

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021



MASC
Manitoba Agricultural Services Corporation



Responsibility for Financial Statements, Production Insurance Trust, and Hail Insurance Trust

The management of MASC is responsible for the integrity, objectivity, and reliability of the financial statements, the accompanying notes and other financial information in the annual report including the financial statements of MASC, the Production Insurance Trust, and the Hail Insurance Trust.

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 Document Signed

Jared Munro
Chief Executive Officer

Original Document Signed

Manon Pascal
Chief Financial Officer

July 20, 2021





INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Qualified Opinion

We have audited the financial statements of Manitoba Agricultural Services Corporation ("MASC"), which comprise the statement of financial position as at March 31, 2021, and the statement of operations, the statement of change in net financial assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of MASC as at March 31, 2021, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Qualified Opinion

Failure to recognize controlled assets

MASC has not consolidated the financial results and operations of the Production Insurance Trust and the Hail Insurance Trust (the Trusts) as part of MASC's financial statements as at March 31, 2021. In this respect, MASC's financial statements are not in accordance with Canadian public sector accounting standards. Canadian public sector accounting standards require that a government entity account for all of the assets under its control. In our opinion, MASC controls the Trusts and the financial results of the Trusts should be consolidated as part of MASC's financial results as at March 31, 2021.

Had MASC consolidated the results of the Trusts at March 31, 2021, income for the year would have increased \$113,126,000, the accumulated surplus would have increased \$593,225,000 and the following financial statement line items would have changed:

- An increase of \$476,081,000 to cash, an increase of \$117,559,000 to investments, an increase of \$5,605,000 in claims payable, a decrease of \$5,190,000 to contributions payable;





- An increase of \$1,854,000 of investment income, a decrease of \$98,771,000 in AgriInsurance Program expense, a decrease of \$12,501,000 in the Hail Insurance Program expense; and
- An increase of \$480,099,000 to opening accumulated surplus as at April 1, 2020.

Additionally, the comparative figures for March 31, 2020 would reflect:

- An increase of \$415,143,000 to cash, an increase of \$97,976,000 to investments, an increase of \$53,471,000 in claims payable, a decrease of \$20,451,000 to contributions payable, and an increase of \$480,099,000 to accumulated surplus as at March 31, 2020;
- An increase of \$8,740,000 of investment income, an increase of \$14,499,000 in AgriInsurance Program expense, an increase of \$4,098,000 in the Hail Insurance Program expense and a decrease in income for the year of \$9,857,000 for the year ended March 31, 2020.
- An increase of \$489,956,000 to opening accumulated surplus as at April 1, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MASC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Other than the matter described below, we have nothing to report in this regard.



As described in the Basis for Qualified Opinion section, MASC has not accounted for the Production Insurance Trust and the Hail Insurance Trust which are controlled by MASC. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Annual Report affected by this departure from PSAS.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one



resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 20, 2021

MANITOBA AGRICULTURAL SERVICES CORPORATION

Statement of Financial Position

AS OF MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	NOTE	2021	2020
FINANCIAL ASSETS			
Cash	8	\$ 16,767	\$ 5,659
Accounts receivable	9	3,783	4,440
Receivables from the Province of Manitoba	10	10,016	10,986
Receivables from the Government of Canada	11	5,902	6,968
Investments	12	297,212	302,963
Loans receivable	13	888,015	930,851
Total Financial Assets		\$ 1,221,695	\$ 1,261,867
LIABILITIES			
Accounts payable and accrued liabilities	14	\$ 9,132	\$ 15,477
Accounts payable Canadian Agricultural Partnership	15	12,304	-
Claims payable	16	4,388	6,835
Contributions payable	17	5,190	20,451
Loans from the Province of Manitoba	18	925,460	951,479
Provisions for losses on guaranteed loans	19	9,600	10,780
Future employee benefits	20	7,753	8,685
Total Liabilities		\$ 973,827	\$ 1,013,707
Net Financial Assets		\$ 247,868	\$ 248,160
NON-FINANCIAL ASSETS			
Inventories held for use	2	\$ 131	\$ 131
Prepaid expenses	2	426	307
Tangible capital assets	2	1,083	118
Total Non-Financial Assets		\$ 1,640	\$ 556
Accumulated Surplus		\$ 249,508	\$ 248,716

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

Approved by the Board:

Original Document Signed

Jim Wilson
Chair, Board of Directors

Original Document Signed

Charles Mayer
Vice Chair, Board of Directors

MANITOBA AGRICULTURAL SERVICES CORPORATION

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021		2020
	BUDGET	ACTUAL	ACTUAL
REVENUE			
Premiums from insured producers	\$ 114,191	\$ 108,850	\$ 111,714
Interest from loans	47,800	40,316	41,689
Contribution from the Province of Manitoba	103,364	95,740	94,271
Contribution from the Government of Canada	88,197	83,897	86,714
Investment income	4,430	1,757	5,397
Other income	106	72	773
	358,088	330,632	340,558
EXPENSE			
Lending programs	42,398	32,618	33,251
AgrilInsurance program	228,719	215,930	223,675
Hail Insurance program	28,100	25,604	27,983
Wildlife Damage Compensation program	7,738	6,841	9,429
Farmland School Tax Rebate program	49,304	47,017	44,511
Livestock Price Insurance program	1,793	925	1,633
Other programs	36	905	(163)
	358,088	329,840	340,319
Income (loss) for the year	\$ -	792	239
Accumulated surplus, beginning of year		248,716	248,477
Accumulated surplus, end of year		\$ 249,508	\$ 248,716

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

MANITOBA AGRICULTURAL SERVICES CORPORATION

Statement of Change in Net Financial Assets

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Income (loss) for the year	\$ 792	\$ 239
Tangible capital assets		
Acquisition of tangible capital assets	(993)	-
Amortization of tangible capital assets	28	32
	(965)	32
Other non-financial assets		
Disposal of inventory held for use	-	54
Decrease (increase) in prepaid expenses	(119)	29
	(119)	83
Increase (decrease) in net financial assets	(292)	354
Net financial assets, beginning of year	248,160	247,806
Net financial assets, end of year	\$ 247,868	\$ 248,160

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

MANITOBA AGRICULTURAL SERVICES CORPORATION

Statement of Cash Flows

AS OF MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Cash provided by (used for):		
Operating		
Income (loss) for the year	\$ 792	\$ 239
Amortization of tangible capital assets	28	32
	820	271
Changes in:		
Accrued interest receivable	563	348
Receivables	2,693	14,552
Loans receivable	1,795	(3,100)
Accounts payable and accrued liabilities	5,959	4,872
Claims payable	(2,447)	727
Contributions payable	(15,261)	232
Provisions for losses on guaranteed loans	(1,180)	160
Future employee benefits	(932)	21
Prepaid expenses	(119)	29
Inventories held for use	-	54
Cash provided by operating activities	(8,109)	18,166
Capital		
Tangible capital assets purchased	(993)	-
Cash used for capital activities	(993)	-
Investing		
Investments purchased	30,261	(3,022)
Loans disbursed	(228,096)	(257,069)
Loan principal received	269,137	182,663
Cash used for investing activities	71,302	(77,428)
Financing		
Debt repayments to the Province of Manitoba	(171,019)	(157,392)
Loans from the Province of Manitoba	145,000	238,000
Cash provided by financing activities	(26,019)	80,608
Net increase(decrease) in cash and cash equivalents	36,181	21,346
Cash and cash equivalents, beginning of year	197,958	176,612
Cash and cash equivalents, end of year	\$ 234,139	\$ 197,958

Cash and cash equivalents are comprised of the following:

Investments	\$ 297,212	\$ 302,963
Investments with terms greater than three months and accrued interest	(79,840)	(110,664)
Investments with terms of three months or less	217,372	192,299
Cash	16,767	5,659
	\$ 234,139	\$ 197,958

Supplemental Cash Flow Information

Interest paid	\$ 26,281	\$ 27,591
Interest received	\$ 42,636	\$ 47,434

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

MANITOBA AGRICULTURAL SERVICES CORPORATION

Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2021 | 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 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, Livestock Price Insurance program, and other programs and services.

MASC is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts were created for the benefit of program participants. The trusts will be used to pay program indemnities to participating producers. Funding for the trusts will be provided by MASC.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statements are presented in accordance with Canadian Public Sector Accounting (PSA) standards.

(A) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of The Manitoba Agricultural Services Corporation Act. Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) Loans Receivable

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

(C) Claims Payable

Claims payable are comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(D) Trust Contributions Payable

The contributions payable to the trust funds are non-interest bearing and have no fixed term of repayment. The Contribution Agreements for the Production Insurance Trust and Hail Insurance Trust require the corporation to make contributions to the respective trusts in an aggregate amount equal to the annual surplus in that fiscal year. The corporation shall also contribute to the Production Insurance Trust, from the AgriInsurance accumulated surplus held in the corporation, that as trustee, it deems necessary to meet the obligations of the trust.

(E) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(F) 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 MASC's share of 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. Loan guarantee claims that have been paid are charged to the appropriate provision.

(G) Future Employee Benefits

The employees of MASC belong to the Manitoba Civil Service Superannuation Fund plan, which is a multi-employer joint trustee pension 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. Experience gains and losses are amortized over the Expected Average Remaining Service Lifetime beginning in the year of the actuarial valuation.

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. Experience gains and losses are amortized over the Expected Average Remaining Service Life beginning in the year of the actuarial valuation.

Note 20 provides additional information on future employee benefits.

(H) 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.

(I) 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.

(J) 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

(K) 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.

(L) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgrilInsurance Agreement, which is consolidated in Annex B of the Canadian Agricultural Partnership: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgrilInsurance premiums. For most AgrilInsurance programs, premiums are paid 40 per cent by insured producers, 36 per cent by the Government of Canada and 24 per cent by the Province of Manitoba. The exceptions are: the Excess Moisture Insurance (EMI) Reduced Deductible Option, which is paid entirely by participating producers; the highest EMI High Dollar Value Option, which is paid 67 per cent by insured producers, 20 per cent by the Government of Canada and 13 per cent by the Province of Manitoba; and the Hay Disaster Benefit, which is paid 60 per cent by the Government of Canada and 40 per cent by the Province of Manitoba.

(M) Administrative Expenses

Identifiable administrative expenses for all 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 Executive Management.

The Canada-Manitoba AgrilInsurance Agreement referred to in Section (L) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

(N) **Financial Instruments**

MASC’s financial instruments include cash, receivables, investments, loans receivable, accounts payable and accrued liabilities, claims payable, contributions 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.

(O) **Measurement Uncertainty**

The preparation of financial statements that conform to Canadian PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include provisions for losses on accounts receivable, loans receivable, 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 2020-21 budget in June 2020. MASC’s approved budget includes provincial funding of \$103,364,000. Inspection Services is budgeted under Other Programs, while other activities such as emergency assistance programming are not budgeted. The table below provides the budgeted amounts for the Province of Manitoba and the Government of Canada and a reconciliation to the amounts that are shown in MASC’s Statement of Operations:

	Province of Manitoba	Government of Canada
Funding approved by governments	\$ 103,546	\$ 88,181
Non-cash items*	(182)	16
Funding approved by MASC’s Board of Directors	\$ 103,364	\$ 88,197

*Includes items such as amortization and unfunded pension expense.

(B) **Lending Programs**

The Lending Programs’ accumulated deficit of \$23,832,000 (2020 - \$24,315,000) is mainly comprised of the provision for loan losses and the provision for losses on guaranteed loans. The Province of Manitoba only funds loan losses when they are written off or when an eligible claim is submitted by a private sector financial institution for a loan guarantee. Annual changes to the provisions are not funded but are part of MASC’s budget.

(C) **AgrilInsurance and Hail Insurance Fund Balance Restrictions**

The AgrilInsurance 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. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation program, which pays producers for damage to agricultural crops and related products caused by migratory waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The program compensates for 90 per cent of production loss with the top-up level (80 to 90 per cent) of protection funded entirely by the Province of Manitoba. Administrative expenses and program payments up to the 80 per cent level of protection are shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

5. 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 level of 80 per cent remained unchanged from the 2014 tax year to the 2020 tax year. The rebates are subject to a \$5,000 maximum, which includes all parties that are related persons of the applicant. The definition of related persons for this program includes the spouse or common-law partner and any corporation controlled by the applicant and/or the applicant’s spouse or common-law partner. Eligible individuals and corporations who apply must be Manitoba residents. The application deadline is March 31 of the year following the taxation year.

Included in the 2020 tax rebates is a provision of \$3,261,000 for rebates that have been applied for and are in process of payment as of March 31, 2021. A provision of \$176,000 remains for pre-2020 rebates that are in process of payment. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate program.

6. LIVESTOCK PRICE INSURANCE PROGRAM

Introduced in Manitoba as a four-year pilot, the Livestock Price Insurance (LPI) program offers price protection for cattle and hog producers, with settlement prices based on the average price in Western Canadian markets. Livestock Price Insurance was first implemented for Alberta producers in 2009 through the Agriculture Financial Services Corporation (AFSC). Producers in Manitoba, Saskatchewan, and British Columbia were able to participate in the program starting in April 2014. LPI has been renewed under the Canadian Agricultural Partnership Agreement for an additional five years effective April 1, 2018. In Manitoba, MASC is the insurer, with the application, premium payment, and indemnity settlement being handled by AFSC (on behalf of MASC). AFSC's administrative expenses are shared by the participating provinces with MASC paying nine per cent (2020 – nine per cent) of the cost. Participating producers pay 100 per cent of the insurance premiums, with Canada and Manitoba sharing the administration expenses 60 per cent and 40 per cent, respectively. Canada is providing a financial backstop for LPI for the duration of the agreement. Any deficit on account of Manitoba producers at the end of the five-year agreement will be the responsibility of the Province of Manitoba. There was a \$123,000 expense of indemnities for 2021 (2020 - \$1,485,000 expense).

7. OTHER PROGRAMS

(A) Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include such things as assisting in adjusting hail claims for another province, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance program. Inspection Services revenue totalled \$30,000 in 2021 (2020 - \$37,000).

(B) 2014 Portage Diversion Fail-Safe Compensation Program

In October 2014, MASC became responsible for the administration of the 2014 Portage Diversion Fail-Safe Compensation program. The purpose of the program was to provide financial assistance to Manitoba agricultural producers affected by 2014 flooding as a result of the operation of the Portage Diversion fail-safe structure. The program was funded entirely by the Province of Manitoba. Total compensation payments of \$1,441,000 include a provision for outstanding claims of \$290,000. Administrative expenses are estimated to be \$24,000.

(C) 2020 Canada-Manitoba Finished Cattle Feed Assistance Program

In October 2020, MASC became responsible for the administration of the 2020 Canada-Manitoba Finished Cattle Feed Assistance Program. The purpose of the program was to provide financial assistance to Manitoba cattle producers who experienced extraordinary costs because of Alberta beef slaughter closures and capacity reductions related to COVID-19. The program was funded by both the Government of Canada (for program costs) and the Province of Manitoba (for administrative costs). Total compensation payments of \$847,000 include a provision for outstanding claims of \$25,000. Administrative expenses are estimated to be \$31,000.

(D) Canadian Agricultural Partnership – Ag Action Manitoba Program

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services on a cost recovery basis to Manitoba Agriculture and Resource Development, who has been authorized to administer the non-business risk management program Ag Action Manitoba under the joint Canada-Manitoba Canadian Agricultural Partnership (CAP) framework agreement on behalf of the federal government. The purpose of the program is to provide financial assistance to Manitoba farmers, agricultural processors, industry organizations, researchers, and industry service providers. During the year ended March 31, 2021, MASC incurred administrative expenses and a cost recovery, relating to the administration of the CAP Ag Action Manitoba Program totalling \$32,000. Although CAP is administered by Manitoba Agriculture and Resource Development, with the help of MASC, control of the funds received by MASC for CAP activities remains with the Government of Canada, Agriculture and Agri-Food Canada. Therefore, the financial statements of CAP have not been consolidated into the financial statements of MASC.

MASC uses its bank account to issue cheques for this program. As at March 31, 2021, the total cash on hand relating to CAP funding received was \$12,304,000. These funds were included in MASC's bank balance and are recorded as a payable to CAP at March 31, 2021.

A summary of the CAP activity from January to March 2021 is as follows:

Total funding received/advanced during the year	\$ 16,446,000
Total expenditures during the year	4,142,000
Excess (deficiency) of funding over expenditures	\$ 12,304,000

These amounts are not included in the financial statements of MASC.

8. CASH

	2021	2020
Bank balance belonging to:		
MASC	\$ 4,463	\$ 5,659
Canadian Agricultural Partnership	12,304	-
	\$ 16,767	\$ 5,659

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services to Manitoba Agriculture and Resource Development, to help administer the Canadian Agricultural Partnership – Ag Action Manitoba program on behalf of the federal government. MASC uses its bank account to issue cheques for this program. The portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership is shown under Accounts Payable - Canadian Agricultural Partnership.

9. ACCOUNTS RECEIVABLE

	2021	2020
Amounts from insured persons:		
AgrilInsurance	\$ 2,975	\$ 3,379
Hail Insurance	848	951
Other	1,292	1,640
	5,115	5,970
Less provision for credit losses	(1,332)	(1,530)
	\$ 3,783	\$ 4,440

The provisions for credit losses of \$1,332,000 (2020 - \$1,530,000) includes estimated losses on premiums and other accounts receivable and is subject to measurement uncertainty. The provision estimate is formula based and depends on an assessment of MASC's ability to collect the outstanding balance. A 100 per cent provision is assessed on accounts in arrears for more than two years, with lower provisions based on actual collection experience over the last seven years being applied to accounts that are in arrears by less than two years.

10. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2021	2020
AgrilInsurance premiums (Note 2L)	\$ 4,064	\$ 2,837
Administrative expenses	60	1,451
Pension liability	5,294	6,100
Severance liability	429	429
Vacation pay liability	169	169
	\$ 10,016	\$ 10,986

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 the amalgamation of MACC and MCIC 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 \$5,294,000 as of March 31, 2021 (2020 - \$6,100,000), and has recorded a decrease under other contributions from the Province of Manitoba for 2020-21 equal to the related pension decrease of \$806,000 (2020 - \$18,000 increase). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

Severance 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, 2021, the receivable for severance pay liability was \$429,000 (2020 - \$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, 2021, the receivable for vacation pay liability was \$169,000 (2020 - \$169,000).

11. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2021	2020
AgrilInsurance premiums (Note 2L)	\$ 4,622	\$ 5,268
Administrative expenses	-	228
Wildlife Damage Compensation program	363	1,472
Livestock Price Insurance program	71	-
Other programs	846	-
	\$ 5,902	\$ 6,968

12. INVESTMENTS

MASC's investments are with the Province of Manitoba and consist of the following as of March 31, 2021:

Maturity Terms	Average Interest Rate	Lending Programs	AgrilInsurance Program	Farmland School Tax Rebate Program	Other Programs	2021	2020
3 months or less	0.095%	\$ -	217,372	\$ -	\$ -	\$ 217,372	\$ 192,299
1 year	0.356%	19,769	55,000	4,375	686	79,830	110,091
	0.165%	19,769	272,372	4,375	686	297,202	302,390
Accrued Interest		1	9	-	-	10	573
		\$ 19,770	272,381	\$ 4,375	\$ 686	\$ 297,212	\$ 302,963

13. LOANS RECEIVABLE

MASC's loans receivable consist of the following as of March 31, 2021:

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loan	Special Assistance Loans*	Total
Recorded investment	\$ 887,116	\$ 4,701	\$ 891,817	\$ 924,033	\$ 8,315	\$ 932,348
Specific provision	(5,814)	(1,530)	(7,344)	(4,627)	(1,707)	(6,334)
General provision	(9,574)	(8)	(9,582)	(9,868)	(26)	(9,894)
	871,728	3,163	874,891	909,538	6,582	916,120
Accrued interest	13,082	42	13,124	14,597	134	14,731
Net carrying value	\$ 884,810	\$ 3,205	\$ 888,015	\$ 924,135	\$ 6,716	\$ 930,851

*Includes Manitoba Hog Assistance, BSE Recovery, Flood Proofing Assistance, and Enterprise Development Loans.

Impaired loans included in the preceding schedule:

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loan	Special Assistance Loans	Total
Impaired loan balance	\$ 62,578	\$ 4,741	\$ 67,319	\$ 54,567	\$ 8,440	\$ 63,007
Specific provision	(5,814)	(1,530)	(7,344)	(4,627)	(1,707)	(6,334)
	\$ 56,764	\$ 3,211	\$ 59,975	\$ 49,940	\$ 6,733	\$ 56,673

*Includes Manitoba Hog Assistance, BSE 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, 2021. A total of \$2,883,000 (2020 - \$2,880,000) of interest on impaired loans was included in revenue for the year ended March 31, 2021.

Provisions for impaired loans:

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	\$ 14,495	\$ 1,733	\$ 16,228	\$ 10,694	\$ 6,319	\$ 17,013
Write-offs, net of recoveries	(17)	(48)	(65)	(40)	(45)	(85)
Provision (recovery) expense	910	(147)	763	3,841	(4,541)	(700)
Ending provision balance	\$ 15,388	\$ 1,538	\$ 16,926	\$ 14,495	\$ 1,733	\$ 16,228

*Includes Manitoba Hog Assistance, BSE Recovery, Flood Proofing Assistance, and Enterprise Development Loans.

Included in loans receivable is a specific provision of \$7,344,000 (2020 - \$6,334,000) and a general provision of \$9,582,000 (2020 - \$9,894,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of \$16,926,000 (see Note 2B) could change substantially in the future, if the factors considered by management in establishing these estimates change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land, followed by buildings, livestock, and other types of assets. The estimated value of such tangible securities is \$1,311,505,000 (2020 - \$1,375,720,000).

Remaining terms to maturities are as follows:

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	\$ 125,817	\$ 1,156	\$ 126,973	\$ 130,949	\$ 4,769	\$ 135,718
5 years to up to 10 years	109,194	3,545	112,739	118,536	3,546	122,082
10 years to up to 15 years	136,395	-	136,395	138,569	-	138,569
15 years to up to 20 years	177,335	-	177,335	191,732	-	191,732
More than 20 years	338,375	-	338,375	344,247	-	344,247
Recorded investment	\$ 887,116	\$ 4,701	\$ 891,817	\$ 924,033	\$ 8,315	\$ 932,348

*Includes Manitoba Hog Assistance, BSE Recovery, Flood Proofing Assistance, and Enterprise Development Loans.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of March 31, 2021 consist of the following:

	Lending Programs	AgrilInsurance Program	Wildlife Damage Compensation Program	Farmland School Tax Rebate Program	Livestock Price Insurance Program	Other Programs	2021	2020
Accounts payable - general	\$ -	\$ 2,735	\$ 524	\$ 715	\$ 37	\$ 920	\$ 4,931	\$ 8,998
Salaries and benefits	17	362	19	2	1	57	458	852
Accrued vacation pay	-	1,308	-	-	-	-	1,308	1,360
Other*	70	2,310	-	-	-	55	2,435	4,267
	\$ 87	\$ 6,715	\$ 543	\$ 717	\$ 38	\$ 1,032	\$ 9,132	\$ 15,477

*Other accounts payable of \$55,000 includes amounts owing to the Province of Manitoba (\$44,000) and the Government of Canada (\$11,000) for various other programs administered by MASC.

15. ACCOUNTS PAYABLE – CANADIAN AGRICULTURAL PARTNERSHIP

Accounts payable to the Canadian Agricultural Partnership as of March 31, 2021 consists of the following:

	2021	2020
Ag Action Manitoba	\$ 12,304	-
	\$ 12,304	-

Effective January 1, 2021, MASC provided financial services for the Canadian Agricultural Partnership – Ag Action Manitoba Program. The two corporations share one bank account. The accounts payable to the Canadian Agricultural Partnership represents the portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership – Ag Action Manitoba program.

16. CLAIMS PAYABLE*

	2021	2020
AgrilInsurance program	\$ 21	\$ 46
Wildlife Damage Compensation program	555	2,147
Farmland School Tax Rebate program	3,496	4,036
Livestock Price Insurance program	1	316
Other programs	315	290
	\$ 4,388	\$ 6,835

*Includes claims approved but not paid as well as provisions for outstanding claims.

17. CONTRIBUTIONS PAYABLE

MASC's contributions payable as of March 31, 2021 are payable to the following:

	2021	2020
Production Insurance Trust	\$ 4,090	\$ 19,508
Hail Insurance Trust	1,100	943
	\$ 5,190	\$ 20,451

18. LOANS FROM THE PROVINCE OF MANITOBA

Following the practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended installments of principal and interest, with March 31, 2021 interest rates ranging from 0.500 per cent to 6.875 per cent (2020 – 0.980 per cent to 6.875 per cent).

Maturities of principal over the following terms	2021	2020
1 year	\$ 162,078	\$ 170,953
2 years	98,036	99,456
3 years	92,045	90,372
4 years	73,045	82,006
5 years	59,843	64,476
More than 5 years	440,413	444,216
	\$ 925,460	\$ 951,479

19. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2021 are shown below:

	2021			2020		
	Contingent Liability	Provision for Losses	Net Contingent Liability	Contingent Liability	Provision for Losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	\$ 7,417	\$ (742)	\$ 6,675	\$ 7,658	\$ (766)	\$ 6,892
Manitoba Livestock Associations Loan Guarantees	10,876	(1,631)	9,245	10,101	(1,515)	8,586
Diversification Loan Guarantees	42,734	(6,410)	36,324	44,036	(7,289)	36,747
Rural Entrepreneur Assistance Program	4,248	(817)	3,431	6,071	(1,210)	4,861
	\$ 65,275	\$ (9,600)	\$ 55,675	\$ 67,866	\$ (10,780)	\$ 57,086

The change in the provision for guaranteed loan losses is as follows:

	2021	2020
Beginning provision balance	\$ 10,780	\$ 10,620
Write-offs, net of recoveries	(172)	(97)
Provision expense (recovery)	(1,008)	257
Ending provision balance	\$ 9,600	\$ 10,780

The Operating Credit Guarantee for Agriculture program was introduced in 2003, replacing the Guaranteed Operating Loan program. MASC guarantees the actual eligible loss incurred by the participating private lender up to 25 per cent of the maximum amount advanced under an individual's line of credit. The maximum allowable loan is \$700,000 for individuals and \$1,000,000 for partnerships, corporations, and co-operatives.

The Manitoba Livestock Associations Loan Guarantee program was introduced in 1991. For each participating livestock association, MASC provides a 25 per cent guarantee to the association's lending institution, based on a maximum loan of \$8,000,000 per association.

The Diversification Loan Guarantee program was introduced in 2001, whereby guarantees are based on 25 per cent of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) program provided a guarantee of up to 80 per cent of the principal amount of a qualifying loan made by participating lenders to small rural non-agricultural businesses. REA guaranteed loans up to a maximum of \$200,000. MASC assumed administration of the program in 2005. This program was discontinued as of April 1, 2019 with outstanding guarantees in run-off status.

(B) Certain 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.

20. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance, because of retirement, permanent layoff, or death. Benefits are based on an employee's years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefit. The amount of recorded severance pay obligation is based on actuarial calculations.

Actuarial valuations are carried out every three years to provide an estimate of the accrued liability for severance pay benefits. An actuarial valuation of the severance obligations as of March 31, 2020 was conducted by Ellement Consulting Group., Consulting Actuaries. The key actuarial assumptions include an interest rate of 5.75 per cent (2017 - 6 per cent), severance rate of 0.94 per cent of average salary of \$72,362 for administration staff and 0.34 per cent of average salary of \$45,448 for adjusting staff (2017 - 0.85 per cent of average salary of \$69,519 for administration staff and 0.37 per cent of average salary of \$43,872 for adjusting staff), and salary inflation rate increases of 3.5 per cent (2017 - 3.75 per cent). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is 10 years for administration staff and eight years for adjusting staff. For 2020-21, the amortization of the net actuarial gain was \$50,000 (2020 - \$80,000 loss).

Provision for severance liability	2021	2020
Accrued severance obligation, beginning of year	\$ 2,555	\$ 2,625
Benefits accrued	106	105
Interest accrued on benefits	147	158
Benefits paid	(335)	(333)
Accrued severance obligation, end of year	2,473	2,555
Unamortized actuarial gain (loss)	50	100
Provision, end of year	\$ 2,523	\$ 2,655

MASC's severance costs consist of the following:	2021	2020
Benefits accrued	\$ 106	\$ 105
Interest accrued on benefits	147	158
Amortization of experience loss (gain)	(50)	80
Severance cost	\$ 203	\$ 343

Pension Liability

MASC's employees are eligible for pension benefits in accordance with the provision of 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 length of service and on the average of annualized earnings calculated on the best five years of service prior to retirement, termination or death that provides the highest earnings. MASC is required to match the contributions made to the Fund by employees at prescribed rates, which is recorded as an operating expense.

MASC contributes 50 per cent of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005. In addition, MASC has pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC. As a matching employer for this group of employees, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

Prior to the amalgamation of MACC and MCIC into MASC, MACC did not match employees' current service contributions, and instead contributed 50 per cent 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 MACC employees prior to September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 10).

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, 2019 was conducted by Ellement Consulting Group., Consulting Actuaries. The key actuarial assumptions include a rate of return of 5.75 per cent (2018 - 5.75 per cent), inflation of 2.0 per cent (2018 - 2.0 per cent), salary inflation rate increases of 3.50 per cent (2018 - 3.50 per cent), discount rate of 5.75 per cent (2018 - 5.75 per cent), and post-retirement indexing at two-thirds of the inflation rate. The service to date projected benefit method prorated on services has been applied and the liabilities (adjusted for a provision for adverse experience and a trust fund credit) have been estimated to March 31, 2021, all according to the formula prescribed by the consulting actuary.

The amortization of actuarial gains or losses is performed over a period of five years. For 2020-21, the amortization of the net actuarial loss was \$72,000 (2020 - \$39,000 loss).

Provision for employer's share of employees' pension plan	2021	2020
Accrued pension obligation, beginning of year	\$ 6,162	\$ 5,996
Interest accrued on benefits	375	372
Benefits paid	(1,234)	(368)
Actuarial (gain) loss	37	162
Accrued pension obligation, end of year	5,340	6,162
Unamortized actuarial gain (loss)	(110)	(132)
Provision, end of year	\$ 5,230	\$ 6,030

MASC's pension plan costs consist of the following:	2021	2020
Interest accrued on benefits	\$ 372	\$ 369
Interest earned	(16)	(22)
Amortization of experience loss (gain)	72	39
Pension cost	\$ 428	\$ 386

21. COMMITMENTS

	2021	2020
Approved, undisbursed loans	\$ 24,364	\$ 28,530
Estimated farm loan incentives	4,290	5,009
Operating leases	95	241
Service agreements	1,207	986
	\$ 29,956	\$ 34,766

The estimated farm loan incentives relate to future payments for the Young Farmer Rebate. The Young Farmer Rebate is based on rebates that clients under 40 years of age at the time of the loan application can earn for the first five years of a loan, with the rebate being applied to the client's loan balance.

The operating lease commitments are for equipment and vehicles.

The service agreements are for Microsoft Cloud and Enterprise licensing agreements, Internet services, and a research project.

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides fixed term loans to clients at interest rates that generally earn a reasonable interest rate margin to cover associated administrative expenses. For AgrilInsurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make contributions to the Production Insurance Trust for insurance payments when losses exceed the current year's 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 up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting, and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity, and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk mainly consist of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

	2021	2020
Investments	\$ 297,212	\$ 302,963
Accounts receivable	3,783	4,440
Receivables from the Province of Manitoba	10,016	10,986
Receivables from the Government of Canada	5,902	6,968
Loans receivable	888,015	930,851
Loan guarantees	65,275	67,866
	\$ 1,270,203	\$ 1,324,074

Investments - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable - MASC's accounts receivable consist largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums.

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

Loans Receivable - Impairment provisions are provided for losses that have been incurred as of the end of the fiscal year. Significant changes in the economic well-being of Manitoba's agricultural industry or the deterioration of 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 as of the date of the Statement of Financial Position. Management of credit risk associated with loans is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the guidelines for lending and loan guarantee programs and by setting general 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 Manitoba Government and economic development loans (referred to as Enterprise Development Loans) as directed by the Manitoba Government, which fall outside the normal limits set out in regular loan policies. These loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, MASC closely monitors the performance of these loans to mitigate losses. Special assistance loans make up 0.5 per cent of MASC's overall lending portfolio.

Summarized below are the loan balances that are past due but not impaired.

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	\$ 16,887	\$ -	\$ 16,887	\$ 18,490	\$ -	\$ 18,490
1 to 2 years in arrears	12,773	-	12,773	12,866	-	12,866
Over 2 years in arrears	617	-	617	99	-	99
	\$ 30,277	\$ -	\$ 30,277	\$ 31,455	\$ -	\$ 31,455

*Includes Manitoba Hog Assistance, BSE Recovery, Flood Proofing Assistance, and Enterprise Development Loans.

Loans that are past due but not impaired generally reflect situations where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears put 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 to one and one-half years. Any delay in the sale of the cattle at the end of the term technically puts the loan in arrears, however, such loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure, as provided in Note 13, is broken down by agricultural sector as shown in the table below:

Loans Receivable by Agricultural Sector

	2021			2020		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	\$ 507,813	\$ 143	\$ 507,956	\$ 543,771	\$ 153	\$ 543,924
Potatoes	-	-	-	505	-	505
Other crops	8,222	66	8,288	8,550	62	8,612
Cattle	333,105	516	333,621	335,197	722	335,919
Hogs	5,244	263	5,507	5,704	3,730	9,434
Poultry	3,191	-	3,191	5,154	-	5,154
Dairy	19,553	-	19,553	16,601	-	16,601
Other	23,070	3,755	26,825	23,148	3,782	26,930
Provisions and concessions	(15,388)	(1,538)	(16,926)	(14,495)	(1,733)	(16,228)
	\$ 884,810	\$ 3,205	\$ 888,015	\$ 924,135	\$ 6,716	\$ 930,851

*Includes Manitoba Hog Assistance, BSE Recovery, Flood Proofing Assistance, and Enterprise Development Loans.

Given that the Province of Manitoba provides funding for the full amount of loans that are written off, MASC's loans receivable risk is minimal.

Loan Guarantees - MASC provides loan guarantees to private sector financial institutions, which encourage the provision of credit to operations that financial institutions consider to be higher risk. Each loan guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves three separate programs: Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and both Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry.

MASC's loan guarantee exposure by agricultural sector is summarized below:

Loan Guarantees by Agricultural Sector

	Diversification Loan Guarantees		Operating Credit Guarantees	
	2021	2020	2021	2020
Grains and oilseeds	1%	1%	51%	56%
Potatoes	-	1%	7%	-
Other crops	4%	4%	1%	-
Cattle	1%	1%	17%	19%
Hogs	4%	9%	10%	10%
Poultry	16%	11%	-	-
Dairy	67%	65%	1%	3%
Other	7%	8%	13%	12%
	100%	100%	100%	100%

The Province of Manitoba provides funding for all claims by private sector financial institutions on loan guarantees, resulting in minimal associated risk eligible 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 a minimum 1.5 percentage points above the associated borrowing rate. The vast majority of loans from the Province of Manitoba have fixed or renewable interest rates for the full term of the advance and MASC offers fixed and renewable interest rate loans to its clients. This arrangement mitigates MASC's interest rate risk; however, some interest rate risk is imparted through MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

Loans Receivable and Advances from the Province of Manitoba

	Scheduled Repayments				Not Interest Rate Sensitive*	2021	2020
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
Loans receivable	\$ 106,068	\$ 216,415	\$ 201,647	\$ 367,686	\$ (3,801)	\$ 888,015	\$ 930,851
Average interest rate	4.29%	4.36%	4.38%	4.33%	-	4.34%	4.67%
Due to the Province of Manitoba	\$ 162,078	\$ 322,969	\$ 199,126	\$ 241,287	-	\$ 925,460	\$ 951,479
Average interest rate	2.56%	2.71%	2.77%	2.70%	-	2.70%	2.91%
	\$ (56,010)	\$ (106,554)	\$ 2,521	\$ 126,399	\$ (3,801)	\$ (37,445)	\$ (20,628)

*Includes provisions for impaired loans and accrued interest.

Liquidity Risk

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

Advances from the Province of Manitoba have a direct correlation to the loans receivable, as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Consequently, MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC 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.

AgrilInsurance indemnities for the 2018 and future crop years are paid out of the Production Insurance Trust. The AgrilInsurance indemnities are funded firstly out of MASC's current net revenue through contributions to the trust, which normally exceeds cash requirements; secondly, from the trust equity; and thirdly, from MASC's AgrilInsurance reserve fund. If all the above is exhausted, the Production Insurance Trust can access funds from MASC's AgrilInsurance program, which has an agreement with the Government of Canada and the Province of Manitoba that provides for unlimited additional funding for claim payments. The Production Insurance Trust can also access funds from MASC's AgrilInsurance program's ability to borrow funds from the Province of Manitoba.

Hail indemnities for the 2018 and future crop years are paid out of the Hail Insurance Trust. The hail indemnities are funded firstly out of MASC's current net revenue through contributions to the trust, which normally exceeds cash requirements and secondly from the trust equity. The Hail Insurance Trust can also access funds from MASC's Hail Insurance program's ability to borrow funds from the Province of Manitoba.

23. ACTUARIAL REVIEW

Actuarial certifications of AgrilInsurance premium rates and the financial sustainability of the overall AgrilInsurance program were completed by IAO Actuarial Consulting Inc. in January 2018 and August 2017, respectfully. The actuarial review concluded that the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the entire program meets the overall financial self-sustaining criteria, as defined by the Government of Canada. The actuarial review of the methodologies used to establish the probable yields and coverage levels was completed in December 2018, by IAO Actuarial Consulting Inc., consulting actuary, and with the finding that the methodologies reflect the productive capabilities. MASC requires that all program changes receive actuarial approval prior to implementation and that the probable yield tests as prescribed by the Government of Canada be completed annually.

24. RELATED PARTY TRANSACTIONS

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

Information is provided throughout these statements, which disclose the significant related party transactions. The value for interest paid and interest earned are as follows:

	2021	2020
Interest earned on investments from the Province of Manitoba	\$ 1,562	\$ 5,126
Interest paid on loans from the Province of Manitoba	\$ 26,281	\$ 27,591

Loans made to directors and staff are approved under the same lending criteria applicable to MASC's clients. There are no loans that are impaired in relation to the staff and directors loan balances. Loans to directors and staff at year end amounted to \$14,195,000 (2020 - \$13,166,000).

25. REINSURANCE FUNDS PROGRAM

AgrilInsurance Program

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 AgrilInsurance program.

When indemnities paid to insured producers exceed the funds retained by MASC and the Production Insurance Trust, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The balances in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share the financing of any deficits in the AgrilInsurance program.

	Crop Reinsurance Fund of Canada for Manitoba		Crop Reinsurance Fund of Manitoba	
	2021	2020	2021	2020
Opening surplus	\$ 36,028	\$ 36,028	\$ 58,048	\$ 58,048
Current year premium contributions (net)*	-	-	-	-
Net book value	\$ 36,028	\$ 36,028	\$ 58,048	\$ 58,048

*For 2020-21, there were no current year premium contributions, as the reinsurance premium rates for the year were zero. The current year premium contributions (net) are the result of prior year adjustments and are shown net of an allowance for uncollectible accounts, which in 2020-21 is nil (2020 - nil).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers for the 2020 crop year. The agreement involved 40 reinsuring companies assuming 90 per cent (2020 - 90 per cent) of losses (including deemed losses for adjusting expenses) from 15 per cent to 27.5 per cent of AgrilInsurance liability (coverage). Reinsurance premiums were \$32,854,000 (2020 - \$31,341,000). There was no private sector reinsurance recovery for 2021 (2020 - nil).

Hail Insurance Program

For 2020-21, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance program. The agreement involved 28 reinsuring companies assuming 90 per cent of hail insurance losses (including actual loss adjusting expenses) from 4.25 per cent to 7 per cent of hail insurance liability (coverage). Reinsurance premiums were \$1,541,000 (2020 - \$1,652,000), with no reinsurance recovery for 2021 (2020 - nil).

Livestock Price Insurance Program

Alberta's Agriculture Financial Services Corporation (AFSC) administers this program on behalf of MASC. AFSC entered into a private reinsurance agreement for 2020-2021 for excess of loss reinsurance, whereby reinsuring companies assumed 92 per cent of the losses between 200 to 500 per cent of gross net written premium. This agreement included Manitoba's share of the program. Manitoba's share of reinsurance premiums was \$120,000 (2020 - \$110,000).

For 2020-21, the program also entered into a separate quota share reinsurance agreement whereby the reinsurer assumed 48.25 per cent (2020 - 55 per cent) of all losses incurred for the Livestock Price Insurance program. Manitoba's share of total reinsurance premiums, net of commissions was \$259,000 (2020 - \$340,000). The reinsurers share of Manitoba's losses were \$57,000 (2020 - \$554,000). Manitoba's total net quota share reinsurance premiums were \$202,000 (2020 - \$214,000).

MANITOBA AGRICULTURAL SERVICES CORPORATION

Schedule 1: Schedule of Operations and Accumulated Surplus

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	LENDING PROGRAMS		AGRIINSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2021	2020	2021	2020	2021	2020
REVENUE						
Insurance premiums						
Insured producers	\$ -	\$ -	\$ 82,572	\$ 83,038	\$ 25,554	\$ 27,919
Province of Manitoba	-	-	48,483	48,868	-	-
Government of Canada	-	-	72,733	73,306	-	-
Interest from loans	40,316	41,689	-	-	-	-
Other contributions (recoveries) - Province of Manitoba	(7,306)	(8,670)	4,214	5,362	-	-
Other contributions - Government of Canada	-	-	6,316	8,027	-	-
Investment income	49	122	1,612	5,074	50	64
Other income	42	736	-	-	-	-
Total revenue	33,101	33,877	215,930	223,675	25,604	27,983
EXPENSE						
Insurance indemnities and compensation payments	-	-	131	(63)	-	-
Reinsurance premiums (Note 25)	-	-	32,854	31,341	1,541	1,652
Interest on borrowed funds	26,281	27,591	-	-	-	-
Provision (recoveries) for credit losses	763	(700)	192	36	(8)	16
Provision (recoveries) for guaranteed loan losses (Note 19)	(1,008)	257	-	-	-	-
Young farmer incentives	1,366	1,248	4	10	-	-
Farmland school tax rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Contributions to trust funds	-	-	172,222	178,973	20,696	22,040
Administrative expenses (Schedule 2)	5,216	4,855	10,527	13,378	3,375	4,275
Total expenses	32,618	33,251	215,930	223,675	25,604	27,983
Income (loss) for the year	483	626	-	-	-	-
Accumulated surplus (deficit), beginning of year	(24,315)	(24,941)	272,372	272,372	-	-
Surplus (deficit), end of year	\$ (23,832)	\$ (24,315)	\$ 272,372	\$ 272,372	\$ -	\$ -



WILDLIFE DAMAGE COMPENSATION PROGRAM			FARMLAND SCHOOL TAX REBATE PROGRAM			LIVESTOCK PRICE INSURANCE PROGRAM			OTHER PROGRAMS			TOTAL	
2021	2020		2021	2020		2021	2020		2021	2020		2021	2020
\$ -	\$ -		\$ -	\$ -		\$ 724	\$ 757		\$ -	\$ -		\$ 108,850	\$ 111,714
-	-		-	-		-	-		-	-		48,483	48,868
-	-		-	-		-	-		-	-		72,733	73,306
-	-		-	-		724	757		-	-		230,066	233,888
-	-		-	-		-	-		-	-		40,316	41,689
3,128	4,328		47,004	44,417		192	187		25	(221)		47,257	45,403
3,713	5,101		-	-		288	280		847	-		11,164	13,408
-	-		13	94		30	22		3	21		1,757	5,397
-	-		-	-		-	-		30	37		72	773
6,841	9,429		47,017	44,511		1,234	1,246		905	(163)		330,632	340,558
5,926	8,346		-	-		123	1,485		-	-		6,180	9,768
-	-		-	-		322	(320)		-	-		34,717	32,673
-	-		-	-		-	-		-	-		26,281	27,591
-	-		13	-		-	-		(35)	(50)		925	(698)
-	-		-	-		-	-		-	-		(1,008)	257
-	-		-	-		-	-		-	-		1,370	1,258
-	-		46,463	43,812		-	-		-	-		46,463	43,812
-	-		-	-		-	-		847	(150)		847	(150)
-	-		-	-		-	-		-	-		192,918	201,013
915	1,083		541	699		480	468		93	37		21,147	24,795
6,841	9,429		47,017	44,511		925	1,633		905	(163)		329,840	340,319
-	-		-	-		309	(387)		-	-		792	239
-	-		-	-		659	1,046		-	-		248,716	248,477
\$ -	\$ -		\$ -	\$ -		\$ 968	\$ 659		\$ -	\$ -		\$ 249,508	\$ 248,716

MANITOBA AGRICULTURAL SERVICES CORPORATION

Schedule 2: Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Adjustors' wages, benefits, and expenses	\$ 4,137	\$ 6,298
Advertising	204	292
Amortization expense	28	32
Appeal tribunal	7	24
Audit fees and legal	420	392
Directors' remuneration and expense	26	73
Furniture and equipment	76	113
Information technology	1,119	949
Office rental and utilities	1,282	1,312
Other administrative expenses	1,305	1,141
Other administrative recoveries	(945)	(993)
Postage	171	176
Printing and office supplies	142	180
Salaries and employee benefits	12,882	14,255
Telephone	197	215
Travel and vehicle expenses	96	336
Total administrative expenses	\$ 21,147	\$ 24,795
Administrative expenses allocation:		
Lending programs	\$ 5,216	\$ 4,855
AgrilInsurance program	10,527	13,378
Hail Insurance program	3,375	4,275
Wildlife Damage Compensation program	915	1,083
Farmland School Tax Rebate program	541	699
Livestock Price Insurance program	480	468
Other programs	93	37
Total administrative expenses	\$ 21,147	\$ 24,795



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Opinion

We have audited the financial statements of the Production Insurance Trust (the "Production Trust"), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in trust equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Production Trust as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Production Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Other than the matter described below, we have nothing to report in this regard.

As described in the Basis for Qualified Opinion section, MASC has not accounted for the Production Insurance Trust and the Hail Insurance Trust which are controlled by MASC. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Annual Report affected by this departure from PSAS.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Auditor General
MANITOBA

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Production Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Production Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Production Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 20, 2021

PRODUCTION INSURANCE TRUST

Statement of Financial Position

AS OF MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
ASSETS		
Cash and cash equivalents (Note 3A)	\$ 417,996	\$ 364,969
Accounts receivable from MASC (Note 3B)	4,090	19,508
Investments (Note 4)	102,638	87,858
Total Assets	\$ 524,724	\$ 472,335
LIABILITIES		
Claims Payable (Note 3D)	\$ 5,605	\$ 53,471
TRUST EQUITY	519,119	418,864
Total Liabilities and Trust Equity	\$ 524,724	\$ 472,335

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

Approved by the Board:

Original Document Signed

Jim Wilson
Chair, Board of Directors

Original Document Signed

Charles Mayer
Vice Chair, Board of Directors

PRODUCTION INSURANCE TRUST

Statement of Comprehensive Income

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
REVENUE		
Contribution from MASC	\$ 172,222	\$ 178,973
Investment income	1,484	7,614
Total Revenue	173,706	186,587
EXPENSE		
Insurance Indemnities	73,451	193,472
Net Income (Loss) and Comprehensive Income (Loss) for the year	\$ 100,255	\$ (6,885)

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

PRODUCTION INSURANCE TRUST

Statement of Changes in Trust Equity

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Trust equity, beginning of year	\$ 418,864	\$ 425,749
Net income (loss) and comprehensive income (loss) for the year	100,255	(6,885)
Trust equity, end of year	\$ 519,119	\$ 418,864

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

PRODUCTION INSURANCE TRUST

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Cash provided by (used for):		
Operating		
Income (loss) for the year	\$ 100,255	\$ (6,885)
Changes in:		
Receivables from MASC	15,418	(885)
Claims payable	(47,866)	42,359
Cash provided by operating activities	67,807	34,589
Investing		
Investments purchased	(14,780)	261,477
Cash used for investing activities	(14,780)	261,477
Net increase in cash and cash equivalents	53,027	296,066
Cash and cash equivalents, beginning of year	364,969	68,903
Cash and cash equivalents, end of year	\$ 417,996	\$ 364,969
Supplemental Cash Flow Information		
Interest received	\$ 2,443	\$ 7,746

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

PRODUCTION INSURANCE TRUST

Notes to Financial Statements

AS OF MARCH 31, 2021

1. NATURE OF TRUST

The Production Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's AgrilInsurance program participants. MASC is designated as the Trustee for the Trust.

The Trust is used to pay AgrilInsurance indemnities to participating producers. Funding for the Trust is provided by MASC.

2. STATEMENT OF COMPLIANCE

The Production Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on July 20, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

(A) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than three months) and are measured at amortized cost. Interest income is recorded on an accrual basis within investment income in the statement of comprehensive income.

(B) Accounts Receivable from MASC

The accounts receivable from MASC is recorded at amortized cost, which approximates the fair market value, is non-interest bearing and has no fixed terms of repayment.

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Production Insurance Trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Investment income is recognized using the effective interest rate method. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) Claims Payable

Claims payable are 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 Trust. 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.

(E) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

(F) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All of the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(G) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to their 12-month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(H) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(I) Measurement Uncertainty

The preparation of financial statements that conform to IFRS 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 liabilities for claim payments.

4. INVESTMENTS

The Trust’s investments are with the Province of Manitoba and consist of the following as of March 31, 2021:

Maturity Terms	Average Interest Rate	2021	2020
1 year	0.086%	\$ 102,582	\$ 86,842
Accrued Interest		56	1,016
		\$ 102,638	\$ 87,858

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust’s financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust’s assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the AgrilInsurance program. Also, the Trust places the retained funds mainly in short-term investments, to have sufficient capital available to make insurance payments when losses exceed the current year’s contributions from MASC.

MASC, as trustee, establishes risk management policies designed to identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable up-to-date information systems. The Board of Directors of MASC 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.

The Trust is exposed to credit, liquidity, and market risks in respect of its use of financial instruments. The carrying value of the Trust’s financial instruments approximate their fair value.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that subject the Trust to credit risk are investments and the accounts receivable from MASC.

Investments – The Trust is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable from MASC - The Trust is directly affected by MASC’s credit risk related to the collection of AgrilInsurance producer and related government premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the Trust. The AgrilInsurance program offers credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums. MASC and therefore the Trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the Trust are not exposed to a significant credit risk.

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.

Investments – The Trust’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.

Liquidity Risk

Liquidity risk relates to the Trust’s ability to access sufficient funds to meet its financial commitments.

The Trust’s primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance indemnities are funded firstly out of current net revenue, which normally exceeds cash requirements; secondly, from the trust equity; and thirdly, from MASC’s AgrilInsurance reserve fund. If all of the above is exhausted, the Trust can access funds from MASC’s AgrilInsurance program, which has an agreement with the Government of Canada and the Province of Manitoba that provides for unlimited additional funding for claim payments. The Trust can also access funds from MASC’s AgrilInsurance program’s ability to borrow funds from the Province of Manitoba.



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Manitoba Agricultural Services Corporation

Opinion

We have audited the financial statements of the Hail Insurance Trust (the "Hail Trust"), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of change in trust equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hail Trust as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hail Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Other than the matter described below, we have nothing to report in this regard.

As described in the Basis for Qualified Opinion section, MASC has not accounted for the Production Insurance Trust and the Hail Insurance Trust which are controlled by MASC. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Annual Report affected by this departure from PSAS.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Auditor General
MANITOBA

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hail Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hail Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hail Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 20, 2021

HAIL INSURANCE TRUST

Statement of Financial Position

AS OF MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
ASSETS		
Cash and cash equivalents (Note 3A)	\$ 58,085	\$ 50,174
Accounts receivable from MASC (Note 3B)	1,100	943
Investments (Note 4)	14,921	10,118
Total Assets	\$ 74,106	\$ 61,235
TRUST EQUITY	\$ 74,106	\$ 61,235
Trust Equity	\$ 74,106	\$ 61,235

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

Approved by the Board:

Original Document Signed

Jim Wilson
Chair, Board of Directors

Original Document Signed

Charles Mayer
Vice Chair, Board of Directors

HAIL INSURANCE TRUST

Statement of Comprehensive Income

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
REVENUE		
Contribution from MASC	\$ 20,696	\$ 22,040
Investment income	370	1,126
Total Revenue	21,066	23,166
EXPENSE		
Insurance Indemnities	8,195	26,138
Net Income (Loss) and Comprehensive Income (Loss) for the year	\$ 12,871	\$ (2,972)

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

HAIL INSURANCE TRUST

Statement of Change in Trust Equity

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Trust equity, beginning of year	\$ 61,235	\$ 64,207
Net income (loss) and comprehensive income (loss) for the year	12,871	(2,972)
Trust equity, end of year	\$ 74,106	\$ 61,235

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

HAIL INSURANCE TRUST

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2021 | IN THOUSANDS OF DOLLARS

	2021	2020
Cash provided by (used for):		
Operating		
Income (loss) for the year	\$ 12,871	\$ (2,972)
Changes in:		
Receivables from MASC	(157)	653
Cash provided by operating activities	12,714	(2,319)
Investing		
Investments purchased	(4,803)	8,493
Cash used for investing activities	(4,803)	8,493
Net increase in cash and cash equivalents	7,911	6,174
Cash and cash equivalents, beginning of year	50,174	44,000
Cash and cash equivalents, end of year	\$ 58,085	\$ 50,174
Supplemental Cash Flow Information		
Interest received	\$ 479	\$ 1,286

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

HAIL INSURANCE TRUST

Notes to Financial Statements

AS OF MARCH 31, 2021

1. NATURE OF TRUST

The Hail Insurance Trust (Trust) was created by the Province of Manitoba to benefit MASC's Hail Insurance program participants. MASC is designated as the trustee for the Trust.

The Trust is used to pay Hail Insurance indemnities to participating producers. Funding for the Trust is provided by MASC.

2. STATEMENT OF COMPLIANCE

The Hail Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on July 20, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

(A) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than three months) and are measured at amortized cost. Interest income is recorded on an accrual basis in investment income in the statement of comprehensive income.

(B) Accounts Receivable from MASC

The accounts receivable from MASC is measured at amortized cost, which approximates the fair market value, is non-interest bearing and has no fixed terms of repayment.

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Hail Insurance Trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Investment income is recognized using the effective interest rate method. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

(E) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(F) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to the 12-month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(G) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(H) Measurement Uncertainty

The preparation of financial statements that conform to IFRS 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.

4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2021:

Maturity Terms	Average Interest Rate	2021	2020
1 year	0.092%	\$ 9,914	\$ -
3 years	2.388%	3,000	3,000
5 Years	2.425%	2,000	7,000
	0.246%	14,914	10,000
Accrued Interest		7	118
		\$ 14,921	\$ 10,118

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust's financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust's assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the Hail Insurance program. Also, the Trust places the retained funds mainly in short-term investments, to have sufficient capital available to make insurance payments when losses exceed the current year's contributions from MASC.

MASC, as trustee, establishes risk management policies designed to identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable up-to-date information systems. The Board of Directors of MASC 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.

The Trust is exposed to credit, liquidity, and market risks in respect of its use of financial instruments. The carrying value of the Trust's financial instruments approximate their fair value.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that subject the Trust to credit risk are investments and the accounts receivable from MASC.

Investments – The Trust is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

Accounts Receivable from MASC - The Trust is directly affected by MASC's credit risk related to the collection of Hail Insurance producer premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the Trust. The Hail Insurance program offers credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well-being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums. MASC and therefore the Trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the Trust are not exposed to a significant credit risk.

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.

Investments – The Trust’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.

Liquidity Risk

Liquidity risk relates to the Trust’s ability to access sufficient funds to meet its financial commitments.

The Trust’s primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance indemnities are funded firstly out of current net revenue, which normally exceeds cash requirements and secondly, from the Trust equity. If all the above is exhausted, the Trust can also access funds from MASC’s Hail Insurance program’s ability to borrow funds from the Province of Manitoba.