2011
	000 $	000 $
Flux de trésorerie liés aux activités d'exploitation		
Excédent des revenus sur les dépenses pour l'exercice	**2 303**	13 607
Éléments hors caisse		
Amortissement des immobilisations	**1 309**	835
Gain sur vente d'immobilisations	**(3)**	-
	3 609	14 442
Variations d'éléments du fonds de roulement		
Comptes à recevoir et autres actifs	**784**	3 589
Comptes à payer et frais courus	**(684)**	(53)
Revenus reportés	**16**	22
Contributions reportées	**1 241**	(140)
	4 966	17 860
Flux de trésorerie liés aux activités de financement		
Augmentation (diminution) nette de l'emprunt	**(159)**	305
Flux de trésorerie liés aux activités d'investissement		
Achats d'immobilisations	**(3 055)**	(11 069)
Vente d'immobilisations	**7**	-
Augmentation des placements	**(919)**	(1 535)
	(3 967)	(12 604)
Augmentation nette de l'encaisse	**840**	5 561
Encaisse, au début de l'exercice	**6 333**	772
Encaisse, à la fin de l'exercice	**7 173**	6 333

Les notes afférentes font partie intégrante de ces états financiers.

1. Autorité et objectifs

L'Université de Saint-Boniface (« l'Université ») est constituée en corporation dans la province du Manitoba depuis 1871. L'Université est régie par son Bureau des gouverneurs sous l'autorité de la *Loi sur l'Université de Saint-Boniface*, C.P.L.M. c. U150.

L'Université est un organisme de bienfaisance enregistré et bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu*.

Le capital de l'Université est composé des fonds suivants : fonds non grevés d'affectations; fonds grevés d'affectations d'origine interne et externe; fonds investis en immobilisations; et fonds de dotation. Il n'y a eu aucun changement à ce que l'Université considère être son capital depuis l'année précédente.

L'Université a pour objectifs de répondre aux besoins éducatifs des collectivités francophones du Manitoba et du Canada et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, elle offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

L'Université gère son capital afin de s'assurer de maintenir les ressources nécessaires pour atteindre ses objectifs. L'Université veille aussi à maintenir les ressources nécessaires pour satisfaire à ses obligations telles que les dépenses générales et administratives, les réparations majeures et l'achat des immobilisations requises.

2. Sommaire des principales politiques comptables et des méthodes de présentation utilisées

Méthode de comptabilité

Les présents états financiers ont été dressés conformément aux principes comptables généralement reconnus du Canada. L'Université a adopté la méthode de comptabilité par fonds, et a comptabilisé les apports selon la méthode de comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

Il existe quatre fonds principaux à l'Université : le Fonds de fonctionnement général, les Fonds affectés, le Fonds des immobilisations et le Fonds de dotation.

2. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suite)

Méthode de comptabilité (suite)

Fonds de fonctionnement général

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et aux activités suivantes :

- Secteur universitaire
- École technique et professionnelle
- Éducation permanente
- Centre de recherche qui comprend le Centre d'études franco-canadiennes de l'Ouest et les apports affectés à la recherche
- Services Internes qui comprennent entre autres les opérations administratives, financières et informatiques ainsi que les services aux étudiants

Fonds affectés

Les Fonds affectés sont composés du fonds grevé d'affectations d'origine interne et du fonds grevé d'affectations d'origine externe. Le fonds d'affectations d'origine interne représente des fonds réservés par le Bureau des gouverneurs pour divers besoins futurs. Le fonds d'affectation d'origine externe provient de sommes reçues qui peuvent être utilisées dans leur intégralité selon les restrictions d'un donateur ou d'autres tiers.

Fonds des immobilisations

Le Fonds des immobilisations représente les actifs nets de l'Université qui ne sont pas disponibles pour d'autres buts parce qu'ils ont été investis en immobilisations.

Fonds de dotation

Le Fonds de dotation est constitué de sommes d'argent ou de valeurs mobilières obtenues par voie de legs, de dotation ou de dons et dont le capital est maintenu intact, tout comme les produits financiers qui en découlent, aux fins déterminées par le testateur ou donateur.

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général, à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Tous les autres apports affectés sont comptabilisés à titre de revenus soit du Fonds des immobilisations, soit des Fonds affectés, soit du Fonds de dotation, selon le cas.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

2. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suite)

Constatation des revenus (suite)

Les accords de financement qui sont conclus, sous forme de billets à ordre, avec le gouvernement provincial pour la construction ou l'acquisition d'immobilisations, sont enregistrés comme des subventions d'immobilisations. Ces billets à ordre seront remboursés à partir du financement futur accordé par le gouvernement provincial par l'intermédiaire du Conseil de l'enseignement postsecondaire (CEP). Les subventions d'immobilisations, selon la méthode de comptabilité par fonds affectés, sont comptabilisées à titre de revenus dans l'état des résultats. Le financement futur reçu du CEP en lien avec les billets à ordre pour couvrir les frais d'intérêts et les paiements du principal est exclu de l'état des résultats.

Les apports destinés à la dotation sont comptabilisés à titre de revenus du Fonds de dotation. Quant aux produits financiers générés par les ressources du Fonds de dotation, peu importe que ceux-ci aient été affectés ou non, ils sont comptabilisés à titre de revenus du Fonds de dotation.

Tous les autres produits financiers qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus du Fonds de fonctionnement général.

Instruments financiers

Les instruments financiers de l'Université comprennent l'encaisse, les comptes à recevoir, les placements, les comptes à payer et frais courus, et l'emprunt.

Les justes valeurs de l'encaisse, des comptes à recevoir, des comptes à payer et frais courus et de l'emprunt se rapprochent de leurs valeurs comptables en raison des échéances à court terme de ces instruments.

Les justes valeurs des placements sont estimées soit d'après le cours du marché pour des émissions similaires, soit d'après le taux actuel prévu pour des dettes similaires garanties par le gouvernement, de même échéance.

L'Université classe ses instruments financiers comme suit :

- L'encaisse et les placements sont classés comme actifs financiers détenus à des fins de transactions et sont reportés au bilan à la juste valeur avec les intérêts, les dividendes, les gains et les pertes réalisés et non réalisés comptabilisés sous la rubrique « Produits financiers » dans l'état des résultats.
- Les comptes à recevoir sont classés comme prêts et créances. Ces instruments financiers sont comptabilisés à leur coût amorti moins provision pour moins-value.
- Les comptes à payer et frais courus et l'emprunt sont classés comme autres passifs financiers. Ces passifs financiers sont comptabilisés à leur coût amorti.

Les coûts des transactions liées aux instruments financiers sont portés aux dépenses à mesure qu'ils sont engagés selon leur date de transaction.

2. **Sommaire des principales politiques comptables et des méthodes de présentation utilisées** (suite)

Instruments financiers (suite)

L'Université n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instrument de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée, car elle est jugée négligeable. L'Université n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

Immobilisations

Les immobilisations acquises par l'Université sont comptabilisées au coût moins l'amortissement cumulé, alors que celles qui sont reçues en dons sont comptabilisées à leur juste valeur marchande à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile estimative, laquelle est établie comme suit :

Immeubles et améliorations	60 ans
Terrain de stationnement	20 ans
Équipement et ameublement	10 ans
Équipement informatique et logiciels	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéodisques numériques, disques compacts, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations, ni amortis. Une évaluation de la valeur des collections n'est pas disponible.

L'Université reçoit quelquefois des dons en nature qui sont comptabilisés comme équipement et ameublement à leur juste valeur lorsque ceux-ci peuvent faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons en nature au 31 mars 2012 est de 126 000 $.

2. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suite)

Conversion de devises étrangères

Les montants relatifs à l'achat et à la vente de placements ainsi qu'aux revenus de dividendes et intérêts dans une devise étrangère sont convertis en dollars canadiens au taux de change en vigueur à la date de transaction. Les actifs et les passifs monétaires détenus dans une devise étrangère sont convertis en dollars canadiens au taux de change en vigueur à la fin de l'exercice. Les pertes ou les gains réalisés ou non réalisés sur des placements détenus dans une devise étrangère sont comptabilisés sous la rubrique « Produits financiers » dans l'état des résultats.

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités de l'Université. Les états financiers n'en rendent pas compte, car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur marchande.

Emploi des estimations

Selon les principes comptables généralement reconnus du Canada, la préparation des états financiers exige que la direction établisse des estimations et formule des hypothèses qui affectent la valeur de l'actif et du passif en date des états financiers, et la valeur des revenus et des dépenses de l'exercice en cours. Les résultats réels pourraient différer des meilleures estimations faites par la direction, au fur et à mesure que des informations supplémentaires seront disponibles.

Nouvelles prises de position en comptabilité

En décembre 2010, le Conseil des normes comptables et le Conseil sur la comptabilité dans le secteur public ont publié les nouvelles normes comptables pour les organismes sans but lucratif (OSBL). Les OSBL qui sont sous le contrôle du gouvernement suivront les normes comptables pour le secteur public, mais auront le choix d'y inclure les normes comptables courantes spécifiques aux OSBL avec des changements mineurs.

Les Conseils requièrent que les OSBL adoptent les normes comptables de leur choix pour les exercices débutant le 1er janvier 2012 ou après. La mise en œuvre avant cette date est autorisée. Les OSBL continueront d'appliquer les normes du *Manuel de l'institut canadien des comptables agréés* – Partie V – Normes comptables en vigueur avant le basculement – jusqu'à la date de mise en œuvre officielle.

L'Université a fait le choix de suivre les normes comptables pour le secteur public avec l'inclusion des normes comptables courantes spécifiques aux OSBL. Ce changement aura lieu pour l'exercice terminé le 31 mars 2013.

3. Encaisse

L'Université dispose d'une marge de crédit d'un montant autorisé de 3 000 000 $ portant des intérêts au taux préférentiel de l'institution financière plus 0,25 % (3,50 % au 31 mars 2012). La marge de crédit est garantie par un contrat de sûreté général de premier rang sur les actifs de l'Université, sauf l'immobilier. L'Université n'utilisait pas sa marge de crédit en date du 31 mars 2012 ni au 31 mars 2011.

4. Placements

	2012	2011
	000 $	000 $
Encaisse et marché monétaire	**1 556**	1 718
Titres à revenus fixes	**13 018**	12 069
Actions canadiennes	**4 738**	5 132
Actions étrangères - américaines	**1 594**	1 770
Actions étrangères - autres	**1 964**	1 262
	22 870	21 951

Les titres à revenus fixes portent des intérêts variant de 3,24 % à 7,10 % (de 3,05 % à 10,00 % en 2011) et viennent à échéance entre juin 2013 et juin 2108 (mai 2011 et juin 2108 en 2011).

Bien que l'Université ait des placements qui viennent à échéance dans moins d'un an, la direction a l'intention de réinvestir ces fonds directement. Pour cette raison, les placements sont regroupés dans la catégorie à long terme.

Pour l'exercice terminé le 31 mars 2012

5. Immobilisations

	Coût	Amortissement cumulé	2012 Valeur comptable nette	2011 Valeur comptable nette
	000 $	**000 $**	**000 $**	000 $
Terrain de stationnement	**962**	**136**	**826**	874
Immeubles et améliorations	**30 524**	**8 486**	**22 038**	11 157
Équipement et ameublements	**6 620**	**4 353**	**2 267**	1 580
Équipement informatique et logiciels	**7 726**	**6 083**	**1 643**	1 641
Construction en cours	**-**	**-**	**-**	9 780
	45 832	**19 058**	**26 774**	25 032

La construction du Pavillon Marcel-A.-Desaultels a été complétée en automne 2011. Les coûts ont donc été classifiés dans les catégories courantes d'immobilisations et l'amortissement a été comptabilisé pour la première fois en 2012.

6. Contributions reportées

Les contributions reportées sont constituées des apports qui ont été reçus aux fins d'activités et de projets particuliers, qui n'ont pas encore été dépensées. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2012	2011
	000 $	000 $
Solde, au début de l'exercice	**1 044**	1 184
Apports reçus	**2 433**	2 224
Virements aux revenus	**(1 192)**	(2 364)
Changement net de l'exercice	**1 241**	(140)
Solde, à la fin de l'exercice	**2 285**	1 044

7. Emprunt

L'Université a contracté un prêt au montant de 478 000 $ dans le cadre du financement de son nouveau système informatique. Le prêt porte un taux d'intérêt de 0 % et est remboursable sur une période de 36 mois venant à échéance en février 2013. Au 31 mars 2012, le solde du prêt est de 146 000 $ (305 000 $ en 2011).

8. Obligations relatives aux avantages sociaux et au régime de retraite des employés

Les obligations relatives aux avantages sociaux futurs, sauf le régime de retraite, se rapportent aux assurances vie et invalidité et à l'assurance médicale et dentaire des employés et des employées. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par l'Université et ses employés et employées. L'Université administre en outre son propre régime d'assurance invalidité de courte durée, dont elle assume les frais de congés pour cause de maladie ou d'accident. Les dépenses relatives aux congés sabbatiques et d'étude du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris. L'Université comptabilise les congés annuels et administratifs à venir de tous les membres de son personnel.

À partir du 1er septembre 2011, à la suite de modifications apportées à la *Loi sur les prestations de pension* de la Province du Manitoba, l'Université a établi son propre régime de retraite à cotisations déterminées. La participation des employés et employées a donc changé du *University of Manitoba Pension Plan (1970)*, au nouveau Régime de retraite de l'Université de Saint-Boniface (« Régime »). À compter de cette date, les prestations accumulées au nom des participants dans le régime antérieur ont été transférées au présent Régime. L'Université verse des cotisations patronales, ce qui constitue sa seule obligation, car elle n'assume aucune responsabilité quant au rendement des placements effectués dans le cadre du Régime.

Le Régime est conforme à la *Loi sur les prestations de pension du Manitoba* et à la *Loi de l'impôt sur le revenu* ainsi qu'aux règlements connexes. Le comité de retraite est responsable de l'administration du Régime. Ce comité est composé d'un membre avec droit de vote et de deux membres sans droits de vote élus par les participants au Régime ou nommés par le syndicat, selon le cas. L'Université de Saint-Boniface nomme au moins quatre représentants ayant droit de vote.

L'actif net disponible pour le service de prestation du Régime au 31 décembre 2011, sa fin d'année fiscale, a évolué comme suit :

	000 $
Actif net disponible pour le service des prestations, 1er septembre 2011	21 190
Cotisations - Promoteur	275
- Participants	268
Revenu de placement net	200
Actif net disponible pour le service des prestations, 31 décembre 2011	21 933

Les cotisations patronales pour l'exercice terminé le 31 mars 2012 se sont élevées à 977 000 $ (881 000 $ en 2011).

9. Engagements

Location d'équipement

L'Université est locataire de pièces d'équipement inhérentes à ses activités. Les dates d'expiration des contrats de location visés s'échelonneront sur les cinq prochains exercices financiers. Les loyers ainsi exigibles s'élèvent à moins de 122 000 $ par année.

Auto-assurance

L'Université est membre du Mécanisme d'assurance réciproque pour les universités canadiennes (CURIE), une coopérative d'auto-assurance qui comprend 58 universités et collèges canadiens. CURIE assure les biens, la responsabilité civile et les risques d'erreur et d'omission de ses membres. Si les primes perçues et les réserves cumulées sont insuffisantes pour couvrir les dépenses et les réclamations des membres, l'Université pourrait se voir dans l'obligation de payer des sommes additionnelles.

10. Changement de présentation - chiffres comparatifs

Dans le souci de mieux refléter les restrictions associées aux dons reçus, un changement de présentation a été fait dans les états financiers. Une nouvelle colonne a été ajoutée pour présenter les fonds affectés. Ces fonds résultent du regroupement des fonds grevés d'une affectation d'origine interne, autrefois présenté dans le fonds de fonctionnement général, et des fonds grevés d'une affectation d'origine externe autrefois inclus dans le fonds de dotation. De par la nature de ces dons qui peuvent être utilisés dans leur intégralité, la séparation de ceux-ci du fonds de dotation dont le capital est maintenu à perpétuité reflète une meilleure présentation.

Outre le regroupement de fonds, aucun autre changement n'a été apporté aux états financiers. Les chiffres de l'année précédente ont été modifiés afin de refléter les changements apportés à la présentation de l'année courante.

11. Soldes des fonds affectés

	Affectations d'origine interne								
	Bourses et prix 000 $	Campagnes futures/ appariement de dons 000 $	Projets stratégiques 000 $	Projets d'immobilisations 000 $	Financement de transition programmes et services 000 $	Affectations d'origine interne Total 000 $	Affectations d'origine externe Total 000 $ (note 10)	2012 000 $	2011 000 $
Solde, au début de l'exercice	2 317	961	1 236	3 834	2 563	10 911	1 295	12 206	10 710
Excédent des revenus sur les dépenses pour l'exercice	-	-	-	-	-	-	381	381	1 738
Virements									
Intérêts	39	16	23	71	44	193	-	193	214
Allocations pour projets futurs	-	-	138	528	-	666	-	666	1 120
Financement de projets	-	(52)	-	-	-	(52)	(35)	(87)	-
Reclassification de restrictions	-	-	-	-	-	-	29	29	-
Achats/transfert d'immobilisations	-	-	-	(189)	-	(189)	(1 198)	(1 387)	(1 576)
	39	(36)	161	410	44	618	(1 204)	(586)	(242)
Changement net de l'exercice	39	(36)	161	410	44	618	(823)	(205)	1 496
Solde, à la fin de l'exercice	2 356	925	1 397	4 244	2 607	11 529	472	12 001	12 206

11. Soldes des fonds affectés (suite)

Fonds grevé d'affectations d'origine interne

Le fonds grevé d'affectations d'origine interne comprend des soldes de fonds non affectés du Fonds de fonctionnement général qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs. Ce fonds est issu de provisions établies pour divers besoins, situations et événements connus et imprévus.

Une politique du Bureau régit la procédure relative à l'établissement, à la majoration et à la suppression de telles provisions et aux retraits qui en sont faits. Selon la politique en vigueur, les fonds d'affectations d'origine interne portent l'intérêt au taux annuel de l'indice des prix à la consommation de 1,7 % (2 % en 2011). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes :

Bourses et prix - Les produits financiers générés par le solde de ce fonds sont destinés à augmenter le montant annuel disponible pour l'attribution des bourses étudiantes qui proviennent des fonds d'affectations d'origine externe, du Fonds de dotation ainsi que des subventions et des dons annuels.

Campagnes futures de collecte de fonds/appariement des dons - Ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles, dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques - Ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de compléter des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues :

a) recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs et les professeures;

b) bibliothèque : les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

c) recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement : les fonds destinés à suppléer, de façon ponctuelle, aux besoins de base dans une situation où les ressources disponibles sont insuffisantes.

Projets d'immobilisations importantes - Ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques de l'Université, à la contribution d'une partie des coûts en capital d'un projet ou à l'acquisition de futures immobilisations.

11. Soldes des fonds affectés (suite)

Financement de transition de programmes et de services - Ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

Fonds grevé d'affectations d'origine externe

Le fonds grevé d'affectations d'origine externe comprend les dons reçus qui font l'objet d'une restriction par le donateur quant à leur utilisation mais pour lesquels le capital n'est pas maintenu à perpétuité. Ce fonds comptabilise les dons reçus pour des projets d'infrastructure tels que le Pavillon Marcel-A.-Desautels, des projets de recherche ou des projets futurs qui doivent encore être concrétisés. En 2012, un montant de 1 198 000 $ a été transféré au fonds d'immobilisations dont 570 000 $ (1 574 000 $ en 2011) représentant la dernière tranche rattachée à la construction du Pavillon Marcel-A.-Desautels.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

12. Fonds de dotation

Le fonds de dotation comprend, entre autres, les fonds de familles, de fondations et de corporations. Il comprend les dons assujettis à des restrictions des donateurs et dont le capital est maintenu à perpétuité. Le revenu de placement généré par ces fonds doit être utilisé en accord avec les diverses intentions exprimées par les donateurs, par exemple aux bourses et aux prix pour les étudiants et étudiantes. L'Université a établi une politique visant à préserver la valeur réelle de ces fonds. Le montant du revenu pouvant être dépensé est limité; et un montant est ajouté pour la préservation du capital. Le montant ajouté pour la préservation du capital peut varier d'année en année avec la variabilité des rendements annuels du capital investi, mais à long terme, l'intention est que ce montant viendra compenser l'effet cumulatif de l'inflation.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

13. Gestion des risques financiers

L'Université, dans le cours normal de ses activités, est exposée à différents risques, notamment le risque de crédit, du marché et des variations aux taux d'échange. L'objectif de l'Université en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble de ses activités.

13. Gestion des risques financiers (suite)

Risque de crédit

Le risque de crédit est le risque de perte couru par l'Université lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. L'Université est exposée principalement au risque de crédit au niveau des placements et des comptes à recevoir.

L'exposition maximale de l'Université au risque de crédit, qui ne tient compte d'aucune garantie ni d'autres améliorations des termes de crédit, est la suivante :

	2012	2011
	000 $	000 $
Placements	**22 870**	21 951
Comptes à recevoir - subventions	**1 202**	1 670
Comptes à recevoir - droits de scolarité et autres	**659**	879
	24 731	24 500

Il y a concentration du risque au niveau des placements lorsqu'une portion importante du portefeuille est constituée de placements dans des valeurs présentant des caractéristiques semblables ou sensibles aux mêmes facteurs économiques, politiques ou autres. Les énoncés de la politique et des procédures de placements de l'Université, qui sont revues chaque année, spécifient les placements admissibles ainsi que les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque. L'Université contrôle la santé financière de ses placements de manière continue avec l'aide de son comité de finances, de son sous-comité de placements et de ses conseillers en placements.

L'Université n'est pas exposée au risque de crédit significatif pour les comptes à recevoir – subventions parce qu'ils sont principalement recevables du gouvernement.

L'Université n'est pas exposée au risque de crédit significatif pour les comptes à recevoir – droits de scolarité et autres, puisqu'ils viennent d'une grande base de clients et que typiquement, le paiement est entièrement acquitté lorsqu'il est dû. L'Université a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant les conditions du marché courantes, l'analyse des clients et les tendances historiques de paiement.

Risque du marché

Le risque du marché correspond au risque de variation de la juste valeur d'instruments financiers découlant d'une fluctuation des paramètres affectant cette valeur, notamment les taux d'intérêt, les taux de change et leur volatilité.

13. Gestion des risques financiers (suite)

Les titres négociables détenus par l'Université sont soumis aux risques du marché. La valeur de ces instruments financiers fluctuera selon l'évolution des cours du marché ou des facteurs influant sur la valeur des placements qui les sous-tendent, tels que les taux d'intérêt, l'indice des prix à la consommation, l'incertitude économique, les modifications législatives, et la conjoncture politique à l'échelle nationale et internationale.

Risque de change

Les fluctuations de la valeur du dollar canadien par rapport aux devises étrangères se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par l'Université. Ces fluctuations pourraient réduire, voire effacer, tout rendement obtenu sur des titres étrangers. La position de change pourrait accroître la volatilité des investissements étrangers par rapport aux investissements canadiens.