

# ANNUAL FINANCIAL REPORT 2011



UNIVERSITY  
OF MANITOBA



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*(Additional information is available at [www.umanitoba.ca/admin/financial\\_services/](http://www.umanitoba.ca/admin/financial_services/))*



### **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, 2011 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	
	<u>2011</u>	<u>2010</u>
Revenues and Other Additions	\$ 510,687	\$ 497,770
Expenditures and Other Deductions	<u>451,886</u>	<u>463,620</u>
Net Revenues	58,801	34,150
Net Appropriated To Specific Provisions	(5,313)	(8,589)
Inter-Fund Transfers	<u>(53,470)</u>	<u>(25,536)</u>
Net Increase To Fund Balances	<u>\$ 18</u>	<u>\$ 25</u>

Additions exceeded deductions by \$58,801,000 for the current fiscal year. Net appropriations of \$5,313,000 were made to specific provisions and an amount of \$53,470,000 was transferred to other funds. The resulting net surplus of \$18,000 has been added to the general operating balance in the General Operating Fund, increasing it to a balance of \$2,289,000 as at March 31, 2011.

#### Investments: Investment holdings at March 31, 2011 were as follows (at fair value): (in thousands of dollars)

Canadian Bonds and Other Fixed Income	\$ 198,177
Canadian Equities	136,480
U.S. Equities	66,534
International Equities	50,774
Pooled Real Estate	48,676
Bankers Acceptances, Guaranteed Investment Certificates and Cash	36,899
Other	<u>47</u>
	<u>\$ 537,587</u>

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

## REPORT OF THE BOARD OF GOVERNORS

### Members of the Board of Governors:

At March 31, 2011 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  
Emmet Collins, B.A. (Hon.)  
Mona Forsen, B.Comm. (Hons.), M.B.A  
Sharon Jasper, B.Ed.  
Janice Lederman, B.A., LL.B.  
Bev Passey, FCGA  
Michael Robertson, B.A., M.A., MAA, MRAIC

#### Elected by Senate

Joanne Embree, M.D., FRCPC  
Norman Halden, B.Sc. (Hons.), Ph.D.  
Janet Hoskins, B.E.S., 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

Murat Ates  
Meaghan Labine, B.Sc., M.Sc., Ph.D. candidate  
Heather Laube, B.F.A. (Hons.)

#### University Secretary

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

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

The original was  
signed by J.  
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.*

The University of Manitoba Strategic Planning Framework, approved by the Board of Governors and Senate in June, 2009, continues to inform the major decisions made at the University of Manitoba. The following four priorities guide our approach:

- Academic Enhancement
- Aboriginal Achievement
- Student Experience
- Outstanding Workplace

For 2010-11, the Province increased the University's base operating grant by 2% and authorized tuition fee increases of up to 5% effective September, 2010. Subsequent to the funding announcement, ten proposals to increase fees in professional programs were advanced to COPSE for discussion. In June, 2010, the Province approved a tuition fee increase of 20% per year for both 2010-11 and 2011-12 for Faculty of Dentistry Programs excluding those offered through the School of Dental Hygiene. A tuition increase of 25% per year tuition for both 2011-12 and 2012-13 was also approved for students commencing the Asper School of Business MBA program in August 2010 or later. In addition, a funding increase of \$1 million was provided (effective 2011-12) in lieu of tuition increases for the Faculty of Medicine. The remaining proposals were turned down by the Province.

While the 2010-11 approved funding increase was greater than anticipated, it still fell short of the amount required to maintain 2009-10 levels of programs and services. To address this shortfall and also provide marginal funding in support of the University's four strategic priorities, a 3.25% basic budget reduction was applied to most units. To help units transition to a reduced baseline and also support one-time costs, \$4.1 million was drawn down from the specific provisions and allocated to units on a one-time only basis.

In the last two successive budgets, \$3.4 million in ongoing funding and \$650,000 in one-time funds have been allocated to framework priorities. The ongoing funding represents a small portion of operating budget – 0.67%. Nevertheless, these funds have been utilized to launch new programs and seed new initiatives.

Despite our challenges, the University community continues to be highly successful in its quest for excellence. The following provides an overview of the financial results of the University for the fiscal year ended March 31, 2011.

### **Investing in Manitoba's Future**

In 2010-11 total University revenue in all Funds (unrestricted and restricted) was \$786 million, an increase of 3.3% from 2009-10 revenue of \$761 million.

The provincial government, through COPSE, Manitoba Health, Manitoba Student Aid, Manitoba Agriculture, Food & Rural Initiatives and various provincial councils and funds in support of teaching, innovation, capital and research is the largest single supporter of the University, representing 46.7% or \$367 million of total revenue, up from \$345 million last year. Manitoba Health increased its grants by \$2 million to 13 projects within Community Health Services. The province provided increased capital funding for the Buller Building upgrades (\$1.6 million), Project Domino (\$6.4 million) and the Bio Sciences Lab Renovations (\$4.3 million).

Students, through their tuition and related fees, provided the second largest source of the University's revenue during the year. In 2010-11, \$117.5 million was assessed, up from \$108.4 million in the prior year. These fees represent about 15.0% of total revenues. The increase in the year is due to an enrollment increase in regular session (\$1.0 million), fee increases mentioned above (\$4.2 million), undergraduate international differential rate increase and international student enrollment increase (\$2.2 million).

Support from the Government of Canada increased from \$88.4 million to \$93.8 million or 11.9% of total revenues. Federal programs provide significant support to research, capital, and indirect costs of research at the University. The majority of the increase this year is due to support for capital projects from the Knowledge Infrastructure Program (\$12 million).

The University received \$84.8 million or 10.8% of total revenue in 2010-11 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 an increase of \$7.6 million

**Table 1  
General Operating Fund  
Summary Statement  
(in thousands of dollars)**

	April 1, 2010		March 31, 2011		March 31, 2010	
	<u>Budget</u>	%	<u>Actual</u>	%	<u>Actual</u>	%
<b>Revenue:</b>						
COPSE	\$ 287,570	58.7%	\$ 288,282	56.5%	\$ 281,132	56.5%
Tuition Fees	111,949	22.8%	117,529	23.0%	108,397	21.8%
Ancillary Services	31,980	6.5%	32,793	6.4%	32,796	6.6%
Sales of Goods & Services	30,298	6.2%	31,375	6.1%	31,252	6.3%
Other Province of Manitoba	13,952	2.8%	15,184	3.0%	16,519	3.3%
Miscellaneous	506	0.1%	9,603	1.9%	14,121	2.8%
Government of Canada	8,614	1.8%	9,373	1.8%	8,940	1.8%
Net Investment Income	4,526	0.9%	4,317	0.9%	3,066	0.6%
Contributions, Donations, Non-Government Grants	778	0.2%	2,231	0.4%	1,547	0.3%
	<u>490,173</u>	100.0%	<u>510,687</u>	100.0%	<u>497,770</u>	100.0%
<b>Expense by Function:</b>						
Instruction	\$ 246,630	53.9%	\$ 271,342	60.0%	\$ 268,565	57.9%
Plant Maintenance	44,094	9.6%	39,431	8.8%	43,118	9.3%
Administration	29,346	6.4%	30,638	6.8%	30,665	6.6%
Ancillary Services	31,980	7.0%	27,277	6.0%	29,038	6.3%
Student Affairs	20,794	4.5%	22,618	5.0%	21,460	4.6%
Other Academic Support	21,794	4.8%	19,462	4.3%	20,096	4.3%
Libraries	17,684	3.9%	16,901	3.8%	16,973	3.7%
Student Awards	5,303	1.2%	6,473	1.4%	7,164	1.6%
General	9,013	2.0%	22,151	4.9%	6,300	1.3%
Property Tax	600	0.1%	372	0.1%	408	0.1%
Change in Pension Obligation			(2,187)	(0.5%)	21,268	4.6%
Actuarially Determined Employee Future Benefits			3,602	0.8%	3,062	0.7%
Staff Benefits Contra			(6,194)	(1.4%)	(4,497)	(1.0%)
Central Reserves *	30,364	6.6%				
	<u>457,602</u>	100.0%	<u>451,886</u>	100.0%	<u>463,620</u>	100.0%
<i>Net Revenue</i>	32,571		58,801		34,150	
<i>Net Transfer to Other Funds</i>	<u>(32,571)</u>		<u>(58,783)</u>		<u>(34,125)</u>	
<i>Net Increase to Fund Balance</i>	<u>\$</u>		<u>\$ 18</u>		<u>\$ 25</u>	
<b>Expense by Type:</b>						
Salaries & Wages	\$ 288,300	63.0%	\$ 288,648	63.9%	\$ 287,134	61.9%
Supplies and Expenses	70,369	15.4%	70,394	15.6%	66,974	14.5%
Staff Benefits	53,217	11.6%	55,608	12.3%	44,297	9.6%
Ancillaries Cost of Goods Sold	15,908	3.5%	15,627	3.5%	16,649	3.6%
Utilities	17,000	3.7%	13,294	2.9%	14,932	3.2%
Student Awards	5,966	1.3%	6,473	1.4%	7,164	1.5%
Payroll Tax Levy	6,242	1.4%	6,249	1.4%	6,229	1.3%
Property Tax	600	0.1%	372	0.1%	408	0.1%
Change in Pension Obligation			(2,187)	(0.5%)	21,268	4.6%
Actuarially Determined Employee Future Benefits			3,602	0.8%	3,062	0.7%
Staff Benefits Contra			(6,194)	(1.4%)	(4,497)	(1.0%)
	<u>\$ 457,602</u>	100.0%	<u>\$ 451,886</u>	100.0%	<u>\$ 463,620</u>	100.0%

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

compared to 2009-10, largely due to an increase of \$7 million in Grants and Contracts from Business, Industry and Foundations.

Net investment income of \$45.4 million is down from last year's income of \$57.3 million, primarily due to the performance results of the Trust and Endowment Funds. The one-year return of the University Investment Trust was 12.4% in 2011, representing a decline from the 18.8% recorded last year, which was due to the large equity market recoveries earned in the previous year after the credit-crisis in 2008/2009. Although returns in the global equity markets were not as strong in the current year, returns from both bonds and real estate improved significantly. A more detailed discussion of the Trust and Endowment Fund appears later in this report.

The University's Ancillary Services, which are comprised of the BookStore, Residences, Parking and Pharmacy, generated \$32.8 million or 4.2% of total revenue in 2010-11. Declines in retail sales of almost \$1 million were offset by increased parking revenues compared to the prior year. Parking revenues in 2009-10 were artificially low as we transitioned to a new process of recording revenues which aligns with the fiscal year. 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 4.1% of total revenues in 2010-11 or \$32.3 million, a small decrease from 2009-10. 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.

Insurance proceeds related to the Duff Roblin fire of \$5.8 million are included in miscellaneous income, down \$6.3 million from the previous year.

## **General Operating Fund**

The results of the General Operating Fund for 2010-11, shown on a comparative basis with the prior year and the April 1, 2010 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. However in order to do so, faculties and administrative units had to reduce their budgets by approximately 3.25% and a transfer of \$4.1 million from the provision fund was required. The budget reductions and the provision transfer were needed to address rising costs and additional mandatory special pension payments.

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 \$59 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 and significant declines in natural gas prices generated savings in utility costs. The net increase to the General Operating Fund of \$18,380 was generated after taking into account the following interfund activity:

- \$24 million was transferred out to Capital representing amounts faculties and units spent on capital assets and library acquisitions;
- \$8 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;
- \$5 million was transferred out to Provisions on behalf of units such as Ancillaries and the telephone office which are expected to be self-sufficient including future capital replacements;
- \$7 million was transferred in to Operating from Trust to support students and unit budgets;
- \$11 million was transferred out to Provisions to support 2011-12 ROSE targeted improvements; and
- \$18 million was transferred out of Operating to support infrastructure needs, for example, sprinkler systems required in BMSB, electrical upgrades required at the Bannatyne campus, and redevelopment of Elizabeth Dafoe Library.

As detailed in Table 1, general operating expenses decreased by \$11.7 million or 2.5 % in fiscal 2010-11 over 2009-10. The largest driver of this is the actuarially determined pension expense which accounts for \$23.5 million of the decrease. General expenses have increased by \$15.9 million as a result of additional pension payments made relating to current

service costs and the going concern deficit (\$9.7 million) and \$7.8 million relating to the Resource Optimization and Service Enhancement program. In addition to the \$9.7 million pension cost in the Operating Fund, \$1.1 million was paid from the staff benefits fund.

## **Resource Optimization**

In 2009 two programs, Resource Optimization and Service Enhancement (ROSE) and Optimizing Academic Resources (OARs) were initiated. ROSE was developed to find specific, tangible and effective ways to make the way we do business more efficient, more cost effective and more responsive. Phase three of the program, the implementation phase, began in February 2011 and is on track to meet projected annual cost savings of \$8 million to \$15 million.

The ROSE program was designed not just to realize cost savings and efficiencies, but also to enhance quality of service, advance shared responsibility and promote accountability and transparency.

The program has six streams, each with multiple initiatives. Overall, the streams have had many successes in recent months, notably the establishment of an IT Service Desk and the selection of an online travel booking tool, classroom scheduling tool and eRecruitment system. Participation from all levels of the University continues to be significant. Currently there are nearly 150 staff members working in some capacity as part of the ROSE program team.

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 Strategic Enrolment Management Planning Committee was established to provide advice on enrolment goals, and policies and practices to facilitate the overall student experience. The Committee will also monitor student access, transition, and graduation rates.

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. The clusters have identified opportunities for the joint development of new teaching and research programs and the sharing of administrative services and resources, as well as ways to enhance student mobility across units by reducing barriers.

## **Staff**

The University of Manitoba's most valuable resource is its faculty and staff who bring their knowledge, expertise, and commitment to the table, working in a collegial fashion to achieve the University's goals. Of the 4,439 full time equivalent staff employed during the year, 2,048 were faculty and 2,391 were administrative staff. Ancillary Services employed a further 160 staff. Academic staff levels have increased as vacant positions were filled. The administrative staffing vacancies are being carefully scrutinized as part of the resource optimization efforts.

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. Allan Ronald, medical microbiology, was inducted into the Canadian Medical Hall of Fame; Dr. Terry Cook, history, Distinguished Professor Dr. Leslie Roos, community health sciences, and Distinguished Professor Dr. George Toles, English, film and theatre, were elected to the Royal Society of Canada (RSC), Canada's most esteemed association of scholars and scientists; Distinguished Professor Dr. Frank Hawthorne, geological sciences, and RSC Fellow received the Bancroft Award for his work in the energetic and mechanistic factors affecting the stability of crystalline materials; three professors, Distinguished Professor Dr. Leslie Roos, community health sciences, Dr. Hani El-Gabalawy, internal medicine, and Dr. Allan Becker, pediatrics immunology, were elected fellows of the Canadian Academy of Health Sciences (CAHS), considered one of the highest honours for individuals in the Canadian health sciences community; Dr. Stephen Moses, medical microbiology/community health sciences/internal medicine, Associate Director of the Centre for Global Public Health, was the 2010 recipient of the Dr. John M. Bowman Memorial Winnipeg Rh Institute Foundation Award for outstanding research by senior university faculty.

## Students

Overall enrolment increased this year, both at the undergraduate and graduate levels. Participation of high school graduates has remained strong; in addition, the increased youth unemployment rate may have encouraged more students to begin or continue their studies.

The number of Aboriginal students increased from 1,883 to 1,912. Self-declared Aboriginal student enrolment grew slightly from 6.7% to 6.9% of the total student population.

Summer Term enrolment grew by 5%, more than double the rate of the previous year and the highest growth in the last five years. There was a significant increase in international enrolment of 8.7%, from 2,165 last year to 2,354 in 2010.

**Table 2  
Selected Statistics**

	Fall Term 2010	Fall Term 2009	Fall Term 2008	Fall Term 2007
<b>Fall Term Enrolment</b>				
Total Students <sup>1,2</sup>	27,751	27,476	26,238	26,814
•Undergraduate students	23,929	23,654	22,544	23,044
% Annual Change	1.2	4.9	(2.2)	(0.9)
Full-Time	19,522	19,174	18,345	18,767
Part-Time	4,407	4,480	4,199	4,277
•Graduate students	3,333	3,333	3,224	3,290
% Annual Change	0	3.4	(2.0)	1.7
Full-Time	2,560	2,550	2,452	2,487
Part-Time	773	783	772	803
•Post-Graduate Medical Education Students	489	489	470	480
<b>Summer Enrolment</b>	10,121	9,637	9,437	9,599
% Annual Change	5.0	2.1	(1.7)	(0.4)
<b>Full-Time Equivalent Students <sup>1,3</sup></b>	26,943	26,470	25,384	25,928
% Annual Change	1.8	4.3	(2.1)	0.8
<b>International Students</b>	2,354	2,165	2,134	2,419
<b>Self-Declared Canadian Aboriginal Students <sup>4</sup></b>	1,912	1,883	1,766	1,648
Undergraduate	1,771	1,748	1,638	1,513
% of Total undergraduate	7.4	7.4	7.3	6.6
% of Total University 1	8.4	8.3	8.3	7.1
Graduate	133	129	123	127
% of Total Graduate	4.0	3.9	3.8	3.9
Post Graduate Medical Education	8	6	5	8
% of Total PGME	1.6	1.2	1.1	1.7
<b>Undergraduate Student Credit Hours</b>				
Fall and Winter	509,309	503,048	485,695	495,370
Summer <sup>5</sup>	53,910	51,457	49,244	52,255
On-load <sup>6</sup>	6,084	6,928	6,133	5,556
<b>Degrees, Diplomas, Certificates Conferred</b>				
Undergraduate	4,120	4,095	4,382	4,052
Graduate	769	738	765	759
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 voluntarily self-declaration made on the Admission form. Therefore, the numbers reported would be less than the total population of Canadian Aboriginal students on campus.				
5. Beginning in 2005-06, Summer undergraduate student credit hours include Summer distance education courses. Historical data are not strictly comparable				
6. Courses taught during Summer terms as part of Fall and Winter teaching load.				

**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.

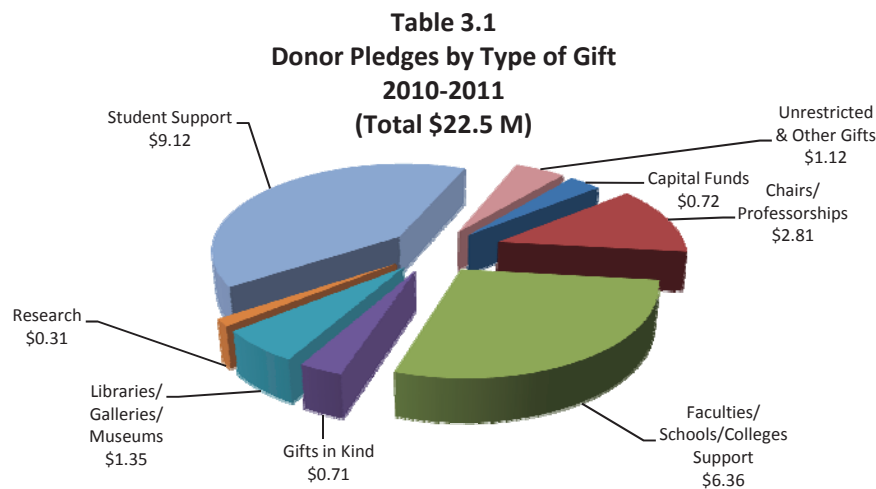
**Trust and Endowment Fund**

The University’s endowment fund continued to grow over the past year, in part due to investment returns, and in part due to generous gifts from donors. The one-year rate of return for the fund as at March 31, 2011 was 12.4%, and the primary drivers for this were the continuing strong performance of Canadian equities (a 21.3% annual return) and stronger returns this year from both bonds (5.0%) and real estate (7.7%). Over the course of the fiscal year, \$17.1 million in new gifts were received into the endowment. The fund’s market value at year end was \$342 million (2010 - \$301 million), and the income distributed from the fund through the annual spending allocation was \$14.3 million, which will provide student support, attract faculty and researchers, provide programs in faculties and schools, support chairs and professorships, and add to library resources.

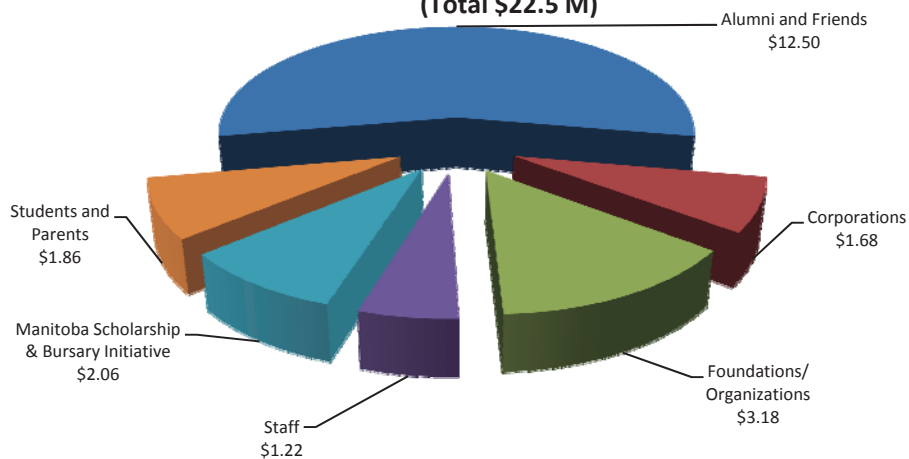
In 2010-11, the spending rate was maintained at 4.5% based on a rolling three-year average of the market value of the fund. Going forward, the Trust Investment Committee is reviewing alternatives to the rolling average method for determining spending allocations. This policy worked adequately over the period of time that coincided with mostly bull markets (the 1990’s), in which beneficiaries saw their annual allocations increase from year to year. However, during the period from 2001-2010 there have been two significant crashes in the equity markets, with the credit crisis of 2008/2009 being particularly devastating to endowment funds. These periods of volatility result in spending allocations that are neither stable nor predictable, thus beneficiaries have difficulty budgeting for endowment supported activities. As a result of this, a spending policy based on inflationary increases as opposed to a policy based on the market value of investments is being examined as an alternative policy going forward.

The market value of the specific trusts were \$28 million (2010 - \$38 million). The year over year decrease is due to the funding of the various capital projects on campus. The new Pembina Hall Residence alone has used \$6.5 million in funds held in trust in order to finance a portion of construction costs. The investment of these funds continues to be in cash equivalent and fixed income instruments.

**Tables 3.1 and 3.2 Donor Pledges** summarize pledges received by type of donor and the purpose for which the gift was pledged.



**Table 3.2**  
**Donor Pledges by Constituency**  
**2010-2011**  
**(Total \$22.5 M)**



### World Class Research

The University of Manitoba currently holds 48 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, 40 research centres, institutes and shared facilities that foster collaborative research and scholarship in a wide variety of fields.

On May 17, 2010, the Social Sciences and Humanities Research Council and the Canada Excellence Research Chair (CERC) Program announced the awarding of up to \$10 million over seven years for the CERC in Arctic Geomicrobiology and Climate Change to the University of Manitoba. The chair holder is Søren Rysgaard, professor and head of the Greenland Climate Research Centre at the Greenland Institute of Natural Resources. He joined the team of 17 researchers already involved in sea ice research in the Clayton H. Riddell Faculty of the Environment, Earth, and Resources on April 1, 2011. This CERC was one of 19 chairs awarded across the country to 13 universities. The Manitoba Premier announced, at that same time, the province's awarding of \$3.5 million to support the CERC at the University of Manitoba. Clayton H. Riddell also announced a gift of \$2.5 million for the addition of a floor to the Wallace Building, where the CERC team is housed. The floor is being named the Nellie Cournoyea Arctic Research Facility, in honour of Nellie Cournoyea, an Officer of the Order of Canada and the first female premier of a Canadian territory: she was the leader of the Northwest Territories from 1991 to 1995. The CERC investment will be leveraged over the same period with an additional investment of over \$25 million from the University and its partners. The total investment of over \$35 million will be used to create and allow access to world-class research space for Arctic research as well as to provide support for faculty positions, graduate students, postdoctoral fellows, and research associates.

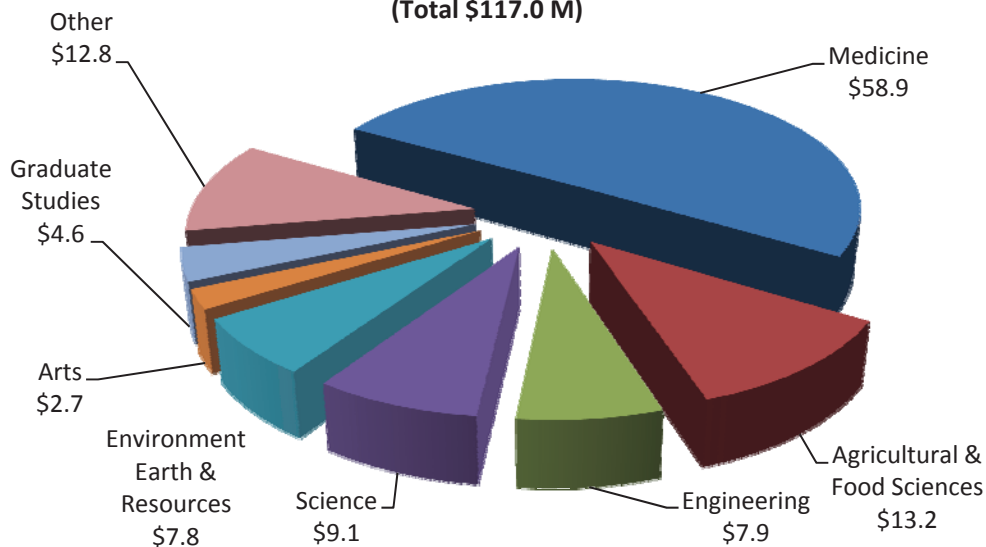
In 2010-11, research at the University of Manitoba continued its strength, with investment in a number of key areas. University researchers received \$115.9 million in sponsored or assisted research support through grants or contracts from the federal and provincial governments, various foundations, business and industry, and individuals. This funding is consistent with the amount received in 2009-10. A decrease in funding from the Federal Government granting councils was offset by an increase in funding from US sources where a decrease of \$3 million in government funding was more than offset by an increase of \$6 million in funding from the Bill and Melinda Gates Foundation. Provincial Government funding was unchanged.

**Table 4, Research Expenses by Faculty or Support Unit**, illustrates the level of research investment, as measured by the level of spending, in faculties and schools in 2010-11. Research investment was highest in the Faculty of Medicine, at a level of \$58.9 million in 2010-11. The second-highest was the Faculty of Agricultural and Food Sciences at \$13.2 million, followed by the Faculties of Science, Engineering, and the Clayton H. Riddell Faculty of Environment, Earth and Resources at \$9.1, \$7.9, and \$7.8 million respectively. In 2010-11 a total of \$117 million was spent on sponsored or assisted research activities at the University of Manitoba.

University of Manitoba researchers were also successful in competing for grant funding from the Manitoba Research and Innovation Fund (MRIF). This funding supports research infrastructure including the cutting-edge equipment and facilities vital for the University's wide range of innovative research programs and is the matching portion of funds committed by the Canada Foundation for Innovation (CFI) and industry partners. In 2010-11, 25 research projects were approved to

faculty members totaling \$9.4 million. The new funding supports research in eight faculties and two research partner institutions. They are: Faculty of Nursing (one project), Faculty of Medicine (twelve projects), Faculty of Human Ecology (two projects), Faculty of Engineering (two projects), Faculty of Science (seven projects), Faculty of Dentistry (one project), Faculty of Arts (one project), Faculty of Agricultural and Food Sciences (one project), Manitoba Institute of Child Health (one project), St. Boniface Hospital Research (one project). The projects range from data enhancement to population health research, to a new nutrigenomics research laboratory, and a new visual analytics laboratory. Funding from the CFI, MRIF and matching contributions from industry, along with the corresponding expenditures, are reflected in the Capital Asset Fund. In 2010-11, total contributions from these sources were \$11.4 million. When combined with sponsored or assisted research funding of \$115.9 million, University of Manitoba researchers received \$127.3 million in funding in 2010-11.

**Table 4**  
**Research Expenses by Faculty or Support Unit 2010-11**  
**(Total \$117.0 M)**



### Investment in Capital, Infrastructure, and Technology

In 2010-11, the University of Manitoba invested \$138.8 million in capital assets as follows:

- \$108.2 million for the construction of buildings, infrastructure renewal and land improvements;
- \$14.0 million for the acquisition of furniture, equipment and vehicles;
- \$ 6.4 million for computer equipment and technological improvements such as building cabling; and
- \$10.2 million for library acquisitions and works of art.

In addition, debt servicing costs of \$15.0 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 \$6.3 million from COPSE, \$29.0 million from other Provincial departments, \$24.6 million from the Federal Government, \$3.6 million from private donors and \$2.8 million from other income.

Construction continued on the Government of Canada Economic Action Plan Projects: The Bruce D. Campbell Farm and Food Discovery Centre at Glenlea (\$2.6 million) funded by the Community Adjust Fund (CAF); Frank Kennedy Renovations (\$0.5 million) funded by the Recreational Infrastructure Canada (RinC) Projects; and Art Research Technology (ART) Lab (\$12.8 million), Biological Sciences Building Upgrade (\$10.7 million), Buller Building Labs and Infrastructure Renovation (\$4.4 million), eureka Incubator (\$2.4 million), Neil John Maclean Health Sciences Library renovation (\$2.5 million), Regenerative Medicine Laboratory (\$4.3 million) and Smartpark Lake 2 Infrastructure Development (\$0.2 million) funded by the Knowledge Infrastructure Program (KIP), which has been extended to October 31, 2011.

Construction commenced on the Wallace Building Addition (\$2.4 million) which is required for the Canada Excellence Research Chair in Arctic Geomicrobiology and Climate Change. The additional space will house new specialized laboratories and classrooms needed to accommodate the influx of graduate students and researchers. Construction also commenced on the Asper School of Business James W. Burns Executive Education Centre (\$2.0 million) at the heritage

building at 177 Lombard, which was Great-West Life's original head office. The centre will offer executive education programs and professional development offerings for the downtown business community.

Construction continued on the Pembina Hall Student Residence (\$24.2 million) and the Duff Roblin Building fire restoration/upgrades (\$5.8 million). The east side of Duff Roblin was occupied in July 2010, and west side occupancy is expected in February 2012.

Infrastructure renewal projects undertaken in 2010-2011 included asbestos remediation (\$1.6 million), fire and safety (\$1.9 million), building envelope upgrades (\$3.1 million), roof replacements (\$1.9 million) and sewer and water projects (\$1.6 million). These projects were funded by COPSE capital grants, Critical Deferred Maintenance funding from the Province and the Provincial Debt.

The consolidated financial statements include Smartpark Development Corporation. Over the course of 2010-11, Smartpark remained strong and fully occupied. Smartpark was established in 1998 with the first building opening in 2002. Smartpark is now home to 20 tenant organizations and 10 start-up client businesses, employing 1,100 people in nine building facilities across the park. University-industry research collaborations and innovation takes place in four broad strategic areas: Information and Communications Technology; Engineering and Advanced Materials; Health and Biotechnology; and Agricultural and Nutritional Sciences.

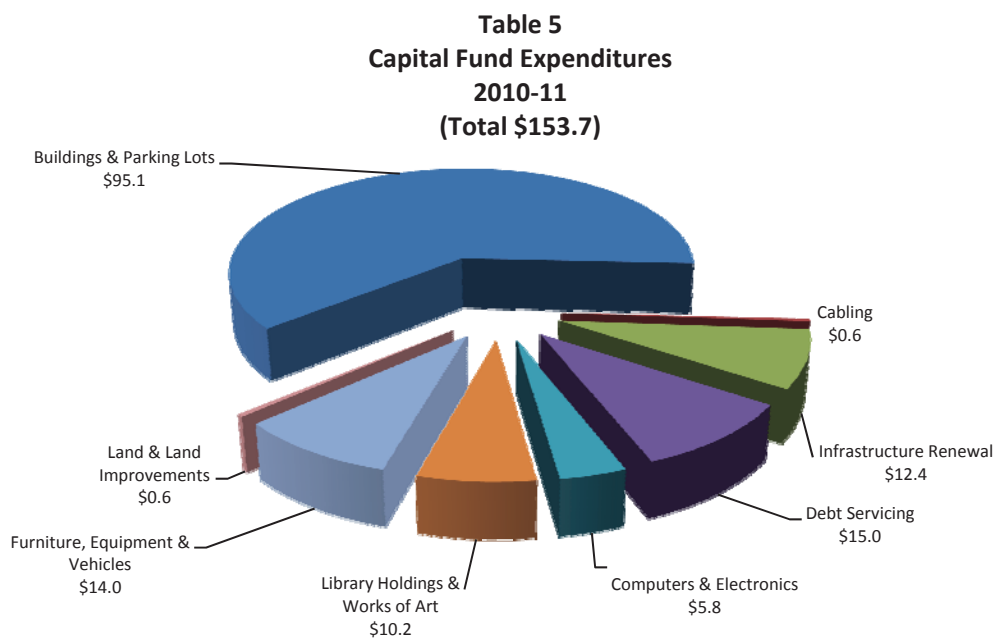
The strength of Smartpark is based on a diverse mix of research and technology tenants, a dynamic social atmosphere, high quality facilities and beautifully landscaped grounds which work together to create a community that encourages interaction, collaboration, employee recruitment, corporate marketing and growth.

In the past year, RTDS Technologies and Transgrid Solutions relocated and expanded to new facilities which won a 2010 Prairie Design Award of Excellence and the addition to the Monsanto Canada Corporate Office built to LEED Silver certification standards accommodated its Breeding Centre focused on top-yielding canola hybrids. At year-end, Smartpark was nearing completion of its new Meeting Centre for use by tenants, University and associated users.

Smartpark's incubator, the eureka project, expanded and began its independent operations last July. Since opening, several new startup clients have applied and been admitted bringing the incubator to near full capacity. The eureka project provides a good first home for start-up companies and is key to the future success of those clients. As successful startup clients reach commercialization, they become potential lease prospects for the park.

During 2011/12 we expect to transition the legal structure of Smartpark directly into the University. We expect to retain the strengths of the current organization and service to tenants, while including it within a larger property management enterprise that will also include oversight of the former Southwood Golf Club lands.

**Table 5, Capital Fund Expenditures** provides a more detailed breakdown of the \$139 million in capital asset expenditures and debt servicing costs of \$15 million during 2010-11.



## **As 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, Delta Marsh, 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 for the Elderly 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. Project Domino is a five-year project that will see at least 13 units on campus receive new classroom, study, laboratory and studio space, in either new or retrofitted buildings and facilities. These changes will attract and retain national and international students, faculty and staff and include construction of a new 360 bed residence, refurbishing historic Taché Hall for the Marcel A. Desautels Faculty of Music and the School of Art, and construction of an adjacent ART Lab Building to provide additional studio space. The University is also very excited to be home to the new professional football stadium at its Fort Garry Campus. In addition to the stadium development, the initiative will include a government contribution to the University of \$22.5 million which will, in part, facilitate development of a new Active Living Centre at the Fort Garry Campus.

## **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,  
**The original was signed by D.  
McCallum**

Deborah J. McCallum  
Vice-President (Administration)



UNIVERSITY  
OF MANITOBA

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2011 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated 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 consolidated 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 consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2011 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 consolidated financial statements.

**The original was signed by D. McCallum**

Deborah J. McCallum,  
Vice-President (Administration)

Winnipeg, Manitoba  
June 21, 2011



## 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 consolidated financial statements of the University of Manitoba, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### **Opinion**

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

June 21, 2011  
Winnipeg, Manitoba

**Original document signed by  
Carol Bellringer**

Carol Bellringer, FCA, MBA  
Auditor General

# CONSOLIDATED FINANCIAL STATEMENTS

**University of Manitoba**  
**Consolidated Statement of Financial Position**  
**as at March 31**  
**(in thousands of dollars)**

<b>Assets</b>	<i>2011</i>	<i>2010</i>
<i>Current Assets</i>		
Cash	\$ 109,444	\$ 132,864
Marketable Investments		4,043
Accounts Receivable (Note 3)	75,230	64,548
Inventories	3,411	3,382
Prepaid Expenses	<u>551</u>	<u>937</u>
	<u>188,636</u>	<u>205,774</u>
<i>Long Term Assets</i>		
Loan Receivable (Note 4)	24,286	
Investments (Note 5)	537,587	481,847
Capital Assets, Net of Accumulated Amortization (Note 7)	<u>843,385</u>	<u>751,847</u>
	<u>1,405,258</u>	<u>1,233,694</u>
	<u>\$1,593,894</u>	<u>\$1,439,468</u>
 <b>Liabilities</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 55,119	\$ 44,406
Unearned Revenue	5,278	6,523
Staff Vacation Entitlements	10,809	10,590
Bank Loan	8,712	8,800
Current Portion of Capital Lease Obligations (Note 8)	347	385
Current Portion of Long Term Debt (Note 9)	<u>3,739</u>	<u>4,095</u>
	<u>84,004</u>	<u>74,799</u>
<i>Long Term Liabilities</i>		
Other Long Term Liabilities (Note 10)	2,714	2,228
Capital Lease Obligations (Note 8)	307	440
Long Term Debt (Note 9)	211,965	191,418
Employee Future Benefits (Note 11)	65,552	61,950
Pension Obligation (Note 15)	<u>23,124</u>	<u>25,311</u>
	<u>303,662</u>	<u>281,347</u>
Fund Balances	<u>1,206,228</u>	<u>1,083,322</u>
	<u>\$ 1,593,894</u>	<u>\$ 1,439,468</u>

Contractual Obligations and Contingencies (Note 20)

**The original  
was signed by  
J. Lederman**

**The original was  
signed by P. Bovey**

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*Janice Lederman - Chair*

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*Patricia Bovey - Vice-Chair*

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

**Consolidated Statement of Operations and  
Changes in Fund Balances  
for the years ended March 31  
(in thousands of dollars)**

	<i>General Funds (Note 2e)</i>	<i>Restricted Funds (Note 2f)</i>	<i>Endowment Fund (Note 2g)</i>	<i>2011 Total Funds</i>	<i>2010 Total Funds</i>
<b>Revenue:</b>					
Tuition and Related Fees	\$ 117,529	\$	\$	\$ 117,529	\$ 108,397
Contributions, Donations, Non-Government Grants	2,231	66,686	15,864	84,781	77,136
Net Investment Income (Note 16)	4,317	24,590	16,443	45,350	57,341
Miscellaneous Income	9,603	2,522		12,125	18,853
Government Grants:					
Council on Post-Secondary Education	288,282	6,278		294,560	287,185
Other Province of Manitoba	15,184	57,105		72,289	58,058
Government of Canada	9,373	84,460		93,833	88,441
Sales of Goods and Services	31,375	899		32,274	32,493
Ancillary Services	32,793			32,793	32,796
	<u>510,687</u>	<u>242,540</u>	<u>32,307</u>	<u>785,534</u>	<u>760,700</u>
<b>Expense:</b>					
Academic	271,342	106,518		377,860	367,847
Libraries	16,901	96		16,997	17,102
Student Affairs	22,618	63		22,681	21,562
Administration	30,638	2,413		33,051	33,193
Plant Maintenance	39,431	(3)		39,428	43,131
Other Academic Support	19,462	361		19,823	20,418
General	22,151	6,545		28,696	14,805
Property Taxes	372			372	408
Student Awards	6,473	36,222		42,695	41,997
Interest		11,310		11,310	6,927
Amortization of Capital Assets		47,217		47,217	45,668
Ancillary Services	27,277			27,277	29,038
Actuarially Determined Employee Future Benefits	3,602			3,602	3,062
Change in Pension Obligation (Note 15)	(2,187)			(2,187)	21,268
Staff Benefits Contra	(6,194)			(6,194)	(4,497)
	<u>451,886</u>	<u>210,742</u>	<u>32,307</u>	<u>662,628</u>	<u>661,929</u>
<b>Net Revenue (Expense)</b>	58,801	31,798	32,307	122,906	98,771
Inter-Fund Transfers (Note 13)	(59,548)	55,730	3,818		
<b>Net (Decrease) Increase to Fund Balances</b>	(747)	87,528	36,125	122,906	98,771
<b>Fund Balances Beginning of the Year</b>	16,005	870,754	196,563	1,083,322	984,551
<b>Fund Balances End of the Year</b>	<u>\$ 15,258</u>	<u>\$ 958,282</u>	<u>\$ 232,688</u>	<u>\$ 1,206,228</u>	<u>\$1,083,322</u>
Unrestricted Funds	\$ (65,741)	\$	\$	\$ (65,741)	\$ (66,529)
Internally Restricted Funds	80,999	36,021		117,020	122,927
Externally Restricted Funds		196,781	232,688	429,469	381,562
Invested in Capital Assets		725,480		725,480	645,362
	<u>\$ 15,258</u>	<u>\$ 958,282</u>	<u>\$ 232,688</u>	<u>\$ 1,206,228</u>	<u>\$1,083,322</u>

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

**Consolidated Statement of Operations and Changes  
in Fund Balances for the General Funds  
for the years ended March 31  
(in thousands of dollars)**

	<i>General Operating Fund (Note 2e)</i>	<i>Specific Provisions Fund (Note 2e)</i>	<i>Expenses Funded From Future Revenues (Note 2e)</i>	<i>2011 Total General Funds</i>	<i>2010 Total General Funds</i>
<b>Revenue:</b>					
Tuition and Related Fees	\$ 117,529	\$	\$	\$ 117,529	\$ 108,397
Contributions, Donations, Non-Government Grants	2,231			2,231	1,547
Net Investment Income (Note 16)	4,317			4,317	3,103
Miscellaneous Income	9,603			9,603	14,084
Government Grants:					
Council on Post-Secondary Education	288,282			288,282	281,132
Other Province of Manitoba	15,184			15,184	16,519
Government of Canada	9,373			9,373	8,940
Sales of Goods and Services	31,375			31,375	31,252
Ancillary Services	32,793			32,793	32,796
	<u>510,687</u>			<u>510,687</u>	<u>497,770</u>
<b>Expense:</b>					
Academic	271,342			271,342	268,565
Libraries	16,901			16,901	16,973
Student Affairs	22,618			22,618	21,460
Administration	30,638			30,638	30,665
Plant Maintenance	39,431			39,431	43,118
Other Academic Support	19,462			19,462	20,096
General	22,151			22,151	6,300
Property Taxes	372			372	408
Student Awards	6,473			6,473	7,164
Ancillary Services	27,277			27,277	29,038
Actuarially Determined Employee Future Benefits	3,602			3,602	3,062
Change in Pension Obligation (Note 15)	(2,187)			(2,187)	21,268
Staff Benefits Contra	(6,194)			(6,194)	(4,497)
	<u>451,886</u>			<u>451,886</u>	<u>463,620</u>
<b>Net Revenue</b>	58,801			58,801	34,150
<i>Inter-Fund Transfers (Note 13)</i>	(58,783)	(1,535)	770	(59,548)	(48,047)
<i>Net Increase (Decrease) to Fund Balances</i>	18	(1,535)	770	(747)	(13,897)
<i>Fund Balances Beginning of the Year</i>	2,271	82,534	(68,800)	16,005	29,902
<b>Fund Balances End of the Year</b>	<u>\$ 2,289</u>	<u>\$ 80,999</u>	<u>\$ (68,030)</u>	<u>\$ 15,258</u>	<u>\$ 16,005</u>
Unrestricted Funds	\$ 2,289	\$	\$ (68,030)	\$ (65,741)	\$ (66,529)
Internally Restricted Funds		80,999		80,999	82,534
	<u>\$ 2,289</u>	<u>\$ 80,999</u>	<u>\$ (68,030)</u>	<u>\$ 15,258</u>	<u>\$ 16,005</u>

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

**Consolidated Statement of Operations and Changes  
in Fund Balances for the Restricted Funds  
for the years ended March 31  
(in thousands of dollars)**

	<i>Capital Asset Fund (Note 2f)</i>	<i>Research and Special Fund (Note 2f)</i>	<i>Staff Benefits Fund (Note 2f)</i>	<i>Trust Fund (Note 2f)</i>	<i>2011 Total Restricted Funds</i>	<i>2010 Total Restricted Funds</i>
<b>Revenue:</b>						
Contributions, Donations, Non-Government Grants	\$ 3,614	\$ 52,752	\$ 2,978	\$ 7,342	\$ 66,686	\$ 63,996
Net Investment Income (Note 16)	710		2,930	20,950	24,590	36,968
Miscellaneous Income	2,119	189	214		2,522	4,769
Government Grants:						
Council on Post-Secondary Education	6,278				6,278	6,053
Other Province of Manitoba	29,030	28,075			57,105	41,539
Government of Canada	24,598	59,862			84,460	79,501
Sales of Goods and Services		899			899	1,241
	<u>66,349</u>	<u>141,777</u>	<u>6,122</u>	<u>28,292</u>	<u>242,540</u>	<u>234,067</u>
<b>Expense:</b>						
Academic		106,518			106,518	99,282
Libraries		96			96	129
Student Affairs		63			63	102
Administration		2,413			2,413	2,528
Plant Maintenance		(3)			(3)	13
Other Academic Support		361			361	322
General			4,376	2,169	6,545	8,505
Student Awards		23,914		12,308	36,222	34,833
Interest	11,310				11,310	6,927
Amortization of Capital Assets	47,217				47,217	45,668
	<u>58,527</u>	<u>133,362</u>	<u>4,376</u>	<u>14,477</u>	<u>210,742</u>	<u>198,309</u>
<b>Net Revenue</b>	<u>7,822</u>	<u>8,415</u>	<u>1,746</u>	<u>13,815</u>	<u>31,798</u>	<u>35,758</u>
<i>Inter-Fund Transfers (Note 13)</i>	<u>72,296</u>	<u>(8,397)</u>	<u>(3,158)</u>	<u>(5,011)</u>	<u>55,730</u>	<u>43,055</u>
<i>Net Increase (Decrease) to Fund Balances</i>	<u>80,118</u>	<u>18</u>	<u>(1,412)</u>	<u>8,804</u>	<u>87,528</u>	<u>78,813</u>
<i>Fund Balances Beginning of the Year</i>	<u>645,362</u>	<u>104,347</u>	<u>(3,884)</u>	<u>124,929</u>	<u>870,754</u>	<u>791,941</u>
<b>Fund Balances End of the Year</b>	<u>\$ 725,480</u>	<u>\$ 104,365</u>	<u>\$ (5,296)</u>	<u>\$ 133,733</u>	<u>\$ 958,282</u>	<u>\$ 870,754</u>
Internally Restricted Funds	\$	\$	\$ 573	\$ 35,448	\$ 36,021	\$ 40,393
Externally Restricted Funds		104,365	(5,869)	98,285	196,781	184,999
Invested in Capital Assets	725,480				725,480	645,362
	<u>\$ 725,480</u>	<u>\$ 104,365</u>	<u>\$ (5,296)</u>	<u>\$ 133,733</u>	<u>\$ 958,282</u>	<u>\$ 870,754</u>

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

**Consolidated Statement of Cash Flows  
for the years ended March 31  
(in thousands of dollars)**

	General Funds	Restricted Funds	Endowment Fund	2011 Total Funds	2010 Total Funds
<b>Cash from Operating Activities:</b>					
Net Revenue (Expense)	\$ 58,801	\$ 31,798	\$ 32,307	\$ 122,906	\$ 98,771
Gain on Disposal of Capital Assets					(3,102)
Amortization of Capital Assets		47,217		47,217	45,668
	58,801	79,015	32,307	170,123	141,337
Net Change in Non-Cash Working Capital Items	(32,733)	32,095		(638)	(5,698)
Net Change in Other Long Term Liabilities		486		486	(2,046)
Net Change in Pension Obligation	(2,187)			(2,187)	21,268
Net Change in Employee Future Benefits	1,308	2,294		3,602	3,062
<b>Net Cash Generated through Operating Activities</b>	<b>25,189</b>	<b>113,890</b>	<b>32,307</b>	<b>171,386</b>	<b>157,923</b>
<b>Investing Activities:</b>					
Increase in Loan Receivable		(24,286)		(24,286)	
Increase in Long Term Investments	38,527	(58,142)	(36,125)	(55,740)	(91,983)
Proceeds from Capital Asset Disposals					7,150
Purchase of Capital Assets		(138,755)		(138,755)	(90,566)
<b>Net Cash Generated through (used in) Investing Activities</b>	<b>38,527</b>	<b>(221,183)</b>	<b>(36,125)</b>	<b>(218,781)</b>	<b>(175,399)</b>
<b>Financing Activities:</b>					
Proceeds from Capital Lease Obligations		279		279	385
Proceeds from Long Term Debt		23,976		23,976	31,000
Proceeds from Bank Loan					8,800
Contractual Interest Added to Loan Principal		309		309	
Principal Repayment on Capital Lease Obligations		(450)		(450)	(513)
Principal Repayment on Bank Loan		(88)		(88)	
Principal Repayment on Long Term Debt		(4,094)		(4,094)	(6,423)
<b>Net Cash Generated through Financing Activities</b>		<b>19,932</b>		<b>19,932</b>	<b>33,249</b>
<b>Net Increase (Decrease) in Cash</b>	<b>63,716</b>	<b>(87,361)</b>	<b>(3,818)</b>	<b>(27,463)</b>	<b>15,773</b>
<b>Inter-Fund Adjustments</b>	<b>(59,548)</b>	<b>55,730</b>	<b>3,818</b>		
<b>Cash Beginning of Year</b>	<b>17,630</b>	<b>119,277</b>		<b>136,907</b>	<b>121,134</b>
<b>Cash End of Year</b>	<b>\$ 21,798</b>	<b>\$ 87,646</b>	<b>\$</b>	<b>\$ 109,444</b>	<b>\$ 136,907</b>
<b>Cash is defined as:</b>					
Cash	\$ 21,798	\$ 87,646	\$	\$ 109,444	\$ 132,864
Marketable Investments					4,043
	<b>\$ 21,798</b>	<b>\$ 87,646</b>	<b>\$</b>	<b>\$ 109,444</b>	<b>\$ 136,907</b>
<b>Supplemental cash flow information:</b>					
Interest Received	\$ 4,684	\$ 3,223		\$ 7,907	\$ 6,815
Dividends Received		\$ 5,807		\$ 5,807	\$ 5,285
Interest Paid		\$ 11,249		\$ 11,249	\$ 9,597

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31  
(in thousands of dollars)**

**1. 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 consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants (CICA) for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

**b. Basis of Consolidation**

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

**c. Fund Accounting**

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated 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 endowment funds of the University.

**d. 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.

**e. 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, net 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 and Pharmacy/Post Office 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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 Consolidated Statement of Operations and Changes in Fund Balances.

**Expenses Funded From Future Revenues:**

Expenses Funded from Future Revenues records the amount of 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.

**f. 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, sinking fund investment income 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 Consolidated 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 Consolidated 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 arising on and after June 1, 1981 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.

**g. Endowment Fund**

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the net realized 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 as a component of net investment income.

**h. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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. Net realized investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor. The change in fair value (unrealized investment income) of Endowment Fund investments is recorded as a component of net investment income in the Endowment Fund.

Net 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.

**i. Contributed Materials and Services**

Gifts-in-kind are recorded in the consolidated 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 consolidated 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 consolidated financial statements, are critical to the successful functioning of the University.

**j. Investments**

Investments are classified as held-for-trading and are carried at fair value. The change in fair value of investments is reflected as a component of net investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

**k. Pledges Receivable**

The University does not record pledges receivable in its consolidated 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.

**l. Inventories**

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

**m. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**n. 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.

**o. 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 and managements' 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 15.

**p. Financial Instruments**

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

The financial instruments at the University consist of cash, marketable investments, accounts receivable, loan receivable, investments, accounts payable, bank loan, staff vacation entitlements, other long term liabilities, and long term debt.

Initially, all financial assets and liabilities must be recorded on the Consolidated Statement of Financial Position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability.

Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in the Consolidated Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The University has classified its cash, marketable investments and investments as held-for-trading, which are measured at fair market value. Accounts receivables and loan receivable are classified as loans and receivables which are measured at amortized cost and accounts payable, staff vacation entitlements, bank loan and long term debt are classified as other liabilities, which are measured at amortized cost.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments. The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its debt obligations.

**q. Employee Future Benefits**

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability, and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and managements' best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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 or losses are recognized in the year the gain or loss arises.

**r. Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

**s. 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. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue.

**t. Future Accounting Policy Changes**

Public Sector Accounting Standards

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

**3. ACCOUNTS RECEIVABLE**

	<u>2011</u>	<u>2010</u>
Business, Industry and Foundations	\$ 21,871	\$ 27,056
Federal Government	19,501	17,627
Other	13,977	8,069
Provincial Government	16,422	8,082
Students	<u>3,459</u>	<u>3,714</u>
	<u>\$ 75,230</u>	<u>\$ 64,548</u>

**4. LOAN RECEIVABLE**

The University has entered into a loan agreement with BBB Stadium Inc. 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 \$75,000 while the Second Phase is not to exceed \$85,000. No amounts have been advanced against the second phase of the loan. 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.

BBB Stadium Inc. is required to make payments to the University, in respect of the First Phase of the loan, equivalent to the aggregate of:

- Any amounts received by BBB Stadium Inc. 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 Stadium Inc. 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.

	<u>2011</u>	<u>2010</u>
First Phase interest and principal outstanding	\$ 24,286	\$

The University has an equal long term debt loan payable to the Province of Manitoba (Note 9).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**5. INVESTMENTS**

	2011 <u>Fair Value</u>	2010 <u>Fair Value</u>
<u>General Funds</u>		
Bonds and Other Fixed Income Securities:		
Other Provincial	\$ 14,565	\$ 14,895
Corporate	<u>124,596</u>	<u>104,632</u>
	<u>139,161</u>	<u>119,527</u>
<u>Trust &amp; Endowment</u>		
Bankers Acceptances, Guaranteed Investment Certificates and Cash		
	<u>18,169</u>	<u>13,478</u>
Bonds and Other Fixed Income Securities:		
Government of Canada	24,245	22,784
Province of Manitoba	2,193	2,502
Other Provincial	13,216	12,162
Corporate	3,210	6,444
Other	77	85
Municipal	<u>4,398</u>	<u>2,837</u>
	<u>47,339</u>	<u>46,814</u>
Equities:		
Canadian Equities	129,512	108,989
US Equities	62,515	57,078
International Equities	<u>46,875</u>	<u>43,033</u>
	<u>238,902</u>	<u>209,100</u>
Pooled Real Estate Fund	<u>48,676</u>	<u>43,726</u>
	<u>353,086</u>	<u>313,118</u>
<u>Capital</u>		
Bankers Acceptances, Guaranteed Investment Certificates and Cash		
	17,998	24,965
Corporate Bonds	<u>796</u>	<u>796</u>
	<u>17,998</u>	<u>25,761</u>
<u>Staff Benefits</u>		
Money Market Funds and Cash		
	732	518
Bonds	9,070	8,028
Equities:		
Canadian Equities	6,968	5,854
US Equities	4,019	3,418
International Equities	<u>3,899</u>	<u>3,304</u>
	<u>14,886</u>	<u>12,576</u>
Mortgage Fund	<u>2,607</u>	<u>2,319</u>
	<u>27,295</u>	<u>23,441</u>
<u>Research &amp; Special</u>		
Other Investments		
	<u>47</u>	<u>—</u>
Total Investments	<u>\$ 537,587</u>	<u>\$ 481,847</u>

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 1.40% (2010, 0.46%); term to maturity: less than one year.
- Government and Corporate bond funds: 2.82% (2010, 3.00%); terms to maturity: range from less than one year to more than 12 years.

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. Effective December 15, 2008, the Great West Life Assurance Company placed a suspension on redemptions and transfers of units of the Fund. The Great West Life Assurance Company lifted the suspension in July 2010; and all eligible requests were paid at 58% of the amount requested. The Great West Life Assurance Company has indicated that there will be a second redemption in the 2<sup>nd</sup> quarter of 2011. However, withdrawal requests will be based on the amount of cash available in the fund, so unit holders requesting withdrawals may receive only a portion of their redemption request.

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During the year ended March 31, 2011, the University recognized net unrealized gains of \$24,971 (2010, \$63,517) on investments classified as held-for-trading, which are recorded in net investment income in the consolidated statement of operations.

**6. CREDIT RISK EXPOSURE AND MANAGEMENT**

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

	<u>2011</u>	<u>2010</u>
Financial Assets Held-For-Trading:		
Cash	\$ 109,444	\$ 132,864
Marketable Investments		4,043
Investments	537,587	481,847
Loans and Receivables:		
Accounts Receivable	75,230	64,548
Loan Receivable	<u>24,286</u>	
Totals	<u>\$ 746,547</u>	<u>\$ 683,302</u>

The University manages the credit risk related to these items as follows:

Cash and marketable investments are held in high quality Canadian money market instruments in Canadian Chartered banks or equivalent. Exposure to risk is managed by considering the rates of return in conjunction with liquidity needs and making investments in a variety of short term instruments with several financial institutions.

Credit risk related to investments is managed by maintaining a diverse portfolio of investments, investing with counterparties considered to be of high quality, and limiting the amount that can be invested in any one holding.

A significant portion of the University's accounts receivable is related to Restricted Funds and is disclosed in Note 3 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 on the loan receivable is offset by a loan payable from the Province of Manitoba with matching terms of repayment (see Note 4 and Note 9 for details).

**7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION**

	<u>2011</u>		<u>2010</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	\$ 3,526	\$ 2,840	\$ 3,421	\$ 2,545
Buildings and Major Renovations	745,989	183,148	707,303	167,589
Computer Hardware and Electronics	98,961	79,015	96,144	74,657
Construction in Progress	96,074		27,075	
Furniture and Equipment	208,165	134,348	196,494	121,655
Land	27,994		27,315	
Library Books	168,136	121,353	160,101	114,507
Parking Lots	8,280	2,187	7,835	1,784
Rare Books and Manuscripts	5,271		4,992	
Vehicles	7,810	6,418	7,576	6,006
Works of Art	<u>2,488</u>		<u>2,334</u>	
	1,372,694	529,309	1,240,590	488,743
Less Accumulated Amortization	<u>529,309</u>		<u>488,743</u>	
Net Book Value	<u>\$ 843,385</u>		<u>\$ 751,847</u>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**8. CAPITAL LEASE OBLIGATIONS**

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

2012	\$ 370
2013	206
2014	89
2015	<u>30</u>
Total Minimum Lease Payments	695
Less: Interest at 3.59%	<u>41</u>
	654
Less: Current Portion	<u>347</u>
	<u>\$ 307</u>

**9. LONG TERM DEBT**

	<u>2011</u>	<u>2010</u>
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	\$ 67,715	\$ 69,093
Promissory Note, 5.55% due April 1, 2036	69,498	70,742
Promissory Note, 5.35% due February 1, 2040	30,533	30,965
Loan, 4.65% due June 1, 2038	<u>24,286</u>	
	<u>192,032</u>	<u>170,800</u>
Capital Advances:		
6 7/8% due March 31, 2011	_____	<u>555</u>
Term Loans:		
Multi Tenant Facility, 5.975% due October 31, 2012	1,219	1,260
Multi Tenant Facility, 5.95% due January 22, 2014	<u>1,150</u>	<u>1,150</u>
	<u>2,369</u>	<u>2,410</u>
Bankers Acceptances with Interest Rate Swaps:		
Multi Tenant Facility, 3.85% due February 11, 2019	7,075	7,075
Arthur V. Mauro Student Residence, 5.62% due September 5, 2028	<u>14,228</u>	<u>14,673</u>
	<u>21,303</u>	<u>21,748</u>
	<u>215,704</u>	<u>195,513</u>
Less Current Portion:		
Promissory Notes	(3,221)	(3,053)
Capital Advances		(555)
Term Loans	(44)	(42)
Bankers Acceptances	<u>(474)</u>	<u>(445)</u>
	<u>(3,739)</u>	<u>(4,095)</u>
	<u>\$ 211,965</u>	<u>\$ 191,418</u>

Interest expense on long term debt was \$10,828 (2010, \$6,471), including the change in the fair value of the interest rate swaps of \$70 (2010, (\$2,680)).

The fair value of long term debt is approximately \$226,901 (2010, \$200,699) compared to a carrying value of \$215,704 (2010, \$195,513). Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.62% on a 25 year loan for the Arthur V. Mauro Student Residence. A stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to \$14,228 as at March 31, 2011 (2010, \$14,673).

The Multi Tenant Bankers Acceptances represents an interest rate swap agreement to finance the development of 150 Innovation Drive, which has a fixed swap rate of 3.85% that is committed until February 11, 2029. A stamping fee is committed until February 2019. Under the terms of the agreement, monthly principal and interest repayments are required based on a total amortization period of 25 years, similar to a conventional amortizing loan after February 11,

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2016. The notional principal underlying this swap agreement was \$7,075 as at March 31, 2011 (2010, \$7,075).

The fair value of the swap agreements on the bank loan and long term debt at March 31, 2011 was \$2,368 (2010, \$2,228) and has been recorded in other long-term liabilities (Note 10).

The Province of Manitoba loan of \$24,286 represents advances of \$23,977 and accrued interest of \$309. These advances are not to exceed \$160 million. The University has an equal loan receivable (Note 4) from BBB Stadium Inc. which has been provided for the construction of a new stadium at the Fort Garry Campus. The loan is interest bearing at 4.65%.

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. 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 Stadium Inc., unless the parties agree otherwise in writing.

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.

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

	<u>Promissory Notes</u>	<u>Term Loans</u>	<u>Bankers Acceptances</u>	<u>Total</u>
2012	\$ 3,221	\$ 44	\$ 474	\$ 3,739
2013	3,398	1,175	503	5,076
2014	3,586	1,150	533	5,269
2015	3,783		567	4,350
2016	3,992		622	4,614
Thereafter	<u>174,052</u>		<u>18,604</u>	<u>192,656</u>
	<u>\$ 192,032</u>	<u>\$ 2,369</u>	<u>\$ 21,303</u>	<u>\$ 215,704</u>

**10. OTHER LONG TERM LIABILITIES**

Amounts included in other long term liabilities are non interest bearing and are as follows:

Refundable deposit	\$ <u>2011</u> 346	\$ <u>2010</u> 346
Southwood Golf Club lands		1,700
Fair Value of Financial Instruments	<u>2,368</u>	<u>2,228</u>
	2,714	4,274
Less: Current Portion		<u>(2,046)</u>
	<u>\$ 2,714</u>	<u>\$ 2,228</u>

**11. 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 former employees share in the cost of the health and dental benefits.

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

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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, 2010 with the next valuations due as of March 31, 2013. The actuarial valuation of the post retirement pension adjustments was as of March 31, 2011.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the University's consolidated 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:

	<u>Non-Pension Benefit Plans</u>		<u>Post-Retirement Adjustments</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Benefit Cost	\$ 4,500	\$ 4,567	\$ 163	\$ 18	\$ 4,663	\$ 4,585
Accrued Benefit Obligation	61,356	57,474	4,196	4,476	65,552	61,950
Plan Assets	24,232	19,789	1,662	1,779	25,894	21,568
Employer Contribution	5,061	4,211		345	5,061	4,556
Employees' Contributions	2,978	2,040			2,978	2,040
Benefits Paid	6,109	6,343	652	690	6,761	7,033

Plan assets consist of:

	<u>Non-Pension Benefit Plans</u>		<u>Post-Retirement Adjustments</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Equities	55%	54%	56%	55%
Fixed Income	33%	34%	34%	35%
Other	12%	12%	10%	10%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Key Assumptions are:

	<u>Non-Pension Benefit Plans</u>		<u>Post-Retirement Adjustments</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Accrued benefit obligation at March 31:				
Discount rate	5.00%	5.50%	5.00%	5.75%
Benefit Cost for year ended March 31:				
Discount rate	5.50%	6.00%	5.75%	6.00%
Expected rate of return on assets	5.50%	6.00%	5.75%	6.00%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.25%	8.50%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2020	2020		
Dental Care Cost Trend Rates at March 31:				
Discount rate	4.00%	4.00%		

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**12. INTER-FUND ADVANCES AND LOANS**

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

	<u>2011</u>	<u>2010</u>
General Operating Fund:		
Due to Capital Asset	\$ (3,685)	\$ (40,426)
Due to Trust	<u>(4,656)</u>	<u>(1,741)</u>
	<u>\$ (8,341)</u>	<u>\$ (42,167)</u>
Capital Asset Fund:		
Due from Operating	\$ 3,685	\$ 40,426
Due to Research	(5,961)	(4,504)
Due to Trust	<u>(909)</u>	<u>(909)</u>
	<u>\$ (3,185)</u>	<u>\$ 35,013</u>
Trust Fund:		
Due from Operating	\$ 4,656	\$ 1,741
Due from Capital	<u>909</u>	<u>909</u>
	<u>\$ 5,565</u>	<u>\$ 2,650</u>
Research and Special Fund:		
Due from Capital	<u>\$ 5,961</u>	<u>\$ 4,504</u>
	<u>\$ 5,961</u>	<u>\$ 4,504</u>

**13. INTER-FUND TRANSFERS**

Inter-Fund transfers at March 31 are as follows:

	General <u>Operating</u>	Specific <u>Provisions</u>	Expenses Funded From Future <u>Revenues</u>	Capital <u>Asset</u>	Research <u>and Special</u>	Staff <u>Benefits</u>	Trust <u>Fund</u>	Endowment <u>Fund</u>
Employee Future Benefits	\$ 3,602	\$	\$ (1,308)	\$	\$	\$ (2,294)	\$	\$
Net Change in Vacation Pay & Pension Liability	(2,078)		2,078					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(1,878)					1,878		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	747	(747)						
Unit Carryovers, Special Projects & Initiatives	(65,910)	65,910						
Funding of Capital Asset Additions	(47,290)	(6,748)		61,785	(4,172)		(3,575)	
Long Term Debt Repayments	(3,089)			3,103	(14)			
Student Contributions to University Development Funds	(789)							789
Student Contributions for Technology	(3,607)			3,607				
Scholarships, Bursaries & Prizes	(7,364)	(100)			(55)		7,519	
Other Net Transfers	(21)			(515)	(1,081)		(1,412)	3,029
Overhead Recoveries	2,951				(2,951)			
Funding of General Operating Expenses	70,382	(59,850)			(1,220)	(2,742)	(6,570)	
Unit Capital Development Assessment	(4,316)			4,316				
Funding of Research Projects	<u>(123)</u>				<u>1,096</u>		<u>(973)</u>	
March 31, 2011	<u>\$ (58,783)</u>	<u>\$ (1,535)</u>	<u>\$ 770</u>	<u>\$72,296</u>	<u>\$ (8,397)</u>	<u>\$ (3,158)</u>	<u>\$ (5,011)</u>	<u>\$ 3,818</u>
March 31, 2010	<u>\$ (34,125)</u>	<u>\$ 3,564</u>	<u>\$ (17,486)</u>	<u>\$67,365</u>	<u>\$ (8,947)</u>	<u>\$ (7,204)</u>	<u>\$ (8,159)</u>	<u>\$ 4,992</u>

**14. CONTRIBUTED CAPITAL ASSETS**

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of \$836 (2010, \$4,300).

**15. PENSION PLANS**

The University of Manitoba administers The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trustee pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

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**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 present value of accrued pension benefits for the 1993 Plan has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2009 and extrapolated to December 31, 2010.

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

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

	<u>2010</u>	<u>2009</u>
<b>Accrued Benefit Obligation</b>		
Actuarial present value of accrued pension benefits at beginning of year	\$ 936,458	\$ 887,016
Interest accrued on defined benefits	21,706	23,523
Interest accrued on member accounts	54,671	91,564
Benefits accrued	36,353	38,370
Benefits paid	(77,727)	(60,407)
Actuarial (gains) losses	6,588	(43,608)
Change in assumptions	<u>38,984</u>	<u>          </u>
Actuarial present value of accrued pension benefits at end of year	<u>\$ 1,017,033</u>	<u>\$ 936,458</u>
<b>Plan Assets</b>		
Fair value at beginning of year	\$ 889,022	\$ 770,662
Actual return on plan assets	86,295	143,407
Employer contributions calendar year	25,682	18,886
Employee contributions	16,093	16,100
Transfer from other plans	206	374
Benefits paid	<u>(77,727)</u>	<u>(60,407)</u>
Fair value at end of year	<u>\$ 939,571</u>	<u>\$ 889,022</u>
<b>Reconciliation of Pension Liability</b>		
Accrued benefit obligation	\$1,017,033	\$ 936,458
Plan assets	<u>(939,571)</u>	<u>(889,022)</u>
Plan deficit	77,462	47,436
Contributions during fiscal year in excess of calendar year	<u>(2,092)</u>	<u>(447)</u>
Adjusted plan deficit	75,370	46,989
Unamortized net actuarial losses	<u>(52,246)</u>	<u>(21,678)</u>
Pension liability	<u>\$ 23,124</u>	<u>\$ 25,311</u>
<b>Pension Liability</b>		
Beginning of year	\$ 25,311	\$ 4,043
Employer contributions, fiscal year	(27,327)	(18,886)
Net benefit plan expense	<u>25,140</u>	<u>40,154</u>
Pension liability end of year	<u>\$ 23,124</u>	<u>\$ 25,311</u>
<b>Net Benefit Plan Expense</b>		
Current service cost, net of employee contributions	\$ 20,054	\$ 21,896
Interest costs at discount rate	54,946	52,560
Expected return on plan assets	<u>(52,269)</u>	<u>(45,488)</u>
Amortization of actuarial loss	2,409	11,186
Net benefit plan expense	<u>\$ 25,140</u>	<u>\$ 40,154</u>

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<b>Significant Long-term Actuarial Assumptions</b>	<u>2010</u>	<u>2009</u>
Discount rate	5.0%	6.0%
Expected rate of return on assets	6.0%	6.0%
Rate of general salary increase	4.0%	4.0%
Interest assumption for converting member accumulations to Annuities	4.75%	5.5%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2015.	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 2011 was \$5.9 million (2010, \$2.8 million) covering the period January 2010 to March 2011.

The unamortized net actuarial losses shown above, which were determined on the basis of this valuation 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 \$4.0 million annually until the going concern deficit is eliminated based on the December 2009 funding valuation. This total payment for fiscal 2011 was \$5.0 million covering the period January 2010 – March 2011.

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 January 1, 2011 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 benefit 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 \$1,929 (2010, \$1,836) and this is included in the consolidated statement of operations as an expense.

**1970 Plan**

There were no university employees earning pension entitlements in 2010 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

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**16. NET INVESTMENT INCOME (LOSS)**

2011	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	\$ 4,683	\$ 534	\$ 2,081	\$ 710	\$	\$ 8,008
Dividends			5,807			5,807
Gains on sale of investments	<u>4,683</u>	<u>570</u>	<u>5,994</u>	<u>710</u>	<u>      </u>	<u>6,564</u>
		1,104	13,882			20,379
Change in fair value of investments	<u>(366)</u>	<u>1,826</u>	<u>7,068</u>	<u>      </u>	<u>16,443</u>	<u>24,971</u>
Total	<u>\$ 4,317</u>	<u>\$ 2,930</u>	<u>\$ 20,950</u>	<u>\$ 710</u>	<u>\$ 16,443</u>	<u>\$ 45,350</u>
2010	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	\$ 3,933	\$ 590	\$ 1,897	\$ 395	\$	\$ 6,815
Dividends			5,285			5,285
Gains (losses) on sale of investments	<u>3,933</u>	<u>121</u>	<u>(18,397)</u>	<u>      </u>	<u>      </u>	<u>(18,276)</u>
		711	(11,215)	395		(6,176)
Change in fair value of investments	<u>(830)</u>	<u>3,862</u>	<u>43,250</u>	<u>(35)</u>	<u>17,270</u>	<u>63,517</u>
Total	<u>\$ 3,103</u>	<u>\$ 4,573</u>	<u>\$ 32,035</u>	<u>\$ 360</u>	<u>\$ 17,270</u>	<u>\$ 57,341</u>

**17. CAPITAL DISCLOSURES**

**a. Capital Management**

**General Funds (Note 2e)**

The University's objective in managing its operating capital is to maintain sufficient resources to allow it to satisfy its financial obligations even if adverse financial events were to occur.

The University manages its operating capital through an operating budget which is approved by the Board of Governors. The University has been successful at achieving a balanced budget at the end of each fiscal year and this success is credited to a strong commitment to fiscal responsibility and financial stability as well as a strong commitment by faculties, schools, libraries and support units who share in that responsibility. This is achieved in a decentralized system of budgetary control whereby academic and support units are allocated resources on an annual basis to meet their strategic priorities and those of the University. These operating units are provided with procedures to administer their budgets responsibly and to ensure that there is accountability for the resources that are transferred to them. In the event of a shortfall in revenues, the University could invoke a spending freeze, reduce budgets, or access its Specific Provisions Funds including the Fiscal Stabilization Provision.

**Restricted Funds and Endowment Fund (Notes 2f and 2g)**

The University also maintains externally and internally restricted funds (Note 2e) and an endowment fund (Note 2g).

The restricted funds are managed with the objectives to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided. Individual funds are established and carefully monitored both within the departments and within central administration. In the event of an over expenditure or ineligible expenditure, the department would be responsible for funding the costs from other resources. In the case of the Capital Asset Fund, at the approval of the Province of Manitoba, the University is permitted to enter into long term debt to assist with the financing of capital assets.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts to achieve inter-generational equity, whereby current students are neither advantaged nor disadvantaged compared to future students. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditures and commitments of the fund. The Trust Investment Committee ("the Committee") is responsible for the investment of endowment assets. Assets are invested in accordance with an Investment Policy Statement. The Committee determines an asset mix that meets the return objectives of the fund while assuming an appropriate level of risk. Each individual asset (within the mandate of the approved asset mix) is invested by professional external managers, and the portfolio is rebalanced to the target asset mix according to the Investment Policy Statement. The asset mix is reviewed annually to assess whether the risk and return objectives of the fund are met.

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The approved spending rate of the net investment income earned on the endowment fund, plus inflation, must be supported by the long term investment. The spending rate is set by the Vice-President (Administration) based on the recommendation of the Committee and reviewed annually to determine the viability of maintaining the rate in light of long term investment performance. The performance of the fund is subject to volatility. The endowment fund is monitored through full market cycles to assess the effectiveness of the asset mix and spending rates which are then adjusted accordingly.

**b. Quantitative data**

The University's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets. Capital in the restricted funds also includes long term debt. The University's Consolidated Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2011, The University has met its objectives with respect to its capital requirements. There were no changes in capital management during the year.

**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 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 Stadium Inc. 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 Stadium Inc. are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of BBB Stadium Inc. 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 Stadium Inc. 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, and the University has committed to loan \$160 million to BBB Stadium Inc. (see Notes 4 & 9). As at March 31, 2011 and for year then ended the related party transactions with BBB Stadium Inc. and the corresponding transactions with the Province of Manitoba are as follows:

Amounts borrowed from the Province of Manitoba and advanced to BBB Stadium Inc. under the loan agreements	
Loan Receivable, including accrued interest	\$24,286
Interest Income on loan	\$309
Loan Payable, including accrued interest	\$24,286
Interest Expense on loan	\$309

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

**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.

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Contractual obligations relating to Construction in Progress amount to \$61,504 (2010, \$61,722).

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, 2011.

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 million as of November 2007, 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 21, 2010, is estimated at \$3.1 million. The March 31, 2011 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. COMPARATIVE FIGURES**

Comparative figures for the year ended March 31, 2010 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2011.





