



UNIVERSITY
OF MANITOBA

ANNUAL FINANCIAL REPORT 2013

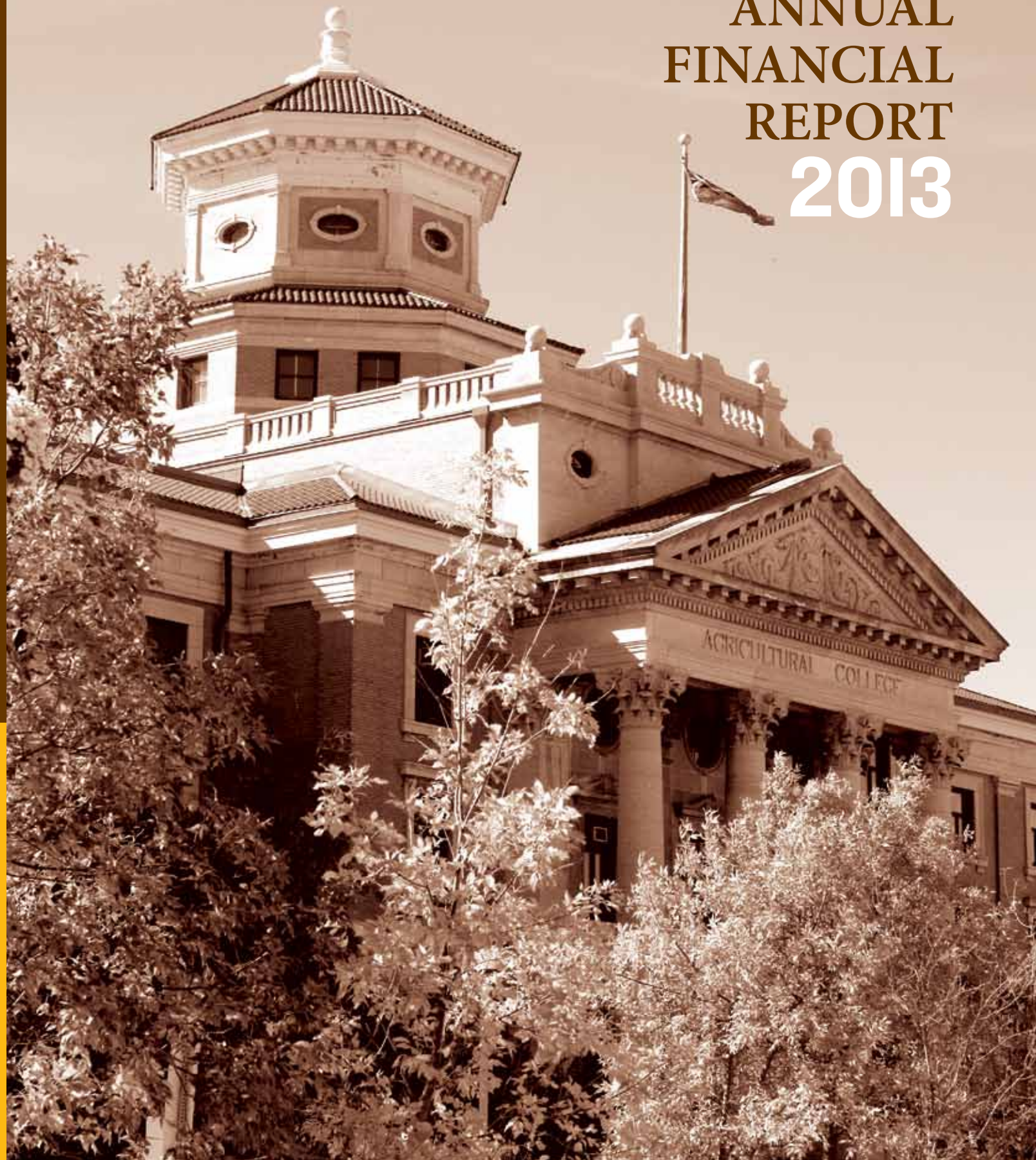


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MISSION VISION VALUES

MISSION:

To create, preserve and communicate knowledge, and thereby, contribute to the cultural, social and economic well-being of the people of Manitoba, Canada and the world.

VISION:

Our students, staff and alumni will have an association with the University of Manitoba that is transformative and their discoveries will be of the greatest possible benefit to their own lives, and to the lives of others.

VALUES:

Excellence, Equity and Diversity, Accountability, Innovation, Integrity, Humanity, Responsibility to Society, Environmental Sustainability, Selectivity, Academic Freedom.

REPORT OF THE BOARD OF GOVERNORS

To the Minister of Advanced Education and Literacy, Manitoba

In Compliance with Section 22(1) of The University of Manitoba Act, the Annual Report on the financial affairs of the University for the year ended March 31, 2013 is herewith submitted to the Minister of Advanced Education and Literacy. In this report, we set forth in detail –

- (a) the receipts and expenditures for the next preceding fiscal year,
- (b) the investments as they stood at the end of the year, and
- (c) other particulars which may be of interest to the Minister of Advanced Education and Literacy.

Included with this Report are the Report of the Vice-President (Administration), the Statement of Management Responsibility for Financial Reporting and the Report of the Auditor General of the Province of Manitoba on the audit of the accounts of the University.

RECEIPTS AND EXPENDITURES: SUMMARY OF GENERAL OPERATING FUND RESULTS

(in thousands of dollars)

	Year Ended March 31	
	2013	2012
Revenues and Other Additions	\$ 559,414	\$ 547,081
Expenditures and Other Deductions	502,913	462,241
Net Revenues	56,501	84,480
Net Appropriated To Specific Provisions	(5,722)	(4,415)
Inter-Fund Transfers	(50,816)	(80,411)
Accumulated Remeasurement Gains	39	
Net Increase To Fund Balance	\$ 2	\$ 14

Additions exceeded deductions by \$56,501,000 for the current fiscal year. Net appropriations of \$5,722,000 were made to specific provisions and an amount of \$50,816,000 was transferred to other funds. The resulting net surplus of \$2,000 after remeasurement gains has been added to the general operating balance in the General Operating Fund, increasing it to a balance of \$2,305,000 as at March 31, 2013.

INVESTMENTS: INVESTMENT HOLDINGS AT MARCH 31, 2013 WERE AS FOLLOWS:

(in thousands of dollars)

Canadian Bonds and Other Fixed Income	\$ 199,454
Canadian Equities	154,016
U.S. Equities	86,941
International Equities	72,385
Pooled Real Estate	61,320
Bankers Acceptances, Guaranteed Investment Certificates and Cash	62,255
Other	503
	\$ 636,874

Details of the above summaries will be found in the Financial Statements of the University which follow.

REPORT OF THE BOARD OF GOVERNORS

MEMBERS OF THE BOARD OF GOVERNORS:

At March 31, 2013 the members of the Board of Governors were as follows:

Chair

Janice Lederman, B.A., LL.B.

Vice-Chair

Patricia Bovey, B.A., FRSA

Chancellor

Harvey Secter, B.Comm, LL.B., LL.M., LL.D.

President and Vice-Chancellor

David T. Barnard, B.Sc., M.Sc., Ph.D (Toronto),
Dip.C.S. (UBC)

Appointed by the Lieutenant-Governor-in-Council:

Aaron Berg, B.A. (Hons.), LL.B.
Ted Bock, B.A., LL.B.
Patricia Bovey, B.A., FRSA
Evan Bowness
Alexandra Dansen
Sharon Jasper, B.Ed.
Meaghan Labine, B.Sc., M.Sc., Ph.D. candidate
Janice Lederman, B.A., LL.B.
Bev Passey, FCGA
Michael Robertson, B.A., M.A., MAA, MRAIC
David Sauer, B.A.
Shelley Jesseau

Elected by Senate

Joanne Embree, M.D., FRCPC
Norman Halden, B.Sc. (Hons.), Ph.D.
Mark Whitmore, B.Sc. (Hons.), M.Sc., Ph.D

Elected by Graduates

Romel Dhalla, B.A., B.Comm. (Hons.)
Gwen Hatch, B.A., LL.B.
Rennie Zegalski, B.Comm. (Hons.)

Elected by the University of Manitoba Students Union

Bilan Arte
Jennifer Black
Emmanuel Rotimi Ojo

University Secretary

Jeffrey M. Leclerc, B.Ed., M.Ed.

Respectfully submitted,
The Board of Governors,
The University of Manitoba.

Original Document signed by
Janice Lederman, Chair.

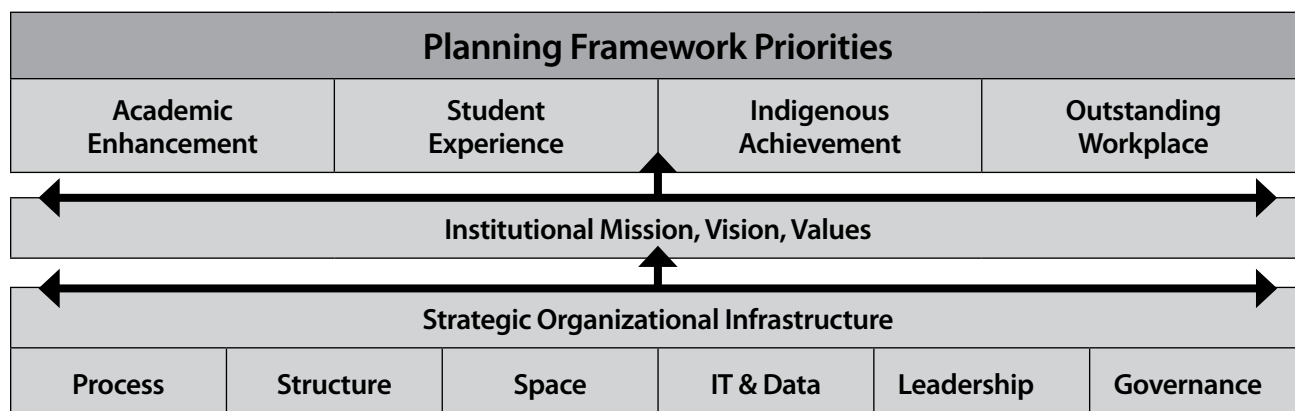
REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

*Building on a tradition of excellence, innovation and global influence.
Forging a vision of discovery and growth.
Achieving greatness.*

To ensure our university builds on its tradition of excellence, innovation and global influence, our planning decisions are guided by the Strategic Planning Framework that was approved and implemented in 2009.

In order to make progress in the planning framework priorities the university continues to undergo a transformation of its organizational infrastructure – a necessary step to broadly support learning, discovery and engagement. This transformation process is focusing on six major areas of organizational infrastructure: process, structure, space, IT and data, leadership and governance.

The university's approach, since the approval of the Strategic Planning Framework, has been to allocate a small portion through the budget process to areas which, if enhanced, will lead to institutional benefits such as increased enrolment, reputational improvements and connections to Manitoba priorities.



The 2012-13 provincial budget provided for an operating grant increase of five per cent and ACCESS grant increases of four per cent. Tuition increases were limited to 2.8%, the rate of inflation.

The 2012-13 general operating budget approved by the Board of Governors allowed us to invest in the transformation of organizational infrastructure and the four strategic planning framework pillars as follows:

Academic Enhancement

- strengthen process of undergraduate program reviews
- support for collaborative cluster initiatives – Centre for Human Rights, research grant facilitators (2), Health Sciences research platform
- research support – enhanced bridge funding; enhanced support for externally funded research chairs program
- strengthen support for teaching and learning
- targeted strategic faculty/school allocation/reallocations
 - funding for Art, Clayton H. Riddell Faculty of Environment, Earth, and Resources, Education, Engineering, Asper School of Business, Kinesiology and Recreation Management, Pharmacy, Libraries and the Colleges (St. John's and St. Paul's)

Indigenous Achievement

- infrastructure support for Migizii Agamik
- support for Elders Gathering and Graduation Pow Wow
- support for development of Aboriginal Viewbook
- Aboriginal tutor support

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

Student Experience

- graduate student support
- supplemental instruction coordinator support
- support for undergraduate recruitment and admissions processes (ROSE Student Services projects)
- undergraduate research award program

Outstanding Workplace

- leadership development
- career path development

Transform Organizational Infrastructure

- information technology support, to replace/upgrade infrastructure, teaching and learning technology, processes and to invest in people
- investments in physical plant, to maintain new facilities/property, enhance life safety, and to provide non-salary inflation support
- support to enhance capacity for evidence-based decision making and full participation in the U15 data exchange
- investments in external relations, particularly to support the upcoming capital campaign, and complementary marketing and communications initiatives to enhance image and reputation
- investments in compliance and certification, to meet external regulatory requirements particularly Tri-Council requirements (e.g., grant expenditure monitoring, animal care)
- enhanced safety and security

In the last four successive budgets, \$12.4 million in ongoing funding and \$6.6 million in one-time funds have been allocated to framework priorities. The ongoing funding represents a small portion of operating budget – 2.16%. Nevertheless, these funds have been utilized to launch new programs and seed new initiatives.

INVESTING IN MANITOBA'S FUTURE

In 2012-13 total university revenue in all Funds (unrestricted and restricted) was \$795.7 million, compared to \$794.1 million in 2011-12. The provincial government, through COPSE, Manitoba Health, Manitoba Student Aid, Manitoba Agriculture, Food & Rural Initiatives, various provincial councils and funds in support of teaching, innovation, capital and research is the largest single supporter of the university, representing 52% or \$412.4 million of total revenue, up from \$379.7 million last year. Support from COPSE increased \$16.3 million. Other revenues from the province included \$12 million for Project Domino and a \$20.7 million flow through grant for the BBB Stadium project.

Students, through their tuition and related fees, provided the second largest source of the university's revenue during the year. In 2012-13, \$133 million was assessed, up from \$123.2 million in the prior year. These fees represent 17% of total revenues. The tuition increases during the year are due mainly to increased enrolment (regular session and international student) and higher tuition fees.

Support from the Government of Canada declined significantly this year. Total revenues of \$75.3 million declined \$18.3 million. Federal support comprises of 9% of total revenues. The greatest decline was in the Capital Fund as funding for the Domino Project came to a close. In 2011-12 we received \$8.9 million for Project Domino as well as \$5.8 million for the Active Living Centre compared to \$0.1 million and \$2.1 million respectively this year. Federal programs provide significant support to research, capital, and indirect costs of research at the university.

The university received \$73.3 million or 9% of total revenue in 2012-13 in contributions, donations, and grants in support of research, special projects and initiatives, capital, chairs, scholarships, bursaries and staff benefits from our generous individual and corporate donors, contributors, and employees. This represents a decrease of \$7.7 million compared to 2011-12, with the largest difference related to a year over year decrease in research funding from the Gates Foundation.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

In the current fiscal year, the University adopted Public Sector Accounting Standards which has changed the method of recording revenues earned on investments. Income earned on dividends, interest, and realized gains and losses are still recorded as revenues in the Statement of Operations, however any income attributed to the change in fair value of investments (the unrealized gains and losses) is now recorded in the Statement of Remeasurement Gains and Losses. These standards were adopted prospectively, which means unrealized income was recorded as revenue last year, but not this year. This is important as it explains why the \$25.5 million in investment income in the current year appears similar to the \$27 million in income from the previous year, despite better investment markets this year. In the current year, unrealized gains of \$46.3 million are recorded as an increase to the Statement of Remeasurement Gains and Losses. The one-year return of the University Investment Trust (Endowment Fund) was 15.5%, significantly higher than last year's return of 4.9%. A more detailed discussion of the Trust and Endowment Fund appears later in this report.

Ancillary Services are comprised of the BookStore, Residences, Parking, Pharmacy, and Smartpark. Revenue for the year remained stable at \$37.2 million or 5% of total revenue. Ancillary Services are completely self-sustaining and contribute to the university's operation by covering their share of overhead in addition to their direct costs, as well as the capital costs of refurbishing Ancillary facilities, acquiring equipment and constructing and upgrading parking lots. They also support non-revenue generating units such as Security Services.

The sale of various goods and services generated 4% of total revenues in 2012-13 or \$33.7 million, an increase from 2011-12 of \$2 million. This increase is attributable to a variety of activities including the English language programs, Patents revenue and Dental Clinic Services. These revenue generating activities supplement the resources available to many faculties and schools for operating purposes while at the same time providing valuable linkages to the community.

Miscellaneous Revenue declined \$15.3 million this year to \$5.4 million due to significant insurance proceeds received for the Duff Roblin fire and the Wallace flood in 2011-12.

GENERAL OPERATING FUND

The results of the General Operating Fund for 2012-13, shown on a comparative basis with the prior year and the April 1, 2012 Board of Governors approved operating budget are summarized in Table 1, General Operating Fund. Operating revenues are shown by source, and expenses are shown by function and type to provide an overview of how the university utilizes the resources of the General Operating Fund. The university was successful again this year in achieving a balanced budget.

Although under budget pressure, there is a strong commitment to fiscal responsibility and financial stability on the part of the university's administration, faculties, schools, libraries, and support units. This is achieved in a decentralized system of budgetary control where academic and support units are allocated resources to meet the strategic priorities of the university. The operating units are provided with procedures to administer their budgets responsibly and to ensure there is accountability for the resources that are transferred to them.

The General Operating Fund ended the year with \$56.5 million of revenue in excess of expense. Part of this amount is due to the process of accounting for capital additions as assets in the Capital Fund even though they are funded by the operating budgets of faculties and units. In addition, some current year revenues and expenses were favourable to budget, for example, tuition revenues exceeded budget as noted above. The net increase to the General Operating Fund of \$1,984 was generated after taking into account the following interfund activity:

- \$37.2 million was transferred out to Capital representing amounts faculties and units spent on capital assets and library acquisitions
- \$16.0 million was transferred out to support the Dafoe Learning Commons, Fort Garry Campus Wayfinding Signage, Faculty of Medicine Centre for Healthcare Innovation, Library Renovations, and deferred maintenance
- \$9.0 million was transferred in from Trust to support students and unit budgets
- \$7.5 million was transferred out to Trust and Endowment representing funds received through tuition assessments or other revenue sources to be used in future years for scholarships
- \$7.1 million was transferred into provisions for one time only budget allocations for 2013-14 in support of unit priorities identified during the strategic resource planning process

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

- \$6.8 million was transferred out to Provisions on behalf of units such as Ancillary Services and the telephone office which are expected to be self-sufficient including future capital replacements
- \$5.8 million was transferred out for debt servicing
- \$3.0 million of overhead recoveries was transferred in from Research

As detailed in Table 1, General Operating Fund expenses increased by \$40.7 million or 9% in fiscal 2012-13 over 2011-12. When compared by function: Instruction costs have increased by \$16.1 million due mainly to budgeted salary and benefit increases; Administration costs have increased by \$5 million due to budgeted salary and benefit increases and increased budgets for Marketing and Communications, Campus Planning and Development offices; and actuarially determined employee future benefits and pension expenses have increased by \$8.8 million.

**TABLE 1: GENERAL OPERATING FUND
SUMMARY STATEMENT**
(in thousands of dollars)

	April 1, 2012 Budget	%	March 31, 2013 Actual	%	March 31, 2012 Actual	%
Revenue:						
COPSE	\$ 319,425	58.8%	\$ 319,955	57.2%	\$ 304,147	55.6%
Tuition Fees	127,785	23.5%	133,012	23.8%	123,191	22.5%
Ancillary Services	36,461	6.7%	37,189	6.6%	37,025	6.8%
Sales of Goods & Services	29,525	5.4%	32,822	5.9%	31,010	5.7%
Other Province of Manitoba	14,126	2.6%	17,546	3.1%	15,799	2.9%
Government of Canada	8,499	1.6%	10,563	1.9%	10,760	2.0%
Net Investment Income	4,203	0.8%	3,964	0.7%	5,426	1.0%
Contributions, Donations, Non-Government Grants	1,224	0.2%	2,502	0.4%	2,653	0.5%
Miscellaneous	2,053	0.4%	1,861	0.3%	17,070	3.1%
	543,301	100.0%	559,414	100.0%	547,081	100.0%
Expense by Function:						
Instruction	\$ 275,118	54.7%	\$ 307,404	61.1%	\$ 291,347	63.0%
Administration	48,210	9.6%	40,057	8.0%	35,051	7.6%
Plant Maintenance	21,164	4.2%	34,331	6.8%	32,858	7.1%
Ancillary Services	28,116	5.6%	29,035	5.8%	28,926	6.3%
General	27,130	5.4%	25,538	5.1%	23,213	5.0%
Other Academic Support	25,994	5.2%	23,289	4.6%	21,124	4.6%
Student Affairs	17,621	3.5%	18,782	3.7%	16,786	3.6%
Libraries	18,193	3.6%	16,984	3.4%	16,872	3.7%
Student Awards	8,551	1.7%	10,225	2.0%	7,850	1.7%
Actuarially Determined Employee Future Benefits		0.0%	3,266	0.6%	393	0.0%
Change in Pension Obligation		0.0%	416	0.1%	(5,505)	(1.2%)
Staff Benefits Contra	(5,439)	(1.1%)	(6,414)	(1.3%)	(6,674)	(1.4%)
Central Reserves *	38,212	7.6%				
	502,870	100.0%	502,913	100.0%	462,241	100.0%

Continued on page 9...

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

...Continued from page 8

	April 1, 2012 Budget	%	March 31, 2013 Actual	%	March 31, 2012 Actual	%
<i>Net Revenue</i>	40,431		56,501		84,840	
<i>Net Transfer to Other Funds</i>	(40,431)		(56,538)		(84,826)	
<i>Remeasurement Gains and Losses</i>			39			
<i>Net Increase to Fund Balance</i>	\$		\$ 2		\$ 14	
Expense by Type:						
Salaries & Wages	\$ 312,754	62.2%	\$ 316,079	62.9%	\$ 300,284	65.0%
Supplies and Expenses	89,136	17.7%	78,613	15.6%	72,512	15.7%
Staff Benefits	60,825	12.1%	63,833	12.7%	57,324	12.4%
Ancillaries Cost of Goods Sold	15,476	3.1%	15,588	3.1%	15,702	3.4%
Utilities	14,982	3.0%	14,499	2.9%	13,887	3.0%
Student Awards	8,551	1.7%	10,225	2.0%	7,850	1.7%
Payroll Tax Levy	6,585	1.3%	6,808	1.4%	6,468	1.4%
Change in Pension Obligation			3,266	0.6%	(5,505)	(1.2%)
Actuarially Determined Employee Future Benefits			416	0.1%	393	
Staff Benefits Contra	(5,439)	(1.1%)	(6,414)	(1.3%)	(6,674)	(1.4%)
	\$ 502,870	100.0%	\$ 502,913	100.0%	\$ 462,241	100.0%

* Represents funds budgeted for distribution to unit budgets during the year for salary and contract increases and other centrally funded initiatives.

STUDENTS

Fall 2012 built upon last year's record-setting enrolment, surpassing it by an additional 2.6% to reach 29,181 students.

Increases were evident in many areas, including undergraduate, graduate, international, and Indigenous enrolment.

Undergraduate enrolment increased 2.7% to 24,996 students in Fall Term 2012. Graduate enrolment increased 2.3% to 3,580 students in Fall Term 2012.

International student enrolment increased 19.3% from Fall Term 2011. The international student population now comprises 11.2% of the total student population.

In Fall Term 2012, Indigenous students comprised 7.2% of the student population. The percentage of Indigenous students in the University 1 program has increased from 8.4% in Fall Term 2011 to 9.1% in Fall Term 2012.

Table 2, Selected Statistics provides information on undergraduate and graduate student enrolment, self-declared Aboriginal students, undergraduate student credit hours and degrees, diplomas and certificates conferred on our graduates.

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

TABLE 2: SELECTED STATISTICS

	2012	2011	2010	2009	2008
Fall Term Enrolment					
Total Students ^{1,2}	29,181	28,430	27,751	27,476	26,238
Undergraduate students	24,996	24,347	23,929	23,654	22,544
% Annual Change	2.7	1.7	1.2	4.9	(2.2)
Full-Time	20,363	19,876	19,522	19,174	18,345
Part-Time	4,633	4,471	4,407	4,480	4,199
Graduate students	3,580	3,501	3,333	3,333	3,224
% Annual Change	2.3	5.0	0.0	3.4	(2.0)
Full-Time	2,843	2,720	2,560	2,550	2,452
Part-Time	737	781	773	783	772
Post-Graduate Medical Educ. Students	605	582	489	489	470
Summer Enrolment	10,469	10,157	10,121	9,637	9,437
% Annual Change	3.1	0.4	5.0	2.1	(1.7)
Total Enrolment	39,650	38,587	37,872	37,113	35,675
Full-Time Equivalent Students^{1,3}	28,336	27,581	26,943	26,470	25,384
International Students	3,266	2,738	2,354	2,165	2,134
Self Declared Aboriginal Students⁴	2,087	2,021	1,912	1,883	1,766
Undergraduate students	1,933	1,876	1,771	1,748	1,638
% Total undergraduate students	7.7	7.7	7.4	7.4	7.3
% Total University ¹	9.1	8.4	8.4	8.3	8.3
	2012	2011	2010	2009	2008
Graduate	147	139	133	129	123
% of Total Graduate	4.1	4.0	4.0	3.9	3.8
Post-Graduate Medical Educ.	7	6	8	6	5
% of Total PGME	1.2	1.0	1.6	1.2	1.1
Undergraduate Student Credit Hours					
Fall and Winter	526,803	512,849	509,309	503,048	485,695
Summer	53,898	53,617	53,910	51,457	49,244
On-load ⁵	6,335	6,156	6,084	6,928	6,133
Degrees, Diplomas, Certificates Conferred					
Undergraduate	4,045	4,139	4,120	4,095	4,382
Graduate	815	779	778	738	765

1. As at November 1st.

2. Includes B.Sc.(Dentistry), B.Sc.(Medicine) and Joint Master's Program students based on workload calculations.

3. Full-Time Equivalent Students = Full-time + (Part-time / 3.5). Includes all terms.

4. Aboriginal identity is a voluntary self-declaration made on the Admission form. Therefore, the numbers reported are less than the total population of Canadian Aboriginal students on campus.

5. Courses taught during Summer term as part of Fall and Winter teaching load.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

STAFF

The University of Manitoba continues to be an outstanding workplace – one that recognizes the significant contributions of its faculty and support staff and provides challenging and enjoyable opportunities for its staff members. A total of 4,698 full-time equivalent staff were employed during the year comprised of 2,085 faculty, 2,456 administrative staff and 157 staff in Ancillary Services.

People drive the success of the University of Manitoba – faculty and staff are committed to providing students with the exceptional education that they expect and deserve. The experience in the classroom and research laboratory is paramount to students' future success and contribution to society. Attracting and retaining the best faculty and staff requires that we compete globally by offering fair compensation packages, modern facilities in which to teach and perform research, and state-of-the-art equipment in classrooms and laboratories.

Faculty achievements throughout the university community this past year were many and varied and are too numerous to detail in this report. To name a few:

- Distinguished Professor Dr. Harvey Max Chochinov, Canada Research Chair in Palliative Care, psychiatry and CancerCare Manitoba was selected by the Canadian Medical Association to receive the 2012 CMA Frederic Newton Gisborne Starr Award, described as the “Victoria Cross of Canadian Medicine,” this award represents the highest honour that the CMA can bestow upon one of its members;
- three professors, Dr. Heather Dean, pediatrics and child health and Manitoba Institute for Child Health, Dr. Lorrie Kirshenbaum, Canada Research Chair in Molecular Cardiology, physiology and St-Boniface Hospital Research, and Dr. Peter Nickerson, internal medicine and immunology, were elected fellows of the Canadian Academy of Health Sciences, one of the highest honours for individuals in the Canadian health sciences community;
- President Emeritus Dr. Arnold Naimark, physiology and medicine, was inducted into the Canadian Medical Hall of Fame for the major role he played in building health education and research in Canada;
- two professors, Distinguished Professor Dr. Jan Oleszkiewicz, civil engineering, and Dr. Doug Thomson, electrical and computer engineering, were elected fellows of the Canadian Academy of Engineering, the national institution through which Canada's most distinguished and experienced engineers provide strategic advice on matters of critical importance to Canada;
- the Women's Executive Network named two professors, Dr. Janice Ristock, women's and gender studies and vice-provost (academic affairs) and Dr. Cheryl Rockman-Greenberg, pediatrics and biochemistry and medical genetics and Manitoba Institute of Child Health, as Canada's Most Powerful Women: TOP 100, in the Trailblazers and Trendsetters category; and
- Dr. Kent HayGlass, immunology and Canada Research Chair in Immune Regulation, was named the 2012 recipient of the Dr. John M. Bowman Memorial Winnipeg Rh Institute Foundation Award for outstanding research by senior university faculty.

OUTSTANDING WORKPLACE

One of the University of Manitoba's strategic priorities is to be an outstanding workplace, one that recognizes the significant contributions of its faculty and support staff and provides challenging and enjoyable opportunities for its staff members.

In 2012 we released the It's Up to Us – Outstanding Workplace Initiative (OWI) Strategy and Plan. These documents outline six commitments: to increase our connectedness as a community; to foster exemplary leadership and management practices; to enhance a respectful, equitable and inclusive work environment; to enhance career and professional development supports; to increase organizational efficiencies by reducing red-tape and bureaucracy; and to continue to identify, build on and communicate our workplace strengths.

We made progress in many of the areas outlined in our strategy and plan, including communicating our strengths by being recognized as one of Manitoba's Top 25 Employers. We also launched the “Our Outstanding Workplace” web portal – linking

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

employees to information about the U of M community and its benefits. We also developed our UM Leading framework and UMLMP (Leadership and Management Program) and outlined our career and professional development framework. We are applying that framework first with regards to our support staff, and very soon can present them with clearer maps, paths, and supports to build their careers here.

Several individual units, for example Dentistry, IST, and Financial Services, developed specific OWI initiatives for their units, including attention to planning, professional development, team effectiveness, and the physical and social workplace environment. The building of the new Active Living Centre, community connectedness through academic structure changes, and further implementation of our OWI plan will continue to enhance the workplace experience for all employees.

CONTINUOUS IMPROVEMENT

In 2009 two programs, Resource Optimization and Service Enhancement (ROSE) and Optimizing Academic Resources (OARs) were initiated under the overall strategy of achieving resource optimization improvements within the institution. The ROSE program was designed not just to realize cost savings and process efficiencies, but also to enhance quality of service, advance shared responsibility and promote accountability and transparency within many of the administrative processes and services. After completion of the assessment and design phases in 2009 and 2010 respectively, the implementation phase of the program began in February 2011 with over 20 projects being initiated within six functional focused streams.

In 2011, the Office of Continuous Improvement assumed responsibility for managing the delivery of the ROSE program. By the end of the 2012/13 year, the ROSE program had grown to 31 projects across nine functionally focused streams. Fourteen of the 31 projects have been closed, 16 are in progress, and one project is on hold. By the end of 2013 another 12 projects will have been completed.

The past year has seen the successful completion of projects to support online expense submission and travel booking; restructure the marketing and philanthropy offices; improve the overall quality and timeliness of the physical plant work order and project management processes; create significant reductions in the acquisition time and costs of personal computers; implement an online relationship management and admissions system for graduate students; enhance the university's ability to better inform our research community about the research contract process and to make transparent the review process; and to enhance student self-service and improve processing in all facets of the application, assessment and awarding of bursaries and scholarships. The Canadian Association of University Business Officers has awarded the University of Manitoba a Quality and Productivity Award for its online expense submission and travel booking system, recognizing the university as a leader amongst its peers.

The past year has also seen the deployment of new processes and systems to replace the paper based procurement methods with an online, streamlined, and transparent procurement system; reduce hardcopy printing and eliminate over 1,800 individual printing devices by implementing shared, multipurpose print/copy/scan/fax devices; improve the coordination of course scheduling and optimize the use of teaching space; support the management of human and animal ethics protocol approvals; improve management of the lab animals facilities; implement an online relationship management and admissions system for undergraduate students; consolidate desktop and application support; and to standardize on a common email/ calendaring system.

Participation from all levels of the university continues to be significant. To date, over 200 staff members have worked within the ROSE program in some capacity, either as a team member on one or more of the ROSE projects, on the program team, or in one of the committees supporting the projects and program.

The ROSE program is on track to meet projected annual combined cost savings and revenue enhancement of \$8 million to \$15 million, in addition to significant service enhancement for the functional areas within scope of the program.

The goal of the OARs program is to make better use of the university's academic resources by identifying strategies to improve, and reduce barriers to their effective use. In 2009, three project teams identified issues and advanced recommendations to academic bodies and administrative offices/officers designed to optimize the future use of the university's academic resources and, in so doing, advance the academic enterprise.

In 2010, OARs evolved to focus on two major areas: the development of a strategic enrolment management plan, and the establishment of collaborative clusters designed to facilitate more deliberate collaboration between faculties/schools. A

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

Strategic Enrolment Management Planning Committee was established to provide advice on enrolment goals, and policies and practices to facilitate the overall student experience. A variety of sub-committees are in place, including data management, student success/retention, graduate students/research, academic rules and regulations, and recruitment and marketing. To facilitate collaboration between academic units, five groupings or collaborative clusters were established: Fine Arts, Design and Culture; Health Sciences; Natural and Applied Sciences; Social and Human Development; and Social Sciences. These clusters began discussions to identify opportunities for the joint development of new teaching and research programs; the sharing of administrative services and resources; and methods to reduce barriers and foster faculty and student mobility within and between units.

In January 2012, the President launched the Academic Structure Initiative to investigate and define opportunities to integrate the administration and operations of faculties and units. "It is now time to move forward with a plan to simplify and improve our university's academic structure, so that we can more effectively achieve our strategic vision." As a result, this initiative began to explore, simplify and improve the current academic structure with the specific goal to identify options for reducing the number of faculties and schools from the current total of 20 to a number closer to the national average of 13 by 2017. The cluster mechanism was identified as a useful starting point and the Vice-President (Academic) and Provost has been working with the health sciences deans and directors to develop a proposal or set of options for a more integrated structure in this area. As a result of extensive discussions and broad consultation, a set of options were presented to the health sciences faculties' staff and students on November 15, 2012. Following a period of further consultation, a formal proposal to incorporate the Faculties of Dentistry, Medicine, Nursing and Pharmacy, and the Schools of Dental Hygiene and Medical Rehabilitation into a new Faculty of Health Sciences was developed and is under consideration. As well, the Faculty of Agricultural and Food Sciences and the Clayton H. Riddell Faculty of Environment, Earth, and Resources have initiated discussions about a greater integration of activities.

The initiatives above only address the ROSE and OARS programs. Many other individual initiatives are underway within the university and are creating change outside of the ROSE and OARS governance mandates. The creation of a more holistic approach to instill and maintain a culture of continual change and build upon the change outcomes introduced with the ROSE and OARS programs is now underway. Strategies and approaches are being developed, and actions are underway that will build mature practices of process improvement, project/program delivery, and change support that can be used throughout the university.

WORLD CLASS RESEARCH

The University of Manitoba currently holds 45 Canada Research Chairs and one Canada Excellence Research Chair, and is an active participant in 11 of Canada's National Networks of Centres of Excellence. The university is also home to, or a partner in, 53 research centres, institutes and shared facilities that foster collaborative research and scholarship in a wide variety of fields.

In October 2012 and March 2013, the Canada Research Chair (CRC) program announced an investment of \$5.7 million for research at the University of Manitoba. The university was awarded one new CRC and five CRCs had their chairs renewed. Dr. Salah Mahmud, community health sciences, Tier 2 CRC in Pharmacoepidemiology and Vaccine Evaluation, will receive \$500,000 over the next five years. His research will use epidemiological methods to find ways to reduce the risk of developing and dying from these common cancers and infections by studying the use of widely used medications like aspirin, cholesterol lowering drugs and anti-depressants in preventing major cancers, such as prostate, colon and cervical. The following CRCs were renewed in their Tier 1 appointments and awarded \$1.4 million each over the next seven years: Dr. Diana Brydon, English, film and theatre; Dr. Grant Hatch, pharmacology and therapeutics/biochemistry and medical genetics, Manitoba Institute of Child Health; and Dr. Peter Jones, food science and Richardson Centre for Functional Foods and Nutraceuticals. The following CRCs were renewed in their Tier 2 appointments and awarded \$500,000 each over the next five years: Dr. Warren Cariou, English, film and theatre; and Dr. Michelle Driedger, community health sciences.

In 2012-13, research at the University of Manitoba continued its strength, with investment in a number of key areas. University researchers received \$102.7 million in sponsored or assisted research support through grants or contracts from the federal and provincial governments, various foundations, business and industry, and individuals. This funding is consistent with the amount received in 2011-12.

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

Table 3, Research Expenses by Faculty or Support Unit, illustrates the level of research investment, as measured by the level of spending, in faculties and schools 2012-13. Research investment was highest in the Faculty of Medicine, at a level of \$50.2 million in 2012-13. The second-highest was the Faculty of Agricultural and Food Sciences at \$15.1 million, followed by the Faculties of Science, Engineering, and the Clayton H. Riddell Faculty of Environment, Earth and Resources, at \$9.3, \$8.0, and \$7.3 million respectively. In 2012-13 a total of \$108.3 million was spent on sponsored or assisted research activities at the University of Manitoba.

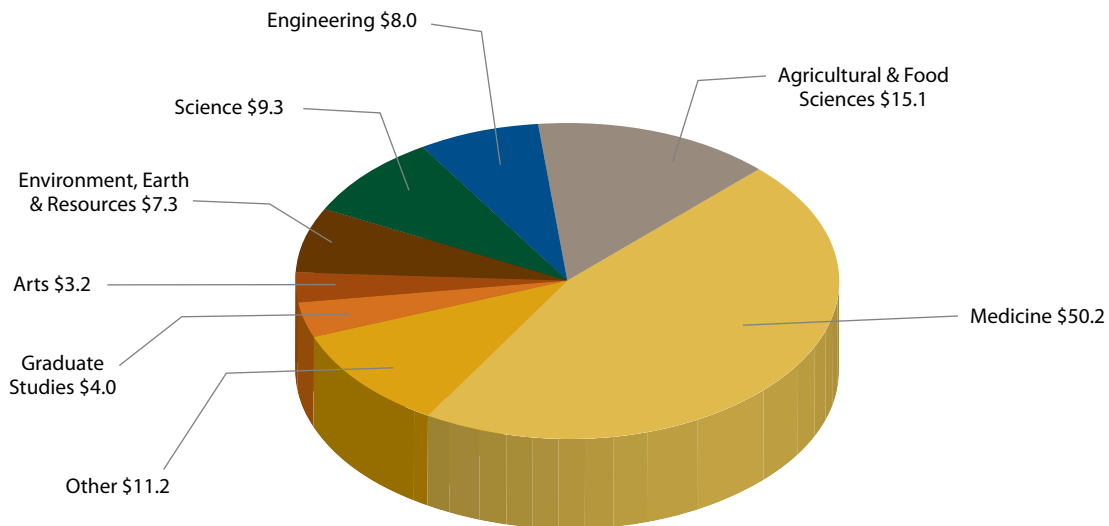
On May 25, 2012, the Social Sciences and Humanities Research Council (SSHRC) of Canada announced \$2.69 million over seven years in new funding under the Partnership Grant program to Dr. Haskel Greenfeld, anthropology, who will partner with fellow archaeologist Aren Maeier of Bar-Ilan University in Israel. Their team will unearth buried streets and houses from 2500 BC at the ancient site of Tell es-Safi, a city likely destroyed by fire during battle. This will be the first time that archeologists will investigate a lower-class neighbourhood on a microscopic level in order to see what daily life was like for common folk.

On September 19, 2012 the University of Manitoba’s \$3-million Thorlakson Chair in Surgical Research was announced. Dr. Richard Keijzer, pediatric general surgery and Manitoba Institute of Child Health, was named the Thorlakson Chair in Surgical Research. This first-ever chair in surgical research was made possible by a \$1.5 million donation by the Dr. Paul H.T. Thorlakson Foundation Fund, and a \$1.5 million in matching funds contributed by faculty members in the university’s Department of Surgery. This research chair will ultimately improve surgical outcomes for patients and promote innovation and will increase the competitiveness of the Faculty of Medicine and the Department of Surgery to recruit top clinician scientists and increase prominence for funding from national and international funding agencies.

Funding from the CFI, MRIF, and matching contributions from industry, along with the corresponding expenditures, are reflected in the Capital Asset Fund. In 2012-13, total contributions from these sources were \$4.9 million. The new funding supports research in seven faculties, including projects in: arctic geomicrobiology and climate change, molecular determinants of chromosome instability in cancer, integrating mass spectrometry and protein functionality in biology and medicine, and molecular oral microbiology laboratory for cell-cell interaction and antimicrobial research. When combined with sponsored or assisted research funding of \$102.7 million, University of Manitoba researchers received \$107.6 million in funding in 2012-13.

TABLE 3: RESEARCH EXPENSES BY FACULTY OR SUPPORT UNIT 2012-13

(Total \$108.3 M)



REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

TRUST AND ENDOWMENT FUND

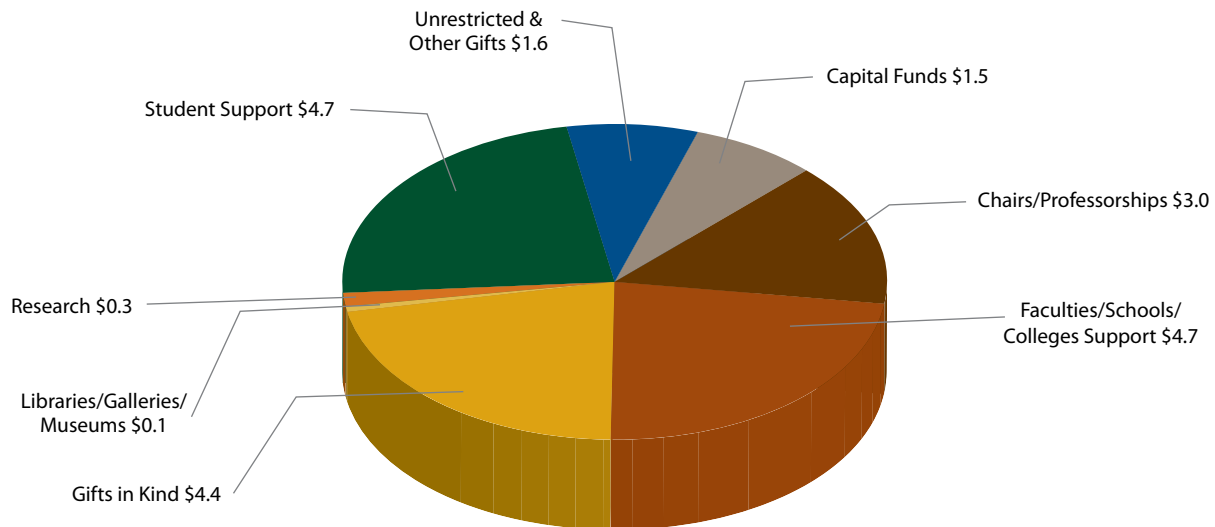
The University's endowment fund had a market value of \$424 million as at March 31, 2013, compared to \$357 million in 2012. The growth was primarily due to \$11 million in new donations, and an annual return of 15.5%. This annual return was very favorable, as the portfolio performed well compared to its peer group and compared to the policy benchmark return of 10.5%. On a relative basis compared to individual benchmarks, all three equity mandates outperformed the indices they are measured against. The Canadian equity portfolio earned a 1-year return of 17.5%, versus the S&P/TSX Index return of 6.1%; the U.S. equity portfolio earned 17.6% for the year compared to the S&P 500 Index return of 15.9%; and the EAFE equity mandate's return of 16.4% compared well against the MSCI EAFE Index return of 13.1%. In addition, the Canadian real estate portfolio realized a 1-year return of 17.8%, which also benefitted the overall performance of the portfolio. The only mandate with low returns was the bond portfolio which earned 4.8% for the year, which is reflective of the low yields and low valuations typical of current bond markets. The market value of the specific trusts was \$48 million (2012 - \$36 million), the increase due to gifts and funding for new capital projects.

The endowment fund generated a spending allocation of \$16.2 million for the upcoming fiscal year, up from last year's distribution of \$15.2 million. This allocation provides funding for student support, faculty and researchers, various programs and initiatives, chairs and professorships, and additions to library resources. The continuing growth of both the endowment fund and the income it distributes is a testament to the generosity of the University's many donors which allows the fund to help support current students as well as future generations of students.

Tables 4.1 and 4.2 Donor Pledges summarize pledges received by type of donor and the purpose for which the gift was pledged.

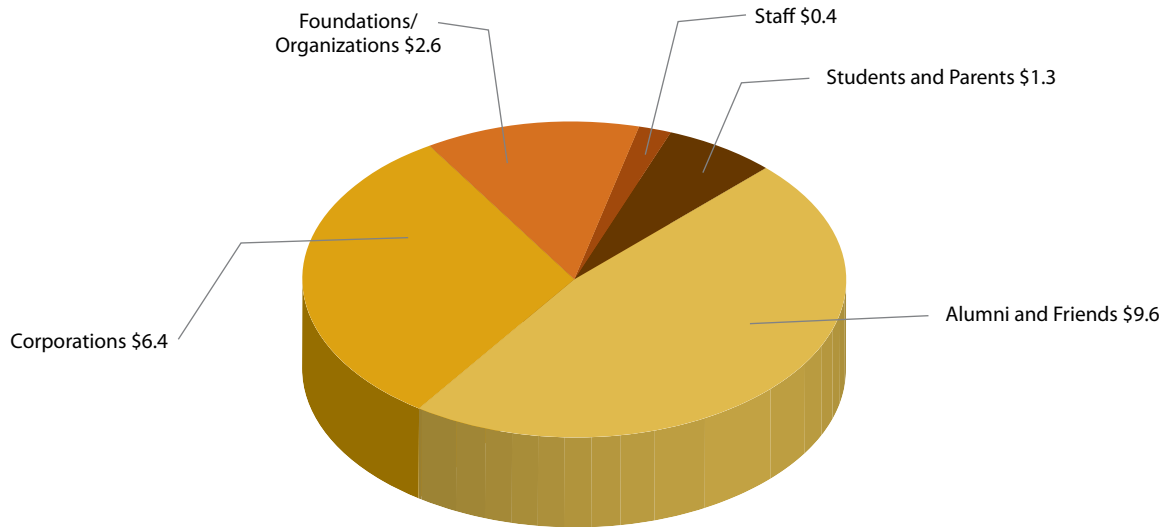
TABLE 4.1: DONOR PLEDGES BY TYPE OF GIFT 2012-2013

(Total \$20.3 M)



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TABLE 4.2: DONOR PLEDGES BY CONSTITUENCY 2012-2013
(Total \$20.3 M)



INVESTMENT IN CAPITAL, INFRASTRUCTURE, AND TECHNOLOGY

In 2012-13, the University of Manitoba invested \$95.1 million in capital assets as follows:

- \$65.5 million for the construction of buildings, infrastructure renewal and land improvements;
- \$15.5 million for the acquisition of furniture, equipment and vehicles;
- \$3.1 million for computer equipment and technological improvements such as building cabling; and
- \$11 million for library acquisitions and works of art.

In addition, debt servicing costs of \$22 million were paid, primarily relating to the Provincial Debt, the Arthur V. Mauro Student Residence, and the Pembina Hall Student Residence.

Capital funding for the year includes internal sources plus \$7.3 million from COPSE, \$18.9 million from other Provincial departments, \$4.2 million from the Federal Government, \$14.4 million from private donors and \$10.8 million from other income.

A number of projects were completed during the fiscal year including the Wallace Building addition (\$7.4 million), Duff Roblin fire restoration (\$2.5 million), Frank Kennedy locker room renovation (\$2.6 million), Active Living Centre tunnel connection (\$1.4 million), Faculty of Medicine clinical skills lab renovation (\$1.2 million) and Faculty of Science Parker Lab 280 renovation (\$1.0 million).

Construction commenced on the Stanley Pauley Centre (\$1.2 million) which is devoted to education and research associated with electrical power conservation. The Stanley Pauley Centre will house three major laboratories: the Intelligent Power Grid Laboratory, the Electric Vehicles Laboratory and the McMath High Voltage laboratory.

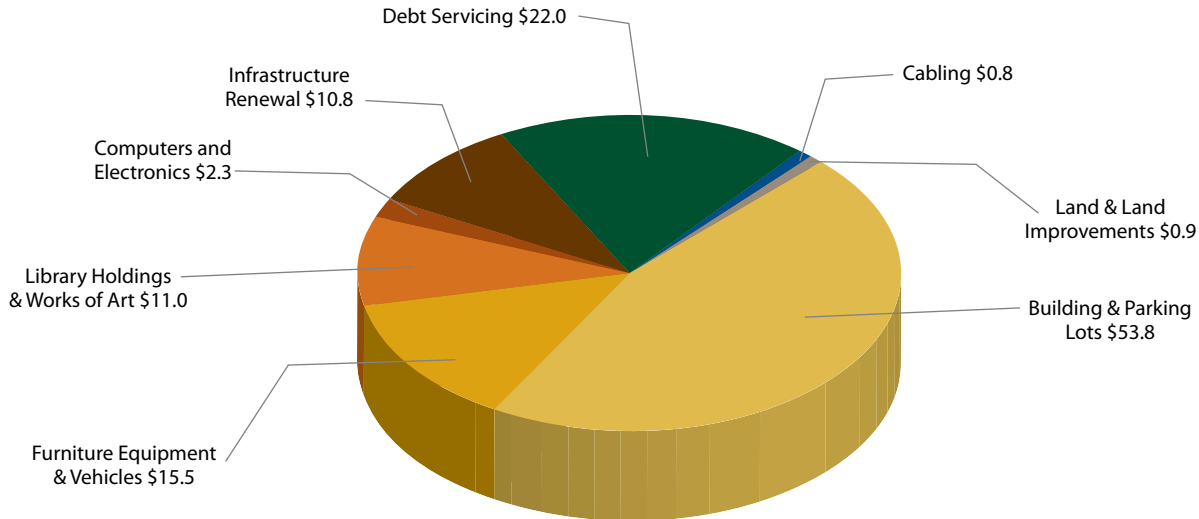
Construction continued on the Taché Hall Project Domino renovation (\$11.2 million) and the Active Living Centre (\$4.1 million) which is expected to open in January 2015.

Infrastructure renewal projects undertaken in 2012-13 included asbestos remediation (\$2.0 million), fire and safety (\$1.6 million), window replacements (\$1.3 million), Ellis Building fume hood (\$1.7 million) and the Bannatyne electrical Reservicing Project (\$1.2 million). These projects were funded by COPSE capital grants, deferred maintenance funding from the Province and the Provincial Debt.

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TABLE 5: CAPITAL FUND EXPENDITURES 2012-13

(Total \$117.1 M)



Smartpark continues its mission to “Build a Community of Innovators” by developing land and space for lease on a designated 100 acres of university land for four broad research areas: information and communications technology, engineering and advanced materials, health and biotechnology, and agricultural and nutritional sciences. Smartpark Research and Technology Park opened its first building facility in 2002. Today, it is home to 30 clients employing 1,000 people in 9 buildings across the park including the eureka project: Smartpark’s business incubator of early-stage technology companies.

Table 5, Capital Fund Expenditures provides a more detailed breakdown of the \$95.1 million in capital asset expenditures and debt servicing costs of \$22 million during 2012-13.

SUSTAINABILITY

In 2012-13 the university reinforced its commitment to sustainability by adopting Sustainability at the University of Manitoba: A Strategic Vision for Action and by establishing an Office of Sustainability to advance this vision. Sustainability is a shared commitment undertaken by all actors in the university community. Delivering education, research, development and operations that meet the needs of today and of tomorrow supports the university’s mission while driving reductions in resource consumption, fostering efficient systems, optimizing resources, maintaining assets and reducing waste.

In addition to improving social and environmental outcomes, sustainability initiatives related to energy, water and other kinds of resource consumption have financial benefits to the University:

- A major step in the University’s stewardship efforts was the 1997 Energy Performance Contract which invested over \$12 million in utility saving initiatives and has generated savings of more than \$50.2 million, with \$4.3 million in the 2012/13 year alone.
- The university continues to strive for a 5% year-over-year utility savings. Since 1990/91, the University of Manitoba’s Fort Garry campus has reduced its natural gas consumption by more than 39% per sq. foot and electricity consumption by more than 35% per sq. ft.
- Water consumption is more than 57% less compared to 1990 levels, generating estimated savings of \$1.69 million in annual water billing for the university in 2012/13. Water metering technologies have been implemented providing Physical Plant with the capacity to monitor actual campus water usage. This information results in an estimated savings of an additional \$500,000 per year.

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- The most recent water related project is the upgrading of water fountains in University Centre. In an effort to reduce waste and promote universal access to potable water, outdated, seldom used fountains were replaced with new bottle fillers with automatic sensors. As of mid-April 2013, over 100,000 “fills” were dispensed from the fountains.
- A variety of custodial system enhancements have been implemented recently that reduce the need for disposable cleaning supplies and for cleaning chemicals. These changes are associated with social, environmental and financial benefits and include:
 - Energy efficient and hygienic hand dryers in high use washrooms – run for just 12 seconds/use and reduce paper use
 - Mats that remove dirt and grit before it enters the building, thereby minimizing the use of unnecessary cleaning chemicals
 - Reusable microfibre cleaning cloths
 - Chemical-free floor cleaning machines that use up to 70% less water than traditional floor cleaning methods
 - Handheld sprayers which electrically convert water into a cleaning solution, eliminating 47 general-purpose chemicals used for daily cleaning of glass, hard surfaces, and carpets.

FORT GARRY CAMPUS PLAN

In December 2012, “Visionary (re)Generation”, the university’s Open International Design Competition for a new Fort Garry Campus Plan, was launched. Emphasizing innovative and sustainable design, the competition tasks teams with developing an overall vision and urban design strategy for the campus including the Southwood lands, in line with the principles and vision established through consultation with university and community stakeholders. The winning team will be responsible for the development of a Fort Garry Campus Plan, a conceptual plan for the Southwood precinct, and a phase-one site plan for eight hectares of the Southwood site.

In March 2013, forty-six teams from around the world submitted entries for the competition’s first design phase. Technical experts examined and assessed the entries and the competition jury, supported by technical experts and stakeholders, has selected six finalists to move on to the competition’s second design phase. A winner will be selected by the jury and announced in November 2013.

BANNATYNE CAMPUS PLAN

The past year saw the initiation of a campus master planning process for the Bannatyne campus. The process was initially driven by several factors, most notably the potential relocation of the Faculty of Nursing to Bannatyne and the attendant need for a new Nursing building at Bannatyne; the need for more student services and amenities at the campus; and the increasing emphasis on co-learning and interdisciplinary teaching, learning, and research in the health sciences. Thorough and regular consultation with the Deans and Directors of Bannatyne faculties and schools along with Nursing resulted in a draft discussion paper outlining the principles, overall vision, and general framework to guide the future of the campus. The discussion paper includes a phasing scenario for campus development, and has formed the basis of ongoing consultation and engagement with the university community and the surrounding neighbourhoods. Over 700 people and 40 stakeholder groups including student, faculty, staff, administration, and surrounding neighbourhood stakeholders have been part of the engagement process through meetings and open house events. Community engagement is ongoing and will inform the creation of the final draft of the Campus Master Plan, anticipated for June 2013.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

AN ASSET TO OUR COMMUNITY

In addition to success at providing a quality university education to our students and conducting world class research with global implications, the University of Manitoba reaches out to the community in many other ways, through continuing education, collaborative efforts with business and industry, and through the provision of specialized services not readily available locally. The university operates two main campuses, Bannatyne and Fort Garry, with satellite teaching and research facilities at Glenlea Research Station, Ian M. Morrison Research Farm in Carman, University of Manitoba Downtown: Aboriginal Education Centre, and at the William Norrie Centre on Selkirk Avenue.

In addition, Dentistry, Medicine and Social Work all offer programs onsite and through distance education delivery techniques in rural and northern communities. Dentistry offers extensive dental services through the Centre for Community Oral Health and Medicine provides health services through the Northern Medical Unit, bringing dental and health care to remote and Aboriginal communities. The University Centre Pharmacy also operates the Medical Information Line which offers phone and walk-in medication consultation to all Manitobans.

Smartpark continues to flourish, providing business and industry with opportunities to work collaboratively with researchers at the University of Manitoba.

More than \$1.8 billion in Province-wide economic activity is stimulated by the University of Manitoba, according to a study released in December 2009. The University of Manitoba Economic Impact Analysis, produced by PricewaterhouseCoopers and commissioned by the University of Manitoba, shows the university has a far-reaching effect upon all Manitobans. As illustrated above, the university does more than stimulate the economy in the short term; it is successful in the delivery of education, research, and community service which translates into major long term economic, social, and cultural benefits for the people of Manitoba.

The university currently is undergoing a physical transformation as a result of several projects underway that will enhance campus life for our students, faculty and staff. Significant progress has been made over this past year on upgrading or replacing university facilities.

The Knowledge Infrastructure Program (KIP) projects completed include the ARTlab, Biological Sciences Redevelopment, Regenerative Medicine Development, Neil John Maclean Health Sciences Library expansion, Buller Building Redevelopment, Eureka Incubator and Smartpark Phase II. As part of Project Domino, Taché Hall is being transformed from a residence building to a new Music, Art and Theatre complex. The Duff Roblin Building occupants finally returned to the building in September 2012 subsequent to the March 2009 fire. The Nellie Cournoyea Artic Research Facility, the CERC laboratory housed in the Wallace Building, opened in March 2013 and the Elizabeth Dafoe Library main floor renovation is complete. Construction on the Active Living Centre is well underway and the tunnel connection from Frank Kennedy to Architecture II and renovation to the Frank Kennedy locker rooms have been completed. The 33,000-seat Investors Groups Field is now open.

CONCLUSION

Increased investment in the university is the right choice for Manitoba and will not only result in sustaining the capacity of the university to support learning, innovation in research, and community service, but also ensure that Manitobans will prosper.

The university acknowledges with gratitude the continuing support of the Province and the Council on Post-Secondary Education as well as the support of our students, staff, alumni, and community stakeholders.

Respectfully submitted,

Original Document signed by
Paul Kochan
Vice-President (Administration)

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants including the standards for government not for profit organizations. The University believes the financial statements present fairly the University's financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations for the years ending March 31, 2013 and March 31, 2012.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of financial statements. The integrity of internal controls is reviewed on an ongoing basis by the Audit and Risk Management Committee, Audit Services, and the Auditor General.

The financial statements for the years ended March 31, 2013 and March 31, 2012 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the financial statements.

Original Document signed by
Paul Kochan
Vice-President (Administration)

Winnipeg, Manitoba
June 25, 2013



INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

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

Basis of Presentation

Without modifying our opinion, we draw attention to Note 2A. to the financial statements, which describes that the University of Manitoba adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management in these financial statements except for the accounting standards for financial instruments which were applied prospectively on April 1, 2012.

June 25, 2013
Winnipeg, Manitoba

Original Document signed by
Carol Bellringer, FCA, MBA
Auditor General

FINANCIAL STATEMENTS

UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013, MARCH 31, 2012 AND APRIL 1, 2011
(in thousands of dollars)

	March 31, 2013	March 31, 2012	(Note 3) April 1, 2011
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 117,603	\$ 121,368	\$ 109,444
Accounts Receivable (Note 4)	61,800	74,081	75,230
Inventories	3,421	3,348	3,411
Prepaid Expenses	1,329	1,097	551
	184,153	199,894	188,636
<i>Long Term Assets</i>			
Loan Receivable (Note 5)	170,538	130,878	24,286
Investments (Note 6)	636,874	553,309	537,587
Capital Assets, Net of Accumulated Amortization (Note 8)	960,754	917,277	843,385
	1,768,166	1,601,464	1,405,258
	\$ 1,952,319	\$ 1,801,358	\$ 1,593,894
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ 53,660	\$ 49,813	\$ 55,119
Unearned Revenue	6,888	6,521	5,278
Vacation and Sick Leave Liability	13,356	12,501	11,709
Loan (Note 20)	5,000		
Current Portion of Capital Lease Obligations (Note 9)	124	234	347
Current Portion of Long Term Debt (Note 10)	17,285	19,471	12,451
	96,313	88,540	84,904
<i>Long Term Liabilities</i>			
Other Long Term Liabilities (Note 11)	5,964	5,856	2,714
Capital Lease Obligations (Note 9)	76	200	307
Long Term Debt (Note 10)	342,775	305,258	211,965
Employee Future Benefits (Note 12)	63,072	59,806	59,413
Pension Obligation (Note 16)	33,847	33,431	38,936
	445,734	404,551	313,335
Fund Balances			
Unrestricted	(75,421)	(74,482)	(66,641)
Restricted	334,958	323,159	304,128
Invested in Capital Assets	864,732	815,259	725,480
Endowed	286,003	244,331	232,688
	1,410,272	1,308,267	1,195,655
	\$ 1,952,319	\$ 1,801,358	\$ 1,593,894

Contractual Obligations and Contingencies (Note 20)

Original Document signed by
Janice Lederman – Chair

Original Document signed by
Patricia Bovey – Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	General Funds (Note 2D)	Restricted Funds (Note 2E)	Endowment Fund (Note 2F)	2013 Total Funds	2012 Total Funds
Revenue:					
Tuition and Related Fees	\$ 133,012	\$	\$	\$ 133,012	\$ 123,191
Contributions, Donations, Non-Government Grants	2,502	60,311	10,531	73,344	81,078
Investment Income (Note 17)	3,964	21,504		25,468	27,034
Miscellaneous Income	1,861	3,497		5,358	20,696
Government Grants:					
Council on Post-Secondary Education	319,955	7,345		327,300	310,964
Other Province of Manitoba	17,546	67,512		85,058	68,724
Government of Canada	10,563	64,753		75,316	93,611
Sales of Goods and Services	32,822	842		33,664	31,731
Ancillary Services	37,189			37,189	37,025
	559,414	225,764	10,531	795,709	794,054
Expense:					
Academic	307,404	99,717		407,121	396,804
Libraries	16,984	15		16,999	16,881
Student Affairs	18,782	10		18,792	16,816
Administration	40,057	2,363		42,420	37,642
Plant Maintenance	34,331			34,331	32,858
Other Academic Support	23,289	28		23,317	21,140
General	25,538	27,345		52,883	29,103
Student Awards	10,225	38,368		48,593	46,541
Interest		17,572		17,572	16,863
Amortization of Capital Assets		51,619		51,619	49,654
Ancillary Services	29,035			29,035	28,926
Actuarially Determined Employee Future Benefits	3,266			3,266	393
Change in Pension Obligation (Note 16)	416			416	(5,505)
Staff Benefits Contra	(6,414)			(6,414)	(6,674)
	502,913	237,037		739,950	681,442
Net Revenue (Expense) from Operating Activities	56,501	(11,273)	10,531	55,759	112,612
Inter-Fund Transfers (Note 14)	(57,752)	54,227	3,525		
Net Increase to Fund Balances from Operating Activities	(1,251)	42,954	14,056	55,759	112,612
Fund Balances from Operating Activities Beginning of the Year	8,488	1,055,448	244,331	1,308,267	1,195,655
Fund Balances from Operating Activities End of the Year	7,237	1,098,402	258,387	1,364,026	1,308,267
Accumulated Remeasurements Gains (Losses) End of Year	39	18,591	27,616	46,246	
Fund Balances End of Year	\$ 7,276	\$ 1,116,993	\$ 286,003	\$ 1,410,272	\$ 1,308,267
Unrestricted Funds	\$ (75,421)	\$	\$	\$ (75,421)	\$ (74,482)
Internally Restricted Funds	82,697	42,692		125,389	121,986
Externally Restricted Funds		209,569	286,003	495,572	445,504
Invested in Capital Assets		864,732		864,732	815,259
	\$ 7,276	\$ 1,116,993	\$ 286,003	\$ 1,410,272	\$ 1,308,267
<i>Supplemental Information:</i>					
<i>Net Increase (Decrease) from:</i>					
<i>Operating Activities</i>	\$ (1,251)	\$ 42,954	\$ 14,056	\$ 55,759	\$ 112,612
<i>Accumulated Remeasurement Gains and (Losses)</i>	39	18,591	27,616	46,246	
Total Increase (Decrease) in Fund Balances	\$ (1,212)	\$ 61,545	\$ 41,672	\$ 102,005	\$ 112,612

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2012

(in thousands of dollars)

	General Funds (Note 2D)	Restricted Funds (Note 2E)	Endowment Fund (Note 2F)	2012 Total Funds
Revenue:				
Tuition and Related Fees	\$ 123,191	\$	\$	\$ 123,191
Contributions, Donations, Non-Government Grants	2,653	65,169	13,256	81,078
Investment Income (Note 17)	5,426	24,686	(3,078)	27,034
Miscellaneous Income	17,070	3,626		20,696
Government Grants:				
Council on Post-Secondary Education	304,147	6,817		310,964
Other Province of Manitoba	15,799	52,925		68,724
Government of Canada	10,760	82,851		93,611
Sales of Goods and Services	31,010	721		31,731
Ancillary Services	37,025			37,025
	547,081	236,795	10,178	794,054
Expense:				
Academic	291,347	105,457		396,804
Libraries	16,872	9		16,881
Student Affairs	16,786	30		16,816
Administration	35,051	2,591		37,642
Plant Maintenance	32,858			32,858
Other Academic Support	21,124	16		21,140
General	23,213	5,890		29,103
Student Awards	7,850	38,691		46,541
Interest		16,863		16,863
Amortization of Capital Assets		49,654		49,654
Ancillary Services	28,926			28,926
Actuarially Determined Employee Future Benefits	393			393
Change in Pension Obligation (Note 16)	(5,505)			(5,505)
Staff Benefits Contra	(6,674)			(6,674)
	462,241	219,201		681,442
Net Revenue (Expense)	84,840	17,594	10,178	112,612
Inter-Fund Transfers (Note 14)	(77,782)	76,317	1,465	
Net Increase to Fund Balances from Operating Activities	7,058	93,911	11,643	112,612
Fund Balances from Operating Activities Beginning of the Year	1,430	961,537	232,688	1,195,655
Fund Balances from Operating Activities End of the Year	\$ 8,488	\$1,055,448	\$ 244,331	\$ 1,308,267
Unrestricted Funds	\$ (74,482)	\$	\$	\$ (74,482)
Internally Restricted Funds	82,970	39,016		121,986
Externally Restricted Funds		201,173	244,331	445,504
Invested in Capital Assets		815,259		815,259
	\$ 8,488	\$1,055,448	\$ 244,331	\$ 1,308,267

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE GENERAL FUNDS FOR THE YEARS ENDED MARCH 31 (in thousands of dollars)

	General Operating Fund (Note 2D)	Specific Provisions Fund (Note 2D)	Expenses Funded From Future Revenues (Note 2D)	2013 Total General Funds	2012 Total General Funds
Revenue:					
Tuition and Related Fees	\$ 133,012	\$	\$	\$ 133,012	\$ 123,191
Contributions, Donations, Non-Government Grants	2,502			2,502	2,653
Investment Income (Note 17)	3,964			3,964	5,426
Miscellaneous Income	1,861			1,861	17,070
Government Grants:					
Council on Post-Secondary Education	319,955			319,955	304,147
Other Province of Manitoba	17,546			17,546	15,799
Government of Canada	10,563			10,563	10,760
Sales of Goods and Services	32,822			32,822	31,010
Ancillary Services	37,189			37,189	37,025
	559,414			559,414	547,081
Expense:					
Academic	307,404			307,404	291,347
Libraries	16,984			16,984	16,872
Student Affairs	18,782			18,782	16,786
Administration	40,057			40,057	35,051
Plant Maintenance	34,331			34,331	32,858
Other Academic Support	23,289			23,289	21,124
General	25,538			25,538	23,213
Student Awards	10,225			10,225	7,850
Ancillary Services	29,035			29,035	28,926
Actuarially Determined Employee Future Benefits	3,266			3,266	393
Change in Pension Obligation (Note 16)	416			416	(5,505)
Staff Benefits Contra	(6,414)			(6,414)	(6,674)
	502,913			502,913	462,241
Net Revenue from Operating Activities	56,501			56,501	84,840
Inter-Fund Transfers (Note 14)	(56,538)	(273)	(941)	(57,752)	(77,782)
Net Increase (Decrease) to Fund Balances from Operating Activities	(37)	(273)	(941)	(1,251)	7,058
Fund Balances from Operating Activities Beginning of the Year	2,303	82,970	(76,785)	8,488	1,430
Fund Balances from Operating Activities End of the Year	2,266	82,697	(77,726)	7,237	8,488
Accumulated Remeasurements Gains (Losses) End of Year	39			39	
Fund Balances End of the Year	\$ 2,305	\$ 82,697	\$ (77,726)	\$ 7,276	\$ 8,488
Unrestricted Funds	\$ 2,305	\$	\$ (77,726)	\$ (75,421)	\$ (74,482)
Internally Restricted Funds		82,697		82,697	82,970
	\$ 2,305	\$ 82,697	\$ (77,726)	\$ 7,276	\$ 8,488
Supplemental Information:					
Net Increase (Decrease) from:					
Operating Activities	\$ (37)	\$ (273)	\$ (941)	\$ (1,251)	\$ 7,058
Accumulated Remeasurement Gains and (Losses)	39			39	
Total Increase (Decrease) in Fund Balances	\$ 2	\$ (273)	\$ (941)	\$ (1,212)	\$ 7,058

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE GENERAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2012**
(in thousands of dollars)

	General Operating Fund <i>(Note 2D)</i>	Specific Provisions Fund <i>(Note 2D)</i>	Expenses Funded From Future Revenues <i>(Note 2D)</i>	2012 Total General Funds
Revenue:				
Tuition and Related Fees	\$ 123,191	\$	\$	\$ 123,191
Contributions, Donations, Non-Government Grants	2,653			2,653
Investment Income <i>(Note 17)</i>	5,426			5,426
Miscellaneous Income	17,070			17,070
Government Grants:				
Council on Post-Secondary Education	304,147			304,147
Other Province of Manitoba	15,799			15,799
Government of Canada	10,760			10,760
Sales of Goods and Services	31,010			31,010
Ancillary Services	37,025			37,025
	547,081			547,081
Expense:				
Academic	291,347			291,347
Libraries	16,872			16,872
Student Affairs	16,786			16,786
Administration	35,051			35,051
Plant Maintenance	32,858			32,858
Other Academic Support	21,124			21,124
General	23,213			23,213
Student Awards	7,850			7,850
Ancillary Services	28,926			28,926
Actuarially Determined Employee Future Benefits	393			393
Change in Pension Obligation <i>(Note 16)</i>	(5,505)			(5,505)
Staff Benefits Contra	(6,674)			(6,674)
	462,241			462,241
Net Revenue	84,840			84,840
Inter-Fund Transfers <i>(Note 14)</i>	(84,826)	1,971	5,073	(77,782)
Net Increase (Decrease) to Fund Balances from Operating Activities	14	1,971	5,073	7,058
Fund Balances from Operating Activities Beginning of the Year	2,289	80,999	(81,858)	1,430
Fund Balances from Operating Activities End of the Year	\$ 2,303	\$ 82,970	\$ (76,785)	\$ 8,488
Unrestricted Funds	\$ 2,303	\$	\$ (76,785)	\$ (74,482)
Internally Restricted Funds		82,970		82,970
	\$ 2,303	\$ 82,970	\$ (76,785)	\$ 8,488

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE RESTRICTED FUNDS FOR THE YEARS ENDED MARCH 31 (in thousands of dollars)

	Capital Asset Fund (Note 2E)	Research and Special Fund (Note 2E)	Staff Benefits Fund (Note 2E)	Trust Fund (Note 2E)	2013 Total Restricted Funds	2012 Total Restricted Funds
Revenue:						
Contributions, Donations,						
Non-Government Grants	\$ 14,359	\$ 36,507	\$ 3,458	\$ 5,987	\$ 60,311	\$ 65,169
Investment Income (Note 17)	7,691		1,155	12,658	21,504	24,686
Miscellaneous Income	3,079	164	252	2	3,497	3,626
Government Grants:						
Council on Post-Secondary Education	7,345				7,345	6,817
Other Province of Manitoba	18,856	48,656			67,512	52,925
Government of Canada	4,248	60,505			64,753	82,851
Sales of Goods and Services		842			842	721
	55,578	146,674	4,865	18,647	225,764	236,795
Expense:						
Academic		99,717			99,717	105,457
Libraries		15			15	9
Student Affairs		10			10	30
Administration		2,363			2,363	2,591
Plant Maintenance						
Other Academic Support		28			28	16
General		20,730	3,935	2,680	27,345	5,890
Student Awards		23,597		14,771	38,368	38,691
Interest	17,572				17,572	16,863
Amortization of Capital Assets	51,619				51,619	49,654
	69,191	146,460	3,935	17,451	237,037	219,201
Net Revenue from Operating Activities	(13,613)	214	930	1,196	(11,273)	17,594
Inter-Fund Transfers (Note 14)	63,194	(4,297)	(1,983)	(2,687)	54,227	76,317
Net Increase (Decrease) to Fund Balances from Operating Activities	49,581	(4,083)	(1,053)	(1,491)	42,954	93,911
Fund Balances from Operating Activities Beginning of the Year	815,259	94,660	492	145,037	1,055,448	961,537
Fund Balances from Operating Activities End of the Year	864,840	90,577	(561)	143,546	1,098,402	1,055,448
Accumulated Remeasurements Gains (Losses) End of Year	(108)		1,352	17,347	18,591	
Fund Balances End of the Year	\$ 864,732	\$ 90,577	\$ 791	\$ 160,893	\$ 1,116,993	\$ 1,055,448
Internally Restricted Funds	\$	\$	\$ 945	\$ 41,747	\$ 42,692	\$ 39,016
Externally Restricted Funds		90,577	(154)	119,146	209,569	201,173
Invested in Capital Assets	864,732				864,732	815,259
	\$ 864,732	\$ 90,577	\$ 791	\$ 160,893	\$ 1,116,993	\$ 1,055,448
<i>Supplemental Information:</i>						
<i>Net Increase (Decrease) from:</i>						
<i>Operating Activities</i>	\$ 49,581	\$ (4,083)	\$ (1,053)	\$ (1,491)	\$ 42,954	\$ 93,911
<i>Accumulated Remeasurement Gains and (Losses)</i>	(108)		1,352	17,347	18,591	
Total Increase (Decrease) in Fund Balances	\$ 49,473	\$ (4,083)	\$ 299	\$ 15,856	\$ 61,545	\$ 93,911

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE RESTRICTED FUNDS
FOR THE YEAR ENDED MARCH 31, 2012**
(in thousands of dollars)

	Capital Asset Fund (Note 2E)	Research and Special Fund (Note 2E)	Staff Benefits Fund (Note 2E)	Trust Fund (Note 2E)	2012 Total Restricted Funds
Revenue:					
Contributions, Donations,					
Non-Government Grants	\$ 6,304	\$ 48,923	\$ 3,323	\$ 6,619	\$ 65,169
Investment Income (Note 17)	3,460		999	20,227	24,686
Miscellaneous Income	2,905	550	171		3,626
Government Grants:					
Council on Post-Secondary Education	6,817				6,817
Other Province of Manitoba	24,813	28,112			52,925
Government of Canada	21,675	61,176			82,851
Sales of Goods and Services		721			721
	65,974	139,482	4,493	26,846	236,795
Expense:					
Academic		105,457			105,457
Libraries		9			9
Student Affairs		30			30
Administration		2,591			2,591
Plant Maintenance					
Other Academic Support		16			16
General			3,485	2,405	5,890
Student Awards		24,089		14,602	38,691
Interest	16,863				16,863
Amortization of Capital Assets	49,654				49,654
	66,517	132,192	3,485	17,007	219,201
Net Revenue	(543)	7,290	1,008	9,839	17,594
Inter-Fund Transfers (Note 14)	90,322	(16,995)	1,525	1,465	76,317
Net Increase (Decrease) to Fund Balances from Operating Activities	89,779	(9,705)	2,533	11,304	93,911
Fund Balances from Operating Activities Beginning of the Year	725,480	104,365	(2,041)	133,733	961,537
Fund Balances from Operating Activities End of the Year	\$ 815,259	\$ 94,660	\$ 492	\$ 145,037	\$1,055,448
Internally Restricted Funds	\$	\$	\$ 762	\$ 38,254	\$ 39,016
Externally Restricted Funds		94,660	(270)	106,783	201,173
Invested in Capital Assets	815,259				815,259
	\$ 815,259	\$ 94,660	\$ 492	\$ 145,037	\$1,055,448

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED MARCH 31, 2013

(in thousands of dollars)

	General Operating Fund	Capital Asset Fund	Staff Benefits Fund	Trust Fund	Endowment Fund	2013 Total Funds
Accumulated remeasurement gains (losses) beginning of year	\$	\$	\$	\$	\$	\$
Unrealized gains (losses) attributed to:						
Derivatives		(108)				(108)
Foreign Exchange	39					39
Portfolio Investments			1,352	17,347	27,616	46,315
Amounts reclassified to the statement of Operations						
Derivatives						
Foreign Exchange						
Portfolio Investments						
Net remeasurement gains (losses) for the year	39	(108)	1,352	17,347	27,616	46,246
Accumulated remeasurement gains (losses) end of year	\$ 39	\$ (108)	\$ 1,352	\$ 17,347	\$ 27,616	\$ 46,246

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2013 Total Funds	2012 Total Funds
Operating Activities:					
Net Revenue (Expense)	\$ 56,501	\$ (11,273)	\$ 10,531	\$ 55,759	\$ 112,612
Amortization of Capital Assets		51,619		51,619	49,654
	56,501	40,346	10,531	107,378	162,266
Net Change in Non-Cash Working Capital Items	8,378	13,667		22,045	4,253
Net Change in Other Long Term Liabilities		108		108	3,142
Net Change in Pension Obligation	416			416	(5,505)
Net Change in Employee Future Benefits	(425)	3,691		3,266	393
<i>Net Cash Generated through Operating Activities</i>	64,870	57,812	10,531	133,213	164,549
Investing Activities:					
Increase in Loan Receivable		(39,660)		(39,660)	(106,592)
Increase in Accumulated Remeasurement Gains (Losses)	39	18,591	27,616	46,246	
Increase in Long Term Investments	1,149	(43,042)	(41,672)	(83,565)	(15,722)
<i>Net Cash Generated through (used in) Investing Activities</i>	1,188	(64,111)	(14,056)	(76,979)	(122,314)
Capital Activities:					
Purchase of Capital Assets		(95,096)		(95,096)	(123,546)
<i>Net Cash (used in) Capital Activities</i>		(95,096)		(95,096)	(123,546)
Financing Activities:					
Proceeds from Capital Lease Obligations					168
Proceeds from Long Term Debt		32,433		32,433	103,591
Contractual Interest Added to Loan Principal		7,227		7,227	3,002
Principal Repayment on Capital Lease Obligations		(234)		(234)	(388)
Refinancing of Long Term Debt					(7,075)
Principal Repayment on Long Term Debt		(4,329)		(4,329)	(6,063)
<i>Net Cash Generated through Financing Activities</i>		35,097		35,097	93,235
Net Increase (Decrease) in Cash	66,058	(66,298)	(3,525)	(3,765)	11,924
<i>Inter-Fund Adjustments</i>	(57,752)	54,227	3,525		
Cash Beginning of Year	26,896	94,472		121,368	109,444
Cash End of Year	\$ 35,202	\$ 82,401		\$ 117,603	\$ 121,368
<i>Cash is defined as:</i>					
Cash and Cash Equivalents	\$ 35,202	\$ 82,401	\$	\$ 117,603	\$ 121,368
Supplemental cash flow information:					
Interest Received	\$ 4,691	\$ 10,408	\$	\$ 15,099	\$ 10,632
Interest Paid	\$	\$ 10,345	\$	\$ 10,345	\$ 10,617

(The accompanying Notes form an integral part of the Financial Statements)

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2012 (in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2012 Total Funds
Operating Activities:				
Net Revenue	\$ 84,840	\$ 17,594	\$ 10,178	\$ 112,612
Amortization of Capital Assets		49,654		49,654
	84,840	67,248	10,178	162,266
Net Change in Non-Cash Working Capital Items	53,626	(49,373)		4,253
Net Change in Other Long Term Liabilities	346	2,796		3,142
Net Change in Pension Obligation	(5,505)			(5,505)
Net Change in Employee Future Benefits	(277)	670		393
<i>Net Cash Generated through Operating Activities</i>	133,030	21,341	10,178	164,549
Investing Activities:				
Increase in Loan Receivable		(106,592)		(106,592)
Increase in Long Term Investments	(50,150)	46,071	(11,643)	(15,722)
<i>Net Cash (used in) Investing Activities</i>	(50,150)	(60,521)	(11,643)	(122,314)
Capital Activities:				
Purchase of Capital Assets		(123,546)		(123,546)
<i>Net Cash (used in) Capital Activities</i>		(123,546)		(123,546)
Financing Activities:				
Proceeds from Capital Lease Obligations		168		168
Proceeds from Long Term Debt		103,591		103,591
Contractual Interest Added to Loan Principal		3,002		3,002
Principal Repayment on Capital Lease Obligations		(388)		(388)
Refinancing of Long Term Debt		(7,075)		(7,075)
Principal Repayment on Long Term Debt		(6,063)		(6,063)
<i>Net Cash Generated through Financing Activities</i>		93,235		93,235
Net Increase (Decrease) in Cash	82,880	(69,491)	(1,465)	11,924
<i>Inter-Fund Adjustments</i>	(77,782)	76,317	1,465	
Cash Beginning of Year	21,798	87,646		109,444
Cash End of Year	\$ 26,896	\$ 94,472	\$	\$ 121,368
<i>Cash is defined as:</i>				
Cash and Cash Equivalents	\$ 26,896	\$ 94,472	\$	\$ 121,368
Supplemental cash flow information:				
Interest Received	\$ 4,387	\$ 6,245	\$	\$ 10,632
Interest Paid	\$	\$ 10,617	\$	\$ 10,617

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

I. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, including the standards for government not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

Commencing with the 2012/13 fiscal year, the University of Manitoba has adopted Canadian public sector accounting standards. These financial statements are the first financial statements in which the University has applied Canadian public sector accounting standards.

The impacts on the opening balances as at April 1, 2011 and the balances for the year ended March 31, 2012 as previously reported, as a result of the conversion to Canadian public sector accounting standards, are described in Note 3.

B. FUND ACCOUNTING

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowed funds of the University.

C. ACCOUNTING ESTIMATES

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

FINANCIAL STATEMENTS

D. GENERAL FUNDS

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences, Pharmacy/Post Office, and Smartpark are classified as Ancillary Services and are budgeted on a break even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:

The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:

Expenses Funded from Future Revenues records the amount of non vesting sick leave benefits and unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension obligations.

E. RESTRICTED FUNDS

Capital Asset Fund:

The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post-Secondary Education (COPSE) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:

The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:

The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve and Self Insured Plans, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:

This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:

This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

Trust Fund:

The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

F. ENDOWMENT FUND

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded in the statement of remeasurement gains and losses.

G. REVENUE RECOGNITION

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

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Trust Fund depending on the restrictions imposed by the original donor.

Investment income, including realized gains (losses), is recorded in the Statement of Operations and Changes in Fund Balances. Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

The change in fair value (unrealized gains or losses) of investments is recorded in the statement of remeasurement gains and losses until the investments are sold.

H. CONTRIBUTED MATERIALS AND SERVICES

Gifts-in-kind are recorded in the financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services is not recognized in the financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events, all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the financial statements, are critical to the successful functioning of the University.

FINANCIAL STATEMENTS

I. INVESTMENTS

The University invests in equity and fixed income financial instruments and a pooled real estate fund. Investments held in restricted funds are carried at fair value except for those held in research and special funds which are carried at modified equity. Fair value of investments is determined based on year end quoted market prices.

J. PLEDGES RECEIVABLE

The University does not record pledges receivable in its financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectability is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

K. INVENTORIES

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

L. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

M. COLLECTIONS

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections. The University policy is to use proceeds generated from deaccessioned works of art to augment the University art collection.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

N. PENSION COSTS

The University sponsors three pension plans for its employees and retirees:

The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method, pro-rated on service and management's best estimate expectations of the discount rate for liabilities, the expected return on assets, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

The funded position of the 1993 plan is disclosed in Note 16.

O. FINANCIAL INSTRUMENTS

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, loan receivable, investments, accounts payable, vacation and sick leave liability, loans, other long term liabilities, and long term debt.

All financial instruments are recognized at: cost or amortized cost, or fair value. Financial instruments recognized at fair value include derivatives, portfolio investments in equity instruments that are quoted in an active market, and financial instruments designated to the fair value category.

Cash and cash equivalents are recognized at cost. Accounts receivable, loan receivable, fixed income investments held in the general funds, accounts payable, loans, vacation and sick leave liability, other long term liabilities (excluding derivative financial instruments), and long term debt are recognized at amortized cost.

The University's investments include portfolio investments in equity instruments that are quoted in an active market and are recognized at fair value. The University has designated all other investments except for those held in the general funds and research and special funds to the fair value category based on the evaluation and management of the portfolio. Derivative financial liabilities are also recognized at fair value. Unrealized gains and losses from the change in fair value of these financial instruments are reflected in the statement of remeasurement gains and losses until disposition.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Changes in Fund Balances. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured at cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

P. OTHER EMPLOYEE FUTURE BENEFITS

The University accrues its obligations for other employee future benefit plans relating to health, dental, sick leave, long term disability, and group life insurance. The cost of non-vesting sick leave benefits has been determined using management's best estimates. The cost of the long term disability plan for employees and the cost of non pension and post retirement benefits for retired employees are actuarially determined using the projected benefit method pro rated on service, management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends. For current active employees, the cost of other employee future benefit plans relating to health, dental, and group life insurance is the premiums charged under the plans to the University.

The University also accrues its obligations relating to post retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post retirement pension adjustments is actuarially determined using the accrued benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains and losses on post retirement adjustments are amortized on a straight line basis over the life expectancy of the group, commencing in the year following the year the respective annual actuarial gains or losses arise.

Actuarial gains and losses of other benefit plans are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

FINANCIAL STATEMENTS

Q. FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities and investments at fair value, denominated in foreign currencies, are translated at the year-end exchange rate. The unrealized foreign currency translation gains or losses of these financial instruments are reflected in the statement of remeasurement gains and losses. Revenues and expenses are translated at exchange rates on the transaction dates. Realized gains or losses arising from these translations are included in the Statement of Operations and Changes in Fund Balances.

R. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Derivatives are recorded at fair value and in determining the fair value, the credit risk of both counterparties is considered.

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, including the standards for government not-for-profit organizations.

These new standards are required to be applied retroactively to the transition date of April 1, 2011; however the University of Manitoba is electing to adopt certain exemptions available under PS 2125 as follows:

- PS 3250.061 requires actuarial gains and losses for employee future benefit plans (including the 1993 Pension Plan) to be amortized over a reasonable future period. The University is electing to adopt PS 2125.10 and recognize all unamortized actuarial gains and losses as the date of transition directly in the fund balances.

The adoption of these standards resulted in changes to the University's financial position as at April 1, 2011 and Statements of Financial Position and Operations and Changes in Fund Balances previously reported for the year ended March 31, 2012. The impacts of these changes are as follows:

FINANCIAL STATEMENTS

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS STATEMENT OF FINANCIAL POSITION

	Previously Reported April 1, 2011	Adjustments	Restated April 1, 2011
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 109,444	\$	\$ 109,444
Accounts Receivable	75,230		75,230
Inventories	3,411		3,411
Prepaid Expenses	551		551
	188,636		188,636
<i>Long Term Assets</i>			
Loan Receivable	24,286		24,286
Investments	537,587		537,587
Capital Assets, Net of Accumulated Amortization	843,385		843,385
	1,405,258		1,405,258
	\$ 1,593,894	\$	\$ 1,593,894
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ 55,119	\$	\$ 55,119
Unearned Revenue	5,278		5,278
Vacation and Sick Leave Liability	10,809	900	11,709
Current Portion of Capital Lease Obligations	347		347
Current Portion of Long Term Debt	12,451		12,451
	84,004	900	84,904
<i>Long Term Liabilities</i>			
Other Long Term Liabilities	2,714		2,714
Capital Lease Obligations	307		307
Long Term Debt	211,965		211,965
Employee Future Benefits (Note 3a)	65,552	(6,139)	59,413
Pension Obligation (Note 3b)	23,124	15,812	38,936
	303,662	9,673	313,335
Fund Balances			
Unrestricted	(65,741)	(900)	(66,641)
Restricted	313,801	(9,673)	304,128
Invested in Capital Assets	725,480		725,480
Endowed	232,688		232,688
	1,206,228	(10,573)	1,195,655
	\$ 1,593,894	\$	\$ 1,593,894

FINANCIAL STATEMENTS

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS STATEMENT OF FINANCIAL POSITION

	Previously Reported March 31, 2012	Adjustments	Restated March 31, 2012
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 121,368	\$	\$ 121,368
Accounts Receivable	74,081		74,081
Inventories	3,348		3,348
Prepaid Expenses	1,097		1,097
	199,894		199,894
<i>Long Term Assets</i>			
Loan Receivable	130,878		130,878
Investments	553,309		553,309
Capital Assets, Net of Accumulated Amortization	917,277		917,277
	1,601,464		1,601,464
	\$ 1,801,358	\$	\$ 1,801,358
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ 49,813	\$	\$ 49,813
Unearned revenue	6,521		6,521
Vacation and Sick Leave Liability	11,412	1,089	12,501
Current Portion of Capital Lease Obligations	234		234
Current Portion of Long Term Debt	19,471		19,471
	87,451	1,089	88,540
<i>Long Term Liabilities</i>			
Other Long Term Liabilities	5,856		5,856
Capital Lease Obligations	200		200
Long Term Debt	305,258		305,258
Employee Future Benefits (Note 3a)	67,924	(8,118)	59,806
Pension Obligation (Note 3b)	24,074	9,357	33,431
	403,312	1,239	404,551
Fund Balances			
Unrestricted	(67,264)	(7,218)	(74,482)
Restricted	318,269	4,890	323,159
Invested in Capital Assets	815,259		815,259
Endowed	244,331		244,331
	1,310,595	(2,328)	1,308,267
	\$ 1,801,358	\$	\$ 1,801,358

FINANCIAL STATEMENTS

SCHEDULE OF TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	Previously Reported March 31, 2012 Total Funds	Adjustments	Restated March 31, 2012 Total Funds
Revenue:			
Tuition and Related Fees	\$ 123,191	\$	\$ 123,191
Contributions, Donations, Non-Government Grants	81,078		81,078
Investment Income	27,034		27,034
Miscellaneous Income	20,696		20,696
Government Grants:			
Council on Post-Secondary Education	310,964		310,964
Other Province of Manitoba	68,724		68,724
Government of Canada	93,611		93,611
Sales of Goods and Services	31,731		31,731
Ancillary Services	37,025		37,025
	794,054		794,054
Expense:			
Academic	396,804		396,804
Libraries	16,881		16,881
Student Affairs	16,816		16,816
Administration	37,642		37,642
Plant Maintenance	32,858		32,858
Other Academic Support	21,140		21,140
General	28,914	189	29,103
Student Awards	46,541		46,541
Interest	16,863		16,863
Amortization of Capital Assets	49,654		49,654
Ancillary Services	28,926		28,926
Actuarially Determined Employee Future Benefits (<i>Note 3a</i>)	2,372	(1,979)	393
Change in Pension Obligation, (<i>Note 3b</i>)	950	(6,455)	(5,505)
Staff Benefits Contra	(6,674)		(6,674)
	689,687	(8,245)	681,442
Net Revenue	104,367	8,245	112,612
Fund Balances from Operating Activities Beginning of the Year	1,206,228	(10,573)	1,195,655
Fund Balances from Operating Activities End of the Year	\$ 1,310,595	\$ (2,328)	\$ 1,308,267
Unrestricted Funds	\$ (67,264)	\$ (7,218)	\$ (74,482)
Externally Restricted Funds	318,269	4,890	323,159
Invested in Capital Assets	815,259		815,259
Endowed	244,331		244,331
	\$ 1,310,595	\$ (2,328)	\$ 1,308,267

FINANCIAL STATEMENTS

A. RESTATEMENT OF THE EMPLOYEE FUTURE BENEFITS LIABILITY

The employee future benefits liability was restated as at the date of transition, April 1, 2011, to \$59,413 from \$65,552, a decrease of \$6,139 to reflect the change in the discount rate from 5.0 % to 6.0%, based on the expected rate of return on plan assets.

The University adopted PS 3250.061 and actuarial gains and losses for employee future benefits are now amortized over future periods where previously they were recognized in the year the actuarial gains or losses occurred. The University also applied the exemption available under PS 2125.10 and did not restate unamortized actuarial gains or losses as at the date of transition, April 1, 2011.

The net effect of the change in discount rate and amortization of actuarial gains and losses is a decrease of \$1,979 in the Actuarially Determined Employee Future Benefits expense for the year ended March 31, 2012.

The employee future benefits liability as at March 31, 2012 was also restated to \$59,806 (including the restatement of \$6,139 as at April 1, 2011) from \$67,924, a decrease of \$8,118, as a result of the above changes and also incorporates the change in the discount rate from 4.3 % to 6.0%.

B. RESTATEMENT OF THE PENSION LIABILITY

Pension obligations were restated as at December 31, 2010 (April 1, 2011) to \$980,599 from \$1,017,033, a decrease of \$36,434 to reflect the change in the discount rate from 5.0% to 6.0% based on the expected rate of return on plan assets, and the impact of the plan amendment, effective December 31, 2010, to increase in future contribution rates. Using the exemption available under PS 2125.10, the previously reported unamortized actuarial losses as at December 31, 2010 of \$52,246 were charged to the fund balances as at April 1, 2011 and no actuarial gains or losses resulting from the restatement due to the change in the discount rate as at December 31, 2010 (April, 1, 2011) were recorded. The net impact of the above increased the pension liability by \$15,812 to \$38,936 from \$23,124 as at April 1, 2011.

Pension expense for the year ended March 31, 2012 decreased by \$6,455 resulting from the elimination of the amortization of the actuarial losses of \$4,122 and the reduction of current service and interest costs of \$2,333. Pension obligations as at December 31, 2011 were restated to \$966,917 from \$1,013,513 (including the restatement of \$36,434 as at April 1, 2011) and the 2011 (2012 fiscal year) increase in unamortized actuarial losses was restated to \$44,536 from \$48,243 based on the change in the discount rate from 4.3% to 6.0%. The pension liability, as at March 31, 2012, increased by \$9,357 to \$33,431 from \$24,074.

C. IMPACTS OF THE TRANSITIONAL PROVISIONS OF PS 3450, FINANCIAL INSTRUMENTS

In accordance with the transitional provisions of PS 3450, Financial Instruments, these accounting standards are not applied retroactively. Under the transitional provisions, any unrealized gains and losses on financial instruments carried at fair value as at March 31, 2012 are deemed realized. As a result, there are no accumulated remeasurement gains or losses recorded as at April 1, 2012. The change in the fair value of investments which was reported in net investment income in the 2012 fiscal year is now reported in the Statement of Remeasurement Gains and Losses. The 2012 comparative figures are not reclassified under the transitional provisions.

The University has changed its accounting policy for its investments held in the General Funds from fair value to amortized cost. Under the transitional provisions, the fair value of these investments as at March 31, 2012 becomes their amortized cost as at April 1, 2012.

D. RESTATEMENT FOR THE RECOGNITION OF THE LIABILITY FOR SICK LEAVE OBLIGATIONS

The liability for sick leave obligations of \$900 was recognized at the date of transition, April 1, 2011. The April 1, 2011 balances have been restated to reflect the increase to the liability for vacation and sick leave obligations offset by a corresponding decrease to fund balances. The change in the liability for sick leave obligations of \$189 for the 2012 fiscal year is reflected as an increase to general expenses, a decrease to fund balances, and an increase in the liability for vacation and sick leave obligations.

4. ACCOUNTS RECEIVABLE

	2013	2012
Business, Industry and Foundations	\$ 18,628	\$ 20,490
Federal Government	10,928	20,345
Other	4,416	13,399
Provincial Government	23,142	15,123
Students	4,686	4,724
	\$ 61,800	\$ 74,081

5. LOAN RECEIVABLE

The University has a loan agreement with BBB Stadium Inc. (BBB) related to the construction of a stadium at the Fort Garry campus. The loan agreement is divided into a first phase and a second phase for a combined amount not to exceed \$160 million. The first phase is not to exceed \$75 million while the second phase is not to exceed \$85 million. The interest rate on the first phase of the loan is 4.65% and the first phase of the loan receivable is due and payable in full on June 1, 2038. The interest rate on the second phase is 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

Any amounts received by BBB in the form of insurance proceeds, entitled to be retained by BBB by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease, shall be paid to the University and be applied to the repayment of the loan, firstly to the accrued interest and secondly to principal outstanding, for both phases of the loan, on a pro-rata basis.

Payment terms of the first phase and second phase of the loan receivable are as follows:

First Phase:

BBB is required to make payments to the University equivalent to the aggregate of:

- Any amounts received by BBB in respect of the stadium development from the City of Winnipeg pursuant to The Community Revitalization Tax Increment Financing Act.
- Any amounts received by BBB from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the first phase of the loan and compounded annually.

Second Phase:

Interest will be calculated annually and unpaid interest until July 15, 2017 shall be added to the first phase of the loan. Any unpaid interest after July 15, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts determined by BBB, on or before each of:

- (i) July 15, 2013;
- (ii) July 15, 2014;
- (iii) July 15, 2015; and
- (iv) July 15, 2016.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before July 15 of each calendar year commencing on July 15, 2017 based on the amortization of the loan following the July 15, 2016 payment.

	2013	2012
First Phase interest and principal outstanding	\$ 85,538	\$ 78,311
Second Phase principal outstanding	85,000	52,567
	\$ 170,538	\$ 130,878

The University has an equal long term debt loan payable to the Province of Manitoba (Note 10).

FINANCIAL STATEMENTS

6. INVESTMENTS

	2013	2012
General Funds at Amortized Cost (2013), at Fair Value (2012)		
Bonds and Other Fixed Income Securities:		
Corporate	\$ 130,000	\$ 130,727
Trust & Endowment at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	26,748	15,593
Bonds and Other Fixed Income Securities:		
Government of Canada	25,470	23,686
Province of Manitoba	3,214	3,227
Other Provincial	20,025	18,566
Corporate	896	1,004
Other	61	69
Municipal	4,771	4,599
	54,437	51,151
Equities:		
Canadian Equities	145,618	133,029
US Equities	81,596	69,677
International Equities	67,353	45,595
	294,567	248,301
Pooled Real Estate Fund	61,320	56,488
	437,072	371,533
Capital at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	34,812	20,129
Staff Benefits at Fair Value		
Money Market Funds and Cash	695	792
Bonds	11,669	10,446
Equities:		
Canadian Equities	8,398	7,391
US Equities	5,345	4,462
International Equities	5,032	4,419
	18,775	16,272
Mortgage Fund at Fair Value	3,348	2,988
	34,487	30,498
Research & Special at Modified Equity		
Other Investments	503	422
Total Investments	\$ 636,874	\$ 553,309

The University's investment in real estate consists of units of a pooled real estate investment in the Great West Life Assurance Company – Canadian Real Estate Investment Fund No. 1.

7. RISK EXPOSURE AND MANAGEMENT

The University uses a disciplined, fundamental approach in its investment selection and management, which consists of an intensive and ongoing research process of investment opportunities across a broad range of investment vehicles in various types of issuers (government, corporate or financial). As a result, the University is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The University, through the work of its investment committees and treasury office, has formal policies and procedures in place governing asset mix, permitted investments, diversification, and minimum credit quality. The most important risks relate to market risk: other price risk, interest rate risk, and foreign currency risk as well as credit risk, and liquidity risk. These risks and the related risk management practices employed by the University are detailed below:

OTHER PRICE RISK

Other price risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The University's investments are subject to normal market fluctuations and the risks inherent in investment in the capital markets. Investments held to meet short term obligations focus on credit quality and liquidity to minimize the effect of other price risk on fair value, however the majority of investments are held for the long term to support the endowment fund. These investments are primarily equities, bonds, and pooled funds, and are subject to other price risk given their nature and the long term holding periods. Other price risk is managed through diversification provided by the endowment's asset allocation strategy, which emphasizes the important of managing other price risk by maintaining appropriate levels of risk required to achieve consistent long term investment returns that meet the objectives of the endowment fund.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments, The University is subjected to this risk when it invests in interest-bearing financial instruments, or when it borrows funds using derivative financial instruments. Both investments and financial derivatives are exposed to the risk that their fair value will fluctuate due to changes in the prevailing levels of market interest rates.

The tables below summarize the University's exposure to interest rate risk related to the financial instruments recorded at fair value, categorized by maturity dates.

Interest rate exposure As at March 31, 2013	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	7.1%	6.1%	67.9%	15.5%	3.4%	100%
Financial Derivatives		58.1%		41.9%		100%

Interest rate exposure As at March 31, 2012	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	1.7%	28.7%	53.9%	11.1%	4.6%	100.0%
Financial Derivatives		40.2%	59.8%			100.0%

	March 31, 2013		March 31, 2012	
	Interest bearing instruments	Non-interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Investments	\$ 131,649	\$ 374,662	\$ 231,757	\$ 321,061
Financial Derivatives	\$ 5,619	\$	\$ 5,510	\$

FINANCIAL STATEMENTS

As at March 31, 2013, a 0.50% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income instruments of \$3,875 (2012, \$3,537) and the interest rate swaps of \$1,434, (2012, \$1,509).

FOREIGN CURRENCY RISK

The University has receivables and payables denominated in foreign currencies and holds investments in foreign currency equity markets in both the trust and endowment funds, and the staff benefits fund. The income from these investments is used to meet financial liabilities denominated in Canadian dollars. The University does not actively manage foreign exchange risk.

CREDIT RISK

Credit risk represents the potential loss that the University would incur if its counterparties failed to perform in accordance with the terms of their obligations. The University invests in financial assets that have an investment grade as rated primarily by DBRS. Should DBRS not rate an issuer, the University may use Standards & Poor's, followed by the Moody's equivalent. Ratings for securities which subject the University to credit risk are noted below:

Investment Rating	% of Total Interest Bearing Investments	
	March 31, 2013	March 31, 2012
R-1High	6.9%	14.3%
R-1Mid	3.7%	0.8%
R-1Low	2.2%	0.0%
AAA	15.2%	14.6%
AA	63.6%	63.8%
A	7.6%	5.5%
BBB	0.8%	1.0%
Total	100.0%	100.0%

The University manages credit risk related to fixed income investments by focusing on high credit quality. General Fund investments are held by counterparties with a minimum rating of R-1High (cash equivalents) and AA (bonds). Cash is held in Canadian Chartered banks. Trust and Endowment and Capital Fund investments are held in diverse portfolios of investments with counterparties considered to be of high quality.

The University also has credit risk related to accounts receivable and loan receivable. A significant portion of the University's accounts receivable is related to Restricted Funds and is from the federal and provincial governments, not-for-profit organizations, corporations, the US government, and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks. The credit risk related to the loan receivable is offset by a loan payable to the Province of Manitoba with matching terms of repayment.

LIQUIDITY RISK

The University aims to retain sufficient cash and cash equivalents to maintain liquidity and meet short term obligations. Most of the University's investments are considered readily realizable and liquid, thus liquidity risk is considered minimal. Investments that are not as liquid, such as the investment in the real estate pooled fund, are considered to be held for long term periods in conjunction with the investment objectives and time horizon of the endowment fund.

8. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	\$ 3,539	\$ 3,406	\$ 3,632	\$ 3,191
Buildings and Major Renovations	959,119	220,184	886,708	200,550
Computer Hardware and Electronics	99,348	85,631	100,815	83,695
Construction in Progress	33,241		41,377	
Furniture and Equipment	239,762	160,169	227,344	147,313
Land	30,213		28,681	
Library Books	184,346	134,558	176,115	127,923
Parking Lots	8,667	3,034	8,481	2,605
Rare Books and Manuscripts	5,859		5,734	
Vehicles	8,036	6,988	7,745	6,618
Works of Art	2,594		2,540	
	1,574,724	613,970	1,489,172	571,895
Less Accumulated Amortization	613,970		571,895	
Net Book Value	\$ 960,754		\$ 917,277	

9. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2014	\$ 130
2015	72
2016	6
Total Minimum Lease Payments	208
Less: Interest at 2.22%	(8)
	200
Less: Current Portion	(124)
	\$ 76

10. LONG TERM DEBT

	2013	2012
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	\$ 64,734	\$ 66,264
Promissory Note, 5.55% due April 1, 2036	66,795	68,184
Promissory Note, 5.35% due February 1, 2040	29,600	30,079
Loan, First Phase, 4.65% due June 1, 2038	85,538	78,311
Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	85,000	52,567
	331,667	295,405

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Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):

Multi Tenant Facility, due November 30, 2012		8,514
Multi Tenant Facility, due November 30, 2012		7,056
Multi Tenant Facility, due November 30, 2022	8,321	
Multi Tenant Facility, due February 28, 2019	6,821	
Arthur V. Mauro Student Residence, due September 30, 2013	13,251	13,754
	28,393	29,324
	360,060	324,729
Less Current Portion:		
Province of Manitoba	(3,586)	(3,398)
Term Loans	(13,699)	(16,073)
	(17,285)	(19,471)
	\$ 342,775	\$ 305,258

The effective interest rate on each of the term loans is the fixed interest rate based on an interest rate swap agreement plus a stamping fee (Note 11).

Interest expense on long term debt was \$17,505 (2012, 16,771).

The University has entered into a loan agreement with the Province of Manitoba related to the construction of a new stadium at the Fort Garry campus. The loan agreement is divided into a first phase and a second phase for a combined amount not to exceed \$160 million. The first phase is not to exceed \$75 million while the second phase is not to exceed \$85 million. The interest rate on the first phase of the loan is 4.65% and the first phase of the loan is due and payable in full on June 1, 2038. The second phase of the loan bears interest at 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

Any amounts received by the University in the form of insurance proceeds received and entitled to be retained by the University by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease are also to be applied to the repayment of the loan, firstly to the accrued interest and second to the principal outstanding, for both phases of the loan, on a pro-rata basis.

Additional terms of repayment of the loan are as follows:

Loan, First Phase:

The amount of the annual payment of principal and interest on the loan is equivalent to the aggregate of:

- any amounts paid by BBB Stadium Inc. (BBB) to the University in respect of the BBB loan receivable;
- any amounts received by the University in respect of the stadium development from The City of Winnipeg pursuant to The Community Revitalization Tax Increment Financing Act; and
- any amounts received by the University from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the First Phase of the loan and compounded annually. Any accrued interest and principal outstanding on the First Phase of the loan as at June 1, 2038 is due and payable in full, subject to receipt of the accrued interest and principal outstanding from BBB, unless the parties agree otherwise in writing.

Loan, Second Phase:

Interest will be calculated annually and unpaid interest until July 31, 2017 shall be added to the first phase of the loan. Any unpaid interest after July 31, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts as received from BBB, on or before each of:

- July 31, 2013;
- July 31, 2014;

(iii) July 31, 2015; and

(iv) July 31, 2016.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before July 31 of each calendar year commencing on July 31, 2017 based on the amortization of the loan following the July 31, 2016 payment. Payments are applied firstly to accrued interest after July 31, 2017 and secondly to principal outstanding.

Any accrued interest and principal outstanding on the second phase of the loan as at November 24, 2015 is due and payable in full, subject to receipt of accrued interest and principal outstanding from BBB, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

	2013	2012
Loan, First Phase	\$ 75,000	\$ 75,000
Loan, First Phase Accrued Interest	6,942	2,869
Loan, Second Phase Accrued Interest	3,596	442
	85,538	78,311
Loan, Second Phase	85,000	52,567
	\$ 170,358	\$ 130,878

Principal repayments on long term debt payable over the next five years are as follows:

	Province of Manitoba	Term Loans	Total
2014	\$ 3,586	\$ 13,699	\$ 17,285
2015	3,783	468	4,251
2016	3,992	491	4,483
2017	4,212	513	4,725
2018	4,444	538	4,982
Thereafter	311,650	12,684	324,334
	\$ 331,667	\$ 28,393	\$ 360,060

II. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are as follows:

	2013	2012
Refundable deposit	\$ 346	\$ 346
Fair Value of Financial Derivatives	5,618	5,510
	\$ 5,964	\$ 5,856

DERIVATIVE FINANCIAL LIABILITIES

The University has entered into separate interest rate swap agreements for three term loans. Each loan has a stamping fee and a floating interest rate based on Bankers' Acceptance rates. The floating interest rate has been swapped to a fixed rate as follows:

The interest rate swap agreement for the loan for the Arthur V. Mauro Student Residence has a fixed interest rate of 5.62% that is committed until September 1, 2028. The notional principal underlying this swap agreement was \$13,251 as at March 31, 2013 (2012, \$13,754).

The interest rate swap agreement for the loan for the development of the multi-tenant facility at 150 Innovation Drive has a fixed interest rate of 4.07% that is committed until February 13, 2032. The notional principal underlying this swap agreement as at March 31, 2013 was \$6,821 as at March 31, 2013 (2012, \$7,056).

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The interest rate swap agreement for the loan for the addition to the multi-tenant facility at 900 - One Research Road has a fixed interest rate of 4.4%, that is committed until August 5, 2035. The notional principal underlying this swap agreement was \$8,321 as at March 31, 2013 (2012, \$8,514).

Under the terms of the agreements, the respective monthly interest and principal repayments are required similar to a conventional amortizing loan over a 25 year period.

12. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees who have met the eligibility criteria and long term disability benefits for current employees. Post retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non contributory basis. The group life benefits are indexed post retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and retired employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University.

The University measures the fair value of assets and the accrued benefit obligations for the non pension and post retirement pension adjustments as of March 31. The most recent actuarial valuations of the non pension benefit plans were as of March 31, 2013. The actuarial valuation of the post retirement pension adjustments was as of March 31, 2013. The actuarial gains and losses are amortized over 9 years commencing in the year following the year the respective annual actuarial gains or losses arise.

The Accrued Benefit Obligations for the non pension benefit plans and the post retirement adjustments are reported in the University's statement of financial position under long term liabilities.

Information about the University's non-pension benefit plans and post-retirement adjustments as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	Total
	2013	2012	2013	2012	2013	2012
Accrued Benefit Obligations	\$ 62,226	\$ 56,885	\$ 3,223	\$ 3,548	\$ 65,449	\$ 60,433
Unamortized Actuarial (Losses) Gains	(2,397)	(649)	20	22	(2,377)	(627)
Employee Future Benefits Liability	\$ 59,829	\$ 56,236	\$ 3,243	\$ 3,570	\$ 63,072	\$ 59,806
Benefit Cost	\$ 5,419	\$ 3,171	\$ 117	\$ 130	\$ 5,536	\$ 3,301
Plan Assets	31,120	27,372	1,248	1,418	32,368	28,790
Employer Contribution	5,574	5,509			5,574	5,509
Employees' Contributions	3,458	3,322			3,458	3,322
Benefits Paid	7,536	6,584	548	590	8,084	7,174

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Plan assets consist of:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2013	2012	2013	2012
Equities	54%	54%	56%	55%
Fixed Income	34%	34%	34%	35%
Other	12%	12%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2013	2012	2013	2012
Accrued benefit obligation at March 31:				
Discount rate	5.75%	6.00%	5.75%	6.00%
Benefit Cost for year ended March 31:				
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected rate of return on assets	6.00%	6.00%	6.00%	6.00%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.00%	8.00%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2020	2020		
Dental Care Cost Trend Rates at March 31:	4.00%	4.00%		

13. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2013	2012
General Operating Fund:		
Due to Capital	\$ (63,354)	\$ (57,853)
Due to Trust	(3,917)	(3,529)
	\$ (67,271)	\$ (61,382)
Capital Asset Fund:		
Due from Operating	\$ 63,354	\$ 57,853
Trust Fund:		
Due from Operating	\$ 3,917	\$ 3,529

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14. INTER-FUND TRANSFERS

Inter-Fund transfers for the years ended March 31 are as follows:

2013	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	\$ 3,266	\$	\$ 424	\$	\$	\$ (3,690)	\$	\$
Net Change in Vacation Pay & Pension Liability	1,365		(1,365)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(1,707)					1,707		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(4,006)	4,006						
Unit Carryovers, Special Projects & Initiatives	(63,148)	63,148						
Funding of Capital Asset Additions	(40,292)	(5,908)		50,486	(3,982)		(304)	
Long Term Debt Repayments	(5,786)			5,787	(1)			
Student Contributions to University Development Funds	(867)						185	682
Student Contributions for Technology	(3,838)			3,838				
Scholarships, Bursaries & Prizes	(8,877)	(100)			(170)		8,908	239
Other Net Transfers				(959)	(325)		(1,320)	2,604
Overhead Recoveries	2,954				(2,954)			
Funding of General Operating Expenses	72,120	(61,419)		(640)	(997)		(9,064)	
Unit Capital Development Assessment	(4,706)			4,706				
Funding of Research Projects	(3,016)			(24)	4,132		(1,092)	
March 31, 2013	\$(56,538)	\$ (273)	\$ (941)	\$63,194	\$ (4,297)	\$ (1,983)	\$(2,687)	\$ 3,525

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2012	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	\$ 393	\$	\$ 277	\$	\$	\$ (670)	\$	\$
Net Change in Vacation Pay & Pension Liability	(4,796)		4,796					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(2,195)					2,195		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(5,310)	5,310						
Unit Carryovers, Special Projects & Initiatives	(68,508)	68,508						
Funding of Capital Asset Additions	(63,105)	(2,343)		76,652	(11,047)		(157)	
Long Term Debt Repayments	(5,486)			5,489	(3)			
Student Contributions to University Development Funds	(738)							738
Student Contributions for Technology	(3,703)			3,703				
Scholarships, Bursaries & Prizes	(7,620)	(100)			(3,091)		10,811	
Other Net Transfers					(21)		(706)	727
Overhead Recoveries	3,348				(3,348)			
Funding of General Operating Expenses	77,523	(69,404)			(502)		(7,617)	
Unit Capital Development Assessment	(4,478)			4,478				
Funding of Research Projects	(151)				1,017		(866)	
March 31, 2012	\$(84,826)	\$ 1,971	\$ 5,073	\$90,322	\$ (16,995)	\$ 1,525	\$ 1,465	\$ 1,465

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15. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of \$389 (2012, \$822).

16. PENSION PLANS

The University is the sponsor of three pension plans, The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986), and The University of Manitoba Pension Plan (1993).

The University has separate Pension Committees to act as Plan Administrator for each of the 1993 and 1986 Plans. The University is the Plan Administrator for the 1970 Plan.

Each of the 1993 Pension Committee and 1986 Pension Committee has the following responsibilities for their respective plans:

- monitor the operation of the plan;
- take responsibility for the plan's administration;
- ensure that the plan is in compliance with all applicable legislation; and
- act in an advisory capacity to the University Board of Governors, making recommendations as required.

All three pension plans issue their own financial statements, none of which form part of the University's financial statements.

The University's pension liability for the 1993 Plan is the net of pension obligations less plan assets and adjusted for any unamortized actuarial gains or losses. For the 1986 Plan, the University has no pension liability as pension obligations equal plan assets. The University has no pension liability for the 1970 Plan.

1993 PLAN

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. In years prior to calendar 2010, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2012.

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

Accrued Benefit Obligations	2012	2011
Actuarial present value of accrued pension benefits, at the beginning of year	\$ 966,917	\$ 980,599
Interest accrued on defined benefits	24,022	22,513
Interest accrued (decreased) on member accounts	40,942	(15,561)
Benefits accrued	44,106	39,069
Benefits paid	(73,963)	(74,922)
Actuarial losses (gains)	(6,746)	15,219
Change in actuarial assumptions	50,211	
Actuarial present value of accrued pension benefits, at end of year	\$ 1,045,489	\$ 966,917

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Plan Assets

Fair value, at beginning of year	\$ 884,419	\$ 939,571
Actual return on plan assets	65,149	(24,506)
Employer contributions calendar year	27,281	26,268
Employee contributions	19,875	17,803
Transfer from other plans	202	205
Benefits paid	(73,963)	(74,922)
Fair value, at end of year	\$ 922,963	\$ 884,419

Reconciliation of Pension Liability

Accrued benefit obligation	\$ 1,045,489	\$ 966,917
Plan assets	(922,963)	(884,419)
Plan deficit	122,526	82,498
Contributions during fiscal year in excess of calendar year	(10,494)	(4,531)
Adjusted plan deficit	112,032	77,967
Unamortized net actuarial losses	(78,185)	(44,536)
Pension liability	\$ 33,847	\$ 33,431

Net Benefit Plan Expense

Current service cost, net of employee contributions	\$ 24,029	\$ 21,061
Interest costs at discount rate	56,950	57,596
Expected return on plan assets	(52,267)	(55,455)
Amortization of net actuarial (gains) losses	4,948	
Net benefit plan expense	\$ 33,660	\$ 23,202

Significant Long-term Actuarial Assumptions

Discount rate	5.75%	6.0%
Expected rate of return on assets	5.75%	6.0%
Rate of general salary increase	3.5%	4.0%
Interest assumption for converting member accumulations to annuities	3.5%	4.75%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2020.	the adjustment varies by age (average 67%)	the adjustment varies by age (average 67%)

In 2009, the Manitoba Pension Commission advised that the University was required to begin to make additional payments with respect to current service costs in excess of matching contributions of active members and the University. The additional annual current service cost payments required are based on a percentage (changes annually) of employee contributions. This total payment for fiscal 2013 was \$4.2 million (2012, \$4.1 million).

The unamortized net actuarial losses shown above, which were determined on the basis of this valuation and the restatement of prior extrapolations for accounting purposes, are being amortized over a period of nine years (expected average remaining service life) starting in the year following the year the respective annual actuarial gains or losses arise. However, cash funding for the pension plan is based on the going-concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, is being funded under the Pension Benefits Act over the maximum of 15 years. The payments are \$12.4 million annually until the going concern deficit is eliminated based on the December 2012 funding valuation. This total payment for fiscal 2013 was \$6.1 million (2012, \$4.0 million).

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In 2009, as permitted under the University Pension Plans Exemption Regulation, the University filed an election for an exemption to the solvency deficiency funding requirements under the Pension Benefits Act for the 1993 Plan. However, the Plan will continue to be subject to the going-concern funding provisions of the Act and the funding deficit payments are being paid by the University over the maximum of 15 years as indicated above.

This plan was amended effective December 31, 2010 to provide for increases in member and University required contribution rates of 0.5% of salary effective January 1, 2011, a further increase of 0.5% effective January 1, 2012 and further increases of 1.0% effective January 1, 2013. Changes to the Pensions Benefit Act in 2010 can result in higher retirement benefits for some members who retire after age 65.

1986 PLAN

For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of \$1,828 (2012, \$2,001) and this is included in the Statement of Operations and Changes in Fund Balances as an expense.

1970 PLAN

There were no university employees earning pension entitlements in 2012 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

17. NET INVESTMENT INCOME (LOSS)

The change in the fair value of investments which was reported in net investment income in the 2012 fiscal year is now reported in the Statement of Remeasurement Gains and Losses. The 2012 comparative figures are not reclassified under the transitional provisions of PS3450. The effect of this change is net investment income is not comparable from 2012 to 2013. The table below illustrates the impact of this change.

2013	General Operating Fund	Staff Benefits Fund	Capital Fund	Trust Fund	Endowment Fund	Total Fund
Net Investment Income:						
Interest	\$ 4,691	\$ 568	\$ 7,691	\$ 2,149	\$	\$ 15,099
Dividends				7,468		7,468
Gains (losses) on sale of investments	(727)	587		3,041		2,901
	3,964	1,155	7,691	12,658		25,468
Change in fair value of investments as reported on the Statement of Remeasurement Gains and Losses		1,352		17,347	27,616	46,315
Total	\$ 3,964	\$ 2,507	\$ 7,691	\$ 30,005	\$ 27,616	\$ 71,783

2012	General Operating Fund	Staff Benefits Fund	Capital Fund	Trust Fund	Endowment Fund	Total Fund
Net Investment Income:						
Interest	\$ 4,387	\$ 546	\$ 3,460	\$ 2,239	\$	\$ 10,632
Dividends				7,134		7,134
Gains (losses) on sale of investments	(258)	648		12,209		12,599
	4,129	1,194	3,460	21,582		30,365
Change in fair value of investments	1,297	(195)		(1,355)	(3,078)	(3,331)
Total	\$ 5,426	\$ 999	\$ 3,460	\$ 20,227	\$ (3,078)	\$ 27,034

18. INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. (“the Foundation”) which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation’s purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation’s actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many entities eligible to receive aid from the Foundation. The University must make application to the Foundation’s Board of Directors to request funds, which may or may not be granted. The University’s economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

TRIUMF

The University has a 9.09% interest in TRIUMF, a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

19. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in BBB Stadium Inc. (BBB). BBB is a not-for-profit corporation established to develop, own and operate a stadium as a venue for professional and university football and community athletics. The sole members of BBB are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of BBB are managed by the directors comprised of the University, City of Winnipeg, Province of Manitoba and the Winnipeg Football Club. The University has an economic interest in BBB related to the use of the stadium for university football games and events at nil charge.

The Province of Manitoba has committed up to \$160 million as a loan to the University (Note 10), and the University has committed to loan an equal amount to BBB (Note 5). As at March 31, 2013 and for year then ended the related party transactions with BBB and the corresponding transactions with the Province of Manitoba are as follows:

Amounts borrowed from the Province of Manitoba and advanced to BBB under the loan agreements

	2013	2012
Loan Receivable, including accrued interest	\$ 170,538	\$ 130,878
Interest Income on loan	\$ 7,227	\$ 3,002
Loan Payable, including accrued interest	\$ 170,538	\$ 130,878
Interest Expense on loan	\$ 7,227	\$ 3,002

The Province of Manitoba has also provided \$20.7 million to the University to provide capital funding to BBB. These amounts have been included in Research and Special Fund revenue and expenses.

All transactions with BBB and the Province of Manitoba are recorded at exchange amounts.

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20. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to \$49,591 (2012, \$26,495).

The University has entered into a \$25,000 loan agreement with the Province of Manitoba related to the construction of the new Active Living Centre. The University has forward fixed the loan, with principal and interest repayments commencing September 30, 2014. The term of the loan is 25 years with a fixed rate of 3.75% for the full 25 year amortization period.

A \$25,000 interim loan facility at a floating interest rate, has been made available from the Province in order to finance construction costs. This interim loan facility will become due September 30, 2014, and will be reclassified to long term when the forward fix loan commences. The University is committed to draw the full \$25,000 available in the interim loan facility before the end of March 31, 2014. \$5,000 of this interim loan facility has been advanced to March 31, 2013.

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2013.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at \$44.2 million as of November 2011, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at March 31, 2012, is estimated at \$3.1 million. The March 31, 2013 figures are not available. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

21. FAIR VALUE DISCLOSURES

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, dealing at arm's length and motivated by normal business considerations. Financial instruments are classified using a fair value hierarchy that reflects the significance of inputs to valuation techniques used to measure fair value. The fair value hierarchy used has the following levels:

Level 1 – Inputs that reflect unadjusted publicly quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 – Inputs other than publicly quoted prices that are either directly or indirectly observable for the asset or liability.

Level 3 – Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

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The following fair value hierarchy table presents information about the University's financial instruments measured at fair value at March 31:

Financial Assets at fair value as at March 31, 2013

	Level 1	Level 2	Level 3	Total
Investments 2013	\$ 227,214	\$ 279,097	\$	\$ 506,311
Investments 2012	\$ 202,706	\$ 350,112	\$	\$ 552,818

Financial Liabilities at fair value as at March 31, 2013

	Level 1	Level 2	Level 3	Total
Financial Derivatives 2013	\$	\$	\$ 5,618	\$ 5,618
Financial Derivatives 2012	\$	\$	\$ 5,510	\$ 5,510

As of March 31, 2013 and March 31, 2012 there were no transfers of investments between levels 1, 2 or 3.

22. COMPARATIVE FIGURES

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



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Additional information is available at www.umanitoba.ca/admin/financial_services/