



UNIVERSITY
OF MANITOBA

ANNUAL
FINANCIAL
REPORT
2012

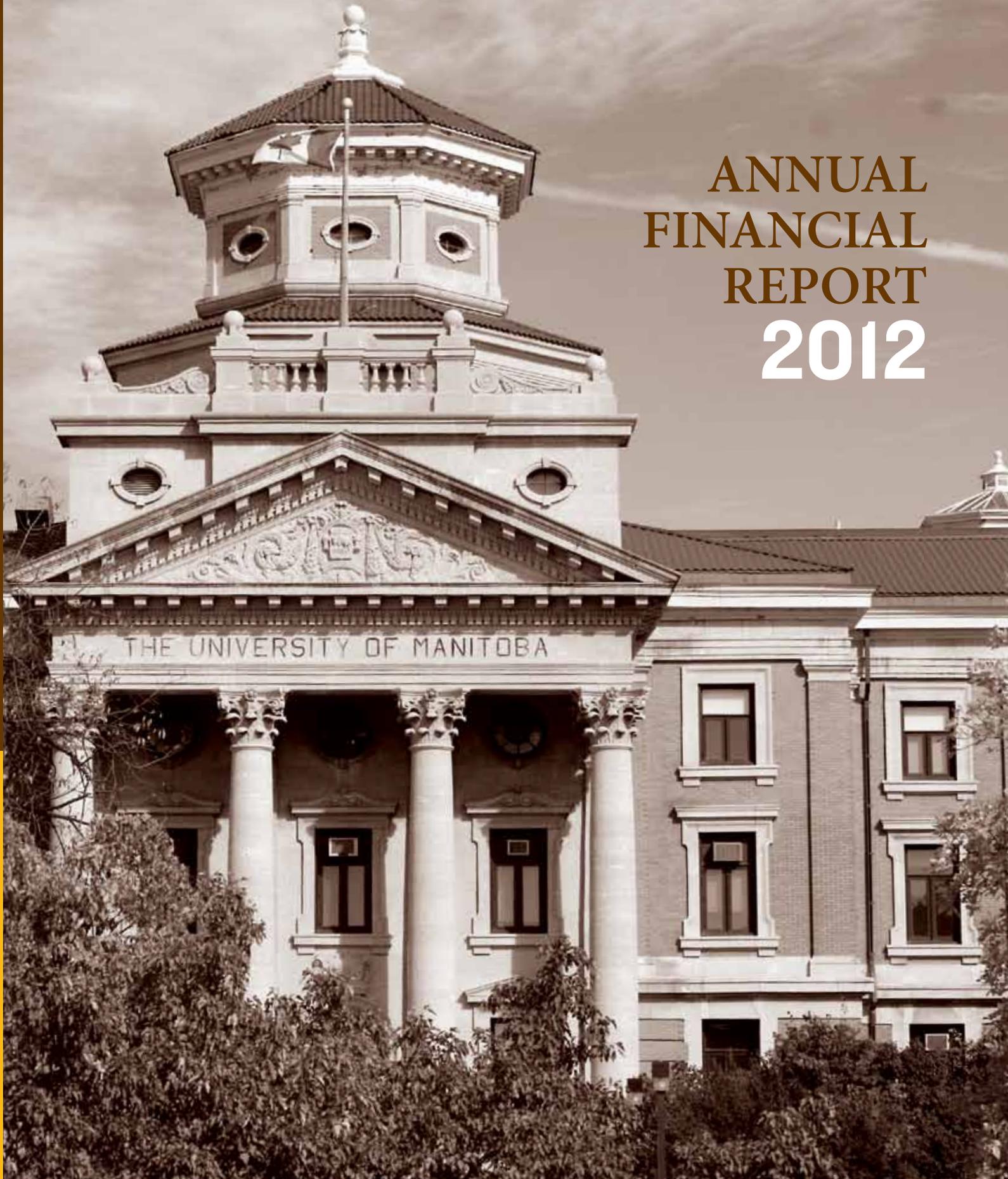


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MISSION VISION VALUES

MISSION

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

VISION

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

VALUES

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

REPORT OF THE BOARD OF GOVERNORS

To the Minister of Advanced Education and Literacy, Manitoba

In Compliance with Section 22(1) of The University of Manitoba Act, the Annual Report on the financial affairs of the University for the year ended March 31, 2012 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	
	2012	2011
Revenues and Other Additions	\$ 547,081	\$ 510,687
Expenditures and Other Deductions	470,486	451,886
Net Revenues	76,595	58,801
Net Appropriated To Specific Provisions	(4,415)	(5,313)
Inter-Fund Transfers	(72,166)	(53,470)
Net Increase To Fund Balances	\$ 14	\$ 18

Additions exceeded deductions by \$76,595,000 for the current fiscal year. Net appropriations of \$4,415,000 were made to specific provisions and an amount of \$72,166,000 was transferred to other funds. The resulting net surplus of \$14,000 has been added to the general operating balance in the General Operating Fund, increasing it to a balance of \$2,303,000 as at March 31, 2012.

Investments: Investment holdings at March 31, 2012 were as follows (at fair value):

(in thousands of dollars)

Canadian Bonds and Other Fixed Income	\$ 195,312
Canadian Equities	140,420
U.S. Equities	74,139
International Equities	50,014
Pooled Real Estate	56,488
Bankers Acceptances, Guaranteed Investment Certificates and Cash	36,514
Other	422
	\$ 553,309

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

REPORT OF THE BOARD OF GOVERNORS

MEMBERS OF THE BOARD OF GOVERNORS:

At March 31, 2012 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
Mona Forsen, B.Comm. (Hons.), M.B.A
Sharon Jasper, B.Ed.
Meaghan Labine, B.Sc., M.Sc., Ph.D. candidate
Janice Lederman, B.A., LL.B.
Bev Passey, FCGA
Michael Robertson, B.A., M.A., MAA, MRAIC
David Sauer, B.A.

Elected by Senate

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

Elected by Graduates

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

Elected by the University of Manitoba Students Union

Peter Nawrot, B.S.W.
Camilla Tapp
Nour Rashid, B.A.

University Secretary

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

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

The original
was signed
by:

Janice Lederman, Chair.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

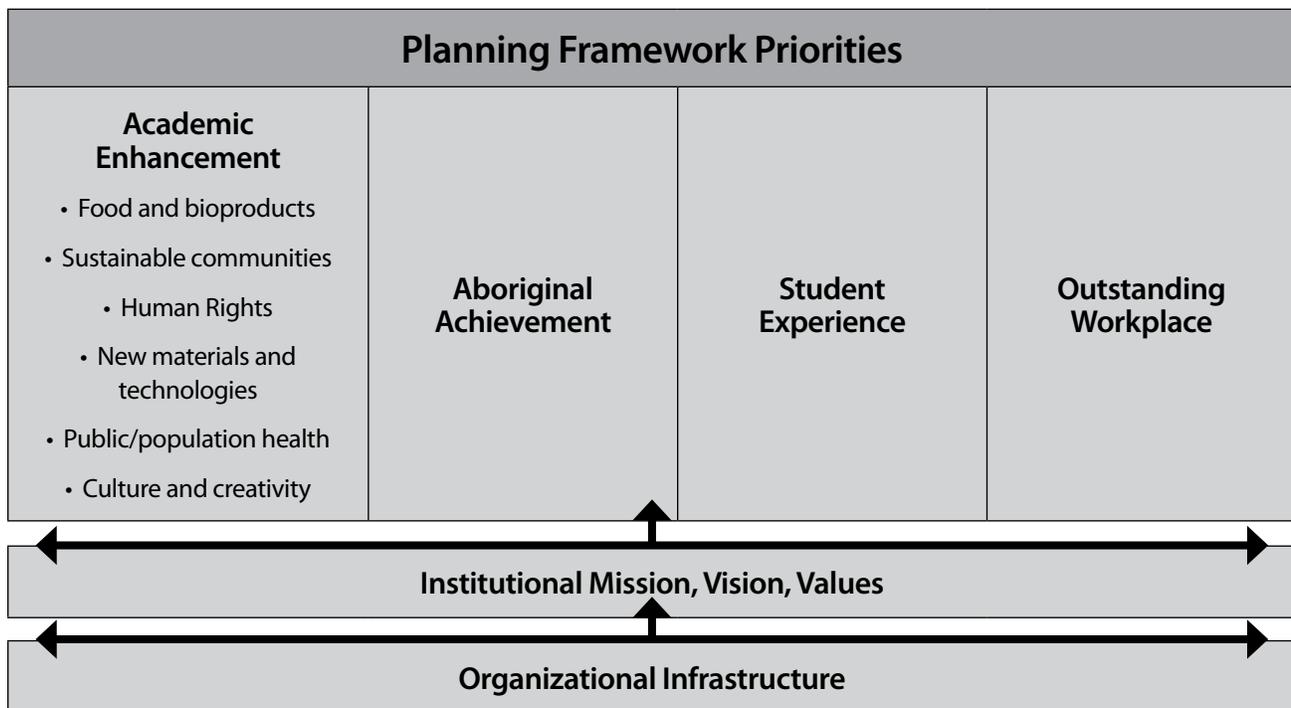
Building on a tradition of excellence, innovation and global influence.

Forging a vision of discovery and growth.

Achieving greatness.

To ensure our university builds on its tradition of excellence, innovation and global influence, our planning decisions are guided by the Strategic Planning Framework that was approved and implemented in 2009. The plan focuses on four key strategic goals to ensure the university education we provide continues to be a transformative power for students and their families and we strive to be an active contributor to finding solutions to the challenges faced by citizens and communities of this province, this country, and this planet.

The University of Manitoba Strategic Planning Framework will inform the major decisions made at the University of Manitoba through the annual strategic resource planning and allocation process. Four priorities identified below will guide the approach.



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

The university’s approach, since the approval in 2009 of the Strategic Planning Framework, has been to allocate a small portion through the budget process to areas which, if enhanced, will lead to institutional benefits such as increased enrolment, reputational improvements and connections to Manitoba priorities.

The 2011-12 provincial budget provided for an operating grant increase of five per cent in the 2011-12 fiscal year and in the subsequent two years, as well as a commitment to tie future tuition increases to the rate of inflation, subsequently confirmed by the Province to be 1% for 2011-12. The certainty provided by this three-year commitment was welcomed by the University of Manitoba, as it permits multi-year planning and enables better optimization of available resources, in order to align resources with strategic priorities.

In preparing the 2011-12 budget, the University of Manitoba focused on the need to develop a balanced budget; to invest strategically to continue progress on organizational transformation and strategic planning priorities; to invest in select faculties and schools to sustain programs; and to allocate new and realign existing funds to address priorities.

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

The 2011-12 budget approved by the Board of Governors on May 17, 2011 allowed us to invest in key priority areas. Some of those areas included: information technology, physical plant, academic enhancement, indigenous achievement, student experience, outstanding workplace, external relations, data analysis, and strategic allocations to a number of faculties.

Among the allocations for specific priority areas were graduate student support and collaborative cluster initiatives support in the area of academic enhancement; support for the activities of the executive lead in the area of indigenous achievement; and support for student services on Bannatyne campus and the creation of an Office of Student Life. In addition, significant increases were made in supporting graduate studies and scholarships.

Additionally, we were able to invest significantly in both the Arts and Science faculties, which are the two largest faculties with the largest student bodies on our campus. Other faculties receiving strategic funding included: Architecture, School of Art, Kinesiology and Recreation Management, Law, The Marcel A. Desautels Faculty of Music, Pharmacy and Social Work.

In the last three successive budgets, \$4.9 million in ongoing funding and \$650,000 in one-time funds have been allocated to framework priorities. The ongoing funding represents just less than one percent of the operating budget, nevertheless, these funds have been utilized to launch new programs and seed new initiatives.

INVESTING IN MANITOBA'S FUTURE

In 2011-12 total university revenue in all Funds (unrestricted and restricted) was \$794 million, an increase of 1% from 2010-11 revenue of \$786 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 48% or \$380 million of total revenue, up from \$367 million last year. The grant from COPSE increased \$16.4 million. Other revenues from the province included \$13.0 million for Project Domino.

Students, through their tuition and related fees, provided the second largest source of the university's revenue during the year. In 2011-12, \$123.2 million was assessed, up from \$117.5 million in the prior year. These fees represent about 16% of total revenues. The increase in the year is due to an enrollment increase in regular session (\$2.2 million), international student enrollment increase (\$2.5 million), and fee increases (\$1 million).

Support from the Government of Canada remained stable this year at \$93.6 million or 12% of total revenues. Federal programs provide significant support to research, capital, and indirect costs of research at the university.

The university received \$81.1 million or 10% of total revenue in 2011-12 in contributions, donations, and grants in support of research, special projects and initiatives, capital, chairs, scholarships, bursaries and staff benefits from our generous individual and corporate donors, contributors, and employees. This represents a decrease of \$3.7 million compared to 2010-11. In 2010-11 we received a one-time gift for the Stu Clark Centre of \$2.5 million as well as \$3.4 million from USAID. In 2011-12 we received an additional \$1.8 million from the Bill and Melinda Gates Foundation.

Net investment income of \$27.1 million is down from last year's income of \$45.4 million, due to the drop in investment returns of the Trust and Endowment Funds. The one-year return of the University Investment Trust was 4.9% in 2012, down from the 12.4% earned last year, which is due to performance of the equity portfolios. Although the combined equity returns were favorable on a relative basis to their benchmarks, absolute returns were disappointing. The real estate and bond portfolios were the mandates responsible for the generation of the positive return for the overall fund portfolio over the past 12 months. 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, Pharmacy, and Smartpark, generated \$37.0 million or 5% of total revenue in 2011-12. This is an increase of \$4.2 million over 2010-11. Smartpark revenue is included in Ancillary Services since its dissolution in July of 2011. This increased total Ancillary revenue by \$2.7 million. Revenue from residences increase \$0.9 million due to higher revenues from the new Pembina Hall residence compared to revenues previously earned from Taché Hall. 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.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

The sale of various goods and services generated 4% of total revenues in 2011-12 or \$31.7 million, a small decrease from 2010-11. 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 and Wallace flood of \$13.3 million are included in miscellaneous income. Insurance proceeds from the Duff Roblin fire were \$12.3 million this year compared to \$6.2 million in 2010-11.

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

	April 1, 2011 Budget	%	March 31, 2012 Actual	%	March 31, 2011 Actual	%
Revenue:						
COPSE	\$ 303,741	58.6%	\$ 304,147	55.6%	\$ 288,282	56.4%
Tuition Fees	119,115	23.0%	123,191	22.5%	117,529	23.0%
Ancillary Services	33,377	6.4%	37,025	6.8%	32,793	6.4%
Sales of Goods & Services	29,068	5.6%	31,010	5.7%	31,375	6.1%
Other Province of Manitoba	14,960	2.9%	15,799	2.9%	15,184	3.0%
Miscellaneous	1,421	0.3%	17,070	3.1%	9,603	1.9%
Government of Canada	10,762	2.1%	10,760	2.0%	9,373	1.8%
Net Investment Income	5,031	1.0%	5,426	1.0%	4,317	0.8%
Contributions, Donations, Non-Government Grants	1,278	0.2%	2,653	0.5%	2,231	0.4%
	518,753	100.0%	547,081	100.0%	510,687	100.0%
Expense by Function:						
Instruction	\$ 270,971	56.4%	\$ 291,347	61.9%	\$ 277,322	61.4%
Administration	36,463	7.6%	35,051	7.4%	34,469	7.6%
Plant Maintenance	28,896	6.0%	32,858	7.0%	34,643	7.7%
Ancillary Services	27,084	5.6%	28,926	6.1%	27,277	6.0%
General	23,055	4.8%	23,024	4.9%	24,898	5.5%
Other Academic Support	22,942	4.8%	21,124	4.5%	18,891	4.2%
Libraries	17,716	3.7%	16,872	3.6%	16,901	3.7%
Student Affairs	15,507	3.2%	16,786	3.6%	15,791	3.5%
Student Awards	7,810	1.6%	7,850	1.7%	6,473	1.4%
Actuarially Determined Employee Future Benefits			2,372	0.5%	(2,187)	(0.5%)
Change in Pension Obligation			950	0.2%	3,602	0.8%
Staff Benefits Contra	(5,439)	(1.1%)	(6,674)	(1.4%)	(6,194)	(1.3%)
Central Reserves*	35,288	7.4%				
	480,293	100.0%	470,486	100.0%	451,886	100.0%
<i>Net Revenue</i>	38,460		76,595		58,801	
<i>Net Transfer to Other Funds</i>	(38,460)		(76,581)		(58,783)	
<i>Net Increase to Fund Balance</i>	\$		\$ 14		\$ 18	

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REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

... Continued from page 7

	April 1, 2011 Budget	%	March 31, 2012 Actual	%	March 31, 2011 Actual	%
Expense by Type:						
Salaries & Wages	\$ 300,932	62.7%	\$ 300,284	63.8%	\$ 288,648	63.9%
Supplies and Expenses	80,719	16.8%	72,323	15.4%	70,766	15.7%
Staff Benefits	59,032	12.3%	57,324	12.2%	55,608	12.3%
Ancillaries Cost of Goods Sold	13,413	2.8%	15,702	3.3%	15,627	3.5%
Utilities	16,861	3.5%	13,887	3.0%	13,294	2.9%
Student Awards	8,310	1.7%	7,850	1.7%	6,473	1.4%
Payroll Tax Levy	6,465	1.3%	6,468	1.4%	6,249	1.4%
Actuarially Determined Employee Future Benefits			2,372	0.6%	3,602	0.8%
Change in Pension Obligation			950	0.2%	(2,187)	(0.5)%
Staff Benefits Contra	(5,439)	(1.1%)	(6,674)	(1.5%)	(6,194)	(1.4%)
	\$ 480,293	100.0%	\$ 470,486	100.0%	\$ 451,886	100.0%

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

GENERAL OPERATING FUND

The results of the General Operating Fund for 2011-12, shown on a comparative basis with the prior year and the April 1, 2011 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. Selective budget reductions and strategic reallocations were used in the budget striking process. Many of the university's employee groups were in the second year of a wage pause, as mandated by the provincial government, to assist in balancing the budget.

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

The General Operating Fund ended the year with \$77 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 a mild winter combined with a decrease in natural gas prices provided for significant savings in the utilities budget (\$3 million). The net increase to the General Operating Fund of \$14,426 was generated after taking into account the following interfund activity:

- \$33.3 million was transferred out to Capital representing amounts faculties and units spent on capital assets and library acquisitions;
- \$7.6 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;
- \$5.3 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;
- \$7.6 million was transferred in to Operating from Trust to support students and unit budgets;

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

- \$30.1 million was transferred out of Operating to support infrastructure needs, for example, sprinkler systems and asbestos abatement required in BMSB; the addition to the Physical Plant building; renovations for the MCO office on Innovation Drive; renovations in Machray Hall for the Department of Mathematics and Statistics; and the renovations to the Wallace building.
- \$13.1 million was transferred out of Operating for debt servicing
- \$3.3 million of overhead recoveries was transferred in from Research

As detailed in Table 1, General Operating Fund expenses increased by \$18.6 million or 4% in fiscal 2011-12 over 2010-11. The largest driver of the increase was the salaries and wages which accounts for \$11.6 million of the increase. There was a decrease in the General category of \$1.9 million which was due to reduced consulting costs associated with the Resource Optimization program. Instruction increased \$14.0 million, primarily due to salaries and wages.

RESOURCE OPTIMIZATION

In 2009 two programs, Resource Optimization and Service Enhancement (ROSE) and Optimizing Academic Resources (OARs) were initiated.

The ROSE program was designed not just to realize cost savings and process efficiencies, but also to enhance quality of service, advance shared responsibility and promote accountability and transparency. After completion of the assessment and design phases in 2009 and 2010 respectively, the implementation phase of the program began in February 2011 with over 20 projects being initiated within six functional focused streams.

The ROSE program now has nine streams housing a total of 23 active projects. The past year has seen the deployment of systems and processes to support an online expense submission and travel booking, online new staff recruitment, employee self-service, student bursary application, and a program portal for future potential students. Other projects have achieved successful restructuring within the marketing and philanthropy offices, and significant reductions in the acquisition time and costs of personal computers. New projects include deployment of managed print services implementation initiative to reduce the overall university printed output and cost; and a complete management system to improve the overall quality and timeliness of the work order processes.

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.

In 2011, the responsibility for managing the delivery of the ROSE program was transitioned from the external consulting firm, engaged for delivery of assessment and design phases, to a newly formed Office of Continuous Improvement within the university.

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

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

In 2010, OARs evolved to focus on two major areas: the development of a strategic enrolment management plan; and the establishment of collaborative clusters designed to facilitate more deliberate collaboration between faculties/schools. A Strategic Enrolment Management Planning Committee was established to provide advice on enrolment goals, and policies and practices to facilitate the overall student experience. A variety of sub-committees are in place, including data management, student success/retention, graduate students/research, academic rules and regulations, and recruitment and marketing.

In 2010, 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. Over the past year, the clusters have begun formal processes to identify opportunities for the joint development of new

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

teaching and research programs; the sharing of administrative services and resources; and methods to reduce barriers and foster faculty and student mobility within and between units.

As the next step to the cluster collaborations the President of the university initiated a challenge in January 2012 to investigate and initiate opportunities to integrate the administration and operations of faculties and units. *“It is now time to move forward with a plan to simplify and improve our university’s academic structure, so that we can more effectively achieve our strategic vision.”* This multi-year initiative will begin with Health Sciences cluster for 2012, culminating with a report of proposed options by the end of the year.

STAFF

The University of Manitoba continues to be an outstanding workplace – one that recognizes the significant contributions of its faculty and support staff and provides challenging and enjoyable opportunities for its staff members. A total of 4,511 full-time equivalent staff were employed during the year comprised of 2,099 faculty and 2,412 administrative staff. Ancillary Services employed an additional 167 staff.

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. Lotfollah Shafai, electrical and computer engineering and Canada Research Chair in Applied Electromagnetics, was chosen to receive the 2011 Killam Prize in Engineering, Canada’s most distinguished research award; three professors, Dr. Stephen Moses, medical microbiology, Dr. Brian Postl, Dean of Medicine, and Dr. Noralou Roos, community health sciences, were elected Fellows of the Canadian Academy of Health Sciences, one of the highest honours for individuals in the Canadian health sciences community; two professors, Dr. Ron Britton, design engineering, and Distinguished Professor Dr. Aniruddha Gole, electrical and computer engineering, were elected Fellows of the Canadian Academy of Engineering, the national institution through which Canada’s most distinguished and experienced engineers provide strategic advice on matters of critical importance to Canada; Dr. Joan Durrant, family social sciences, was the recipient of the 2011 Humanitarian of the Year award by the Manitoba Chapter of the Canadian Red Cross, an award presented to an individual who has demonstrated the spirit of humanity through volunteer work, advocacy, leadership and philanthropy, in their community and around the world; the Women’s Executive Network named Dr. Wanda Wuttunee, Native studies, one of Canada’s Most Powerful Women: TOP 100, in the Trailblazers and Trendsetters category; Distinguished Professor Dr. Jan Oleszkiewicz, civil engineering, was named the 2011 recipient of the Dr. John M. Bowman Memorial Winnipeg Rh Institute Foundation Award for outstanding research by senior university faculty.

STUDENTS

Fall 2011 saw the highest student enrolment in the University of Manitoba’s 134 year history with 28,430 students enrolled. Increases were evident in many areas, including undergraduate, graduate, international, and Indigenous enrolment.

Undergraduate enrolment increased 1.7% to 24,347 students in Fall Term 2011. Graduate enrolment increased 5% to 3,501 students in Fall Term 2011.

Substantial increases were seen in the number of international students enrolled at the University of Manitoba. International student enrolment increased 16.3% from Fall Term 2010 and the international student population now comprises 9.6% of the total student population.

The University of Manitoba is proving to be the university of choice for Indigenous students. The Indigenous student population increased nearly 6% from Fall Term 2010 and Indigenous students now comprise 7.1% of the student population.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

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.

Table 2: Selected Statistics

	Fall Term 2011	Fall Term 2010	Fall Term 2009	Fall Term 2008	Fall Term 2007
Fall Term Enrolment					
Total Students ^{1,2}	28,430	27,751	27,476	26,238	26,814
Undergraduate students	24,347	23,929	23,654	22,544	23,044
% Annual Change	1.7	1.2	4.9	(2.2)	(0.9)
Full-Time	19,876	19,522	19,174	18,345	18,767
Part-Time	4,471	4,407	4,480	4,199	4,277
Graduate students	3,501	3,333	3,333	3,224	3,290
% Annual Change	5.0	0	3.4	(2.0)	1.7
Full-Time	2,720	2,560	2,550	2,452	2,487
Part-Time	781	773	783	772	803
Post-Graduate Medical Education Students	582	489	489	470	480
Summer Enrolment	10,157	10,121	9,637	9,437	9,599
% Annual Change	0.4	5.0	2.1	(1.7)	(0.4)
Full-Time Equivalent Students ^{1,3}	27,581	26,943	26,470	25,384	25,928
% Annual Change	2.4	1.8	4.3	(2.1)	0.8
International Students	2,738	2,354	2,165	2,134	2,419
Self-Declared Canadian Aboriginal Students⁴	2,021	1,912	1,883	1,766	1,648
Undergraduate	1,876	1,771	1,748	1,638	1,513
% of Total undergraduate	7.7	7.4	7.4	7.3	6.6
% of Total University 1	8.4	8.4	8.3	8.3	7.1
Graduate	139	133	129	123	127
% of Total Graduate	4.0	4.0	3.9	3.8	3.9
Post Graduate Medical Education	6	8	6	5	8
% of Total PGME	1.0	1.6	1.2	1.1	1.7
Undergraduate Student Credit Hours					
Fall and Winter	512,849	509,309	503,048	485,695	495,370
Summer	53,617	53,910	51,457	49,244	52,255
On-load ⁵	6,156	6,084	6,928	6,133	5,556
Degrees, Diplomas, Certificates Conferred					
Undergraduate	4,139	4,120	4,095	4,382	4,052
Graduate	778	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 voluntary self-declaration made on the Admission form. Therefore, the numbers reported are less than the total population of Canadian Aboriginal students on campus.

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

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

TRUST AND ENDOWMENT FUND

The trust and endowment funds of the university continue to grow due to a combination of new gifts and investment returns. As at March 31, 2012, the market value of the endowment fund grew to \$357 million (2011 – \$342 million), with \$15.6 million in donations received during the year, and an annual return of 4.9% adding value to the fund. Despite ongoing challenges in the investment marketplace, the endowment fund’s return was relatively strong compared to both its indices and its peer group. The 4.9% return compared favorably to the endowment’s benchmark policy return of 2.3%, which is a weighted average of each mandate’s individual benchmarks. Canadian equities led the way by outperforming the S&P/TSX Index by 8.9% over the past year (-0.9% vs. the index return of -9.8%), while the U.S equity portfolio and the Canadian real estate portfolio contributed to the absolute return by earning 11.2% and 17.1%, respectively.

The income distributed from the fund through the annual spending allocation was \$15.2 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. The market value of the specific trusts are \$36 million (2010 – \$28 million), the increase due to gifts and funding for new capital projects.

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 3.1:
Donor Pledges by Type of Gift
 2011-2012
 (Total \$26.0 M)

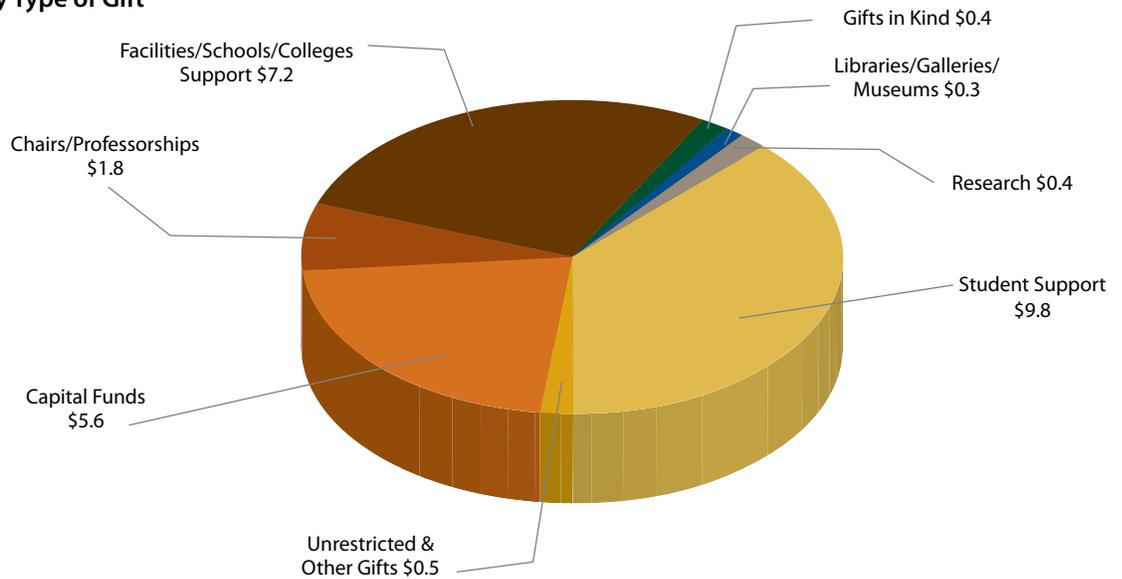
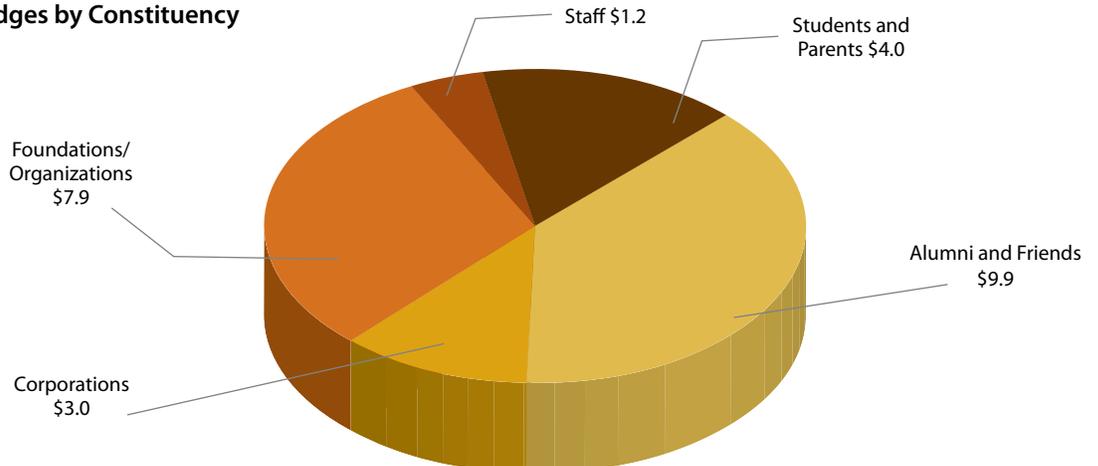


Table 3.2: Donor Pledges by Constituency
 2011-2012
 (Total \$26.0 M)



WORLD CLASS RESEARCH

The University of Manitoba currently holds 47 Canada Research Chairs and one Canada Excellence Research Chair, and is an active participant in 12 of Canada's National Networks of Centres of Excellence. The university is also home to, or a partner in, 53 research centres, institutes and shared facilities that foster collaborative research and scholarship in a wide variety of fields.

On October 12, 2011, the Canada Research Chair (CRC) program announced an investment of \$7.3 million for research at the University of Manitoba. The university was awarded one new CRC, one CRC was advanced, and eight CRCs had their chairs renewed. Dr. Jason Treberg, biological sciences, CRC in Metabolism and Environmental Dynamics, will receive \$500,000 over the next five years. His research will examine the role of mitochondria in metabolic and physiological responses to environmental change and quality. Dr. Lorrie Kirshenbaum, physiology, pharmacology & therapeutics, and St. Boniface Hospital Research Centre CRC in Molecular Cardiology, had his chair advanced from a Tier 2 to a Tier 1 and will receive \$1.4 million over the next seven years. This will allow him to build on the research he has conducted thus far. The following eight CRCs were renewed in their Tier 2 appointments and awarded \$500,000 each over the next five years: Dr. Trust Beta, food science, Dr. Ehab El-Salakawy, civil engineering, Dr. Mostafa Fayek, geological sciences, Dr. Andrew Halayko, physiology, Dr. Kiera Ladner, political studies, Dr. Aaron Marshall, immunology, Dr. Mario Tenuta, soil science, and Dr. Abraham Quan Wang, mechanical & manufacturing engineering. Dr. James Davie, biochemistry & medical genetics, was renewed as a Tier 1 Chair and will receive \$1.4 million in funding over the next seven years.

In 2011-12, research at the University of Manitoba continued its strength, with investment in a number of key areas. University researchers received \$126.8 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 2010-11.

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 2011-12. Research investment was highest in the Faculty of Medicine, at a level of \$57.1 million in 2011-12. The second-highest was the Faculty of Agricultural and Food Sciences at \$16.1 million, followed by the Faculties of Science, the Clayton H. Riddell Faculty of Environment, Earth and Resources, and Engineering at \$9.6, \$8.4, and \$7.4 million respectively. In 2011-12 a total of \$115 million was spent on sponsored or assisted research activities at the University of Manitoba.

On September 1, 2011, the Honourable Gary Goodyear, Minister of State (Science and Technology), announced new funding from the Canada Foundation for Innovation (CFI) Leaders Opportunity Fund totaling \$700,547 to three University of Manitoba researchers who are working on projects that will directly impact agricultural and food science research initiatives. The recipients are: Dr. Michel Aliani (Human Nutritional Sciences), \$159,974 to establish a functional foods research laboratory; Dr. John Hanesiak (Environment and Geography), \$399,757 to establish a Mobile Atmospheric Research System (MARS); and Dr. Juan Rodrigues-Lecompte (Animal Science), \$140,816 to establish the first integrated Avian Nutritional Immunology Laboratory in Canada.

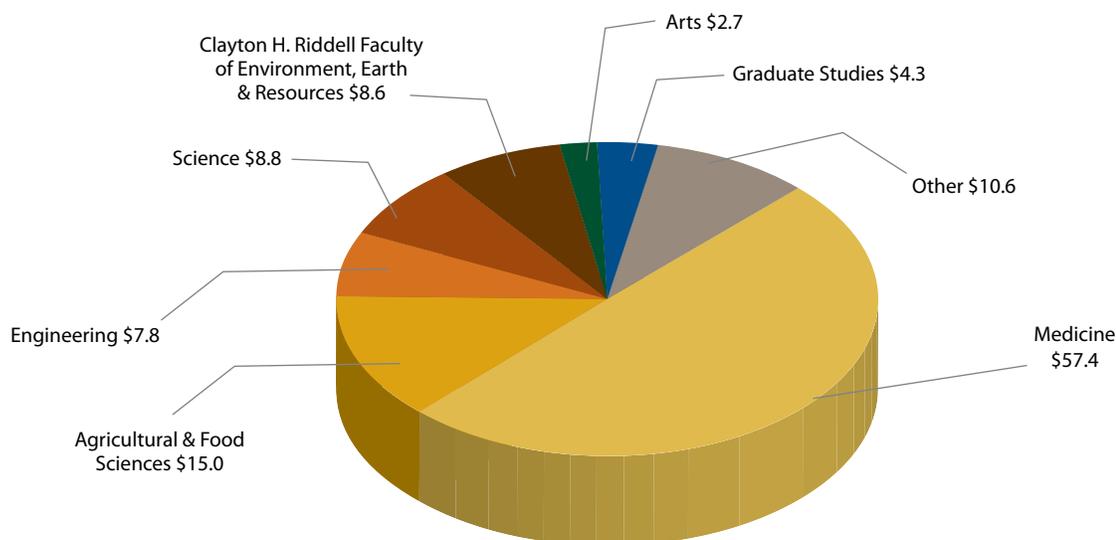
The establishment of Manitoba's first-ever research chair in the Immunobiology of Infectious Disease at the University of Manitoba came a step closer to fruition with a funding announced on June 15, 2011, of \$1.5 million from GlaxoSmith Kline Inc.'s Pathfinders Fund, \$500,000 from the Province of Manitoba's Research Innovation Fund, and \$1 million from the Faculty of Medicine. The areas of focus for the proposed chair will be immunology, infectious diseases, systems biology and public health.

Funding from the CFI, MRIF, and matching contributions from industry, along with the corresponding expenditures, are reflected in the Capital Asset Fund. In 2011-12, total contributions from these sources were \$10.9 million. The new funding supports research in seven faculties and two research partner institutions. Projects include: a mobile atmospheric research system (MARS) for surface-atmosphere and severe weather research, the establishment of an integrated laboratory to study the biology and functions of normal and malignant breast stem cells, preservation and promotion of northern Canadian heritage resources – a non-invasive/non-destructive approach to archaeological research, translational research centre for spinal cord injury repair, and a sea ice research facility (SIRF). When combined with sponsored or assisted research funding of \$115.9 million, University of Manitoba researchers received \$126.8 million in funding in 2011-12.

REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

Table 4: Research Expenses by Faculty or Support Unit 2011-12

(Total \$115.2 M)



INVESTMENT IN CAPITAL, INFRASTRUCTURE, AND TECHNOLOGY

In 2011-12, the University of Manitoba invested \$123.5 million in capital assets as follows:

- \$86.3 million for the construction of buildings, infrastructure renewal and land improvements;
- \$21.7 million for the acquisition of furniture, equipment and vehicles;
- \$4.6 million for computer equipment and technological improvements such as building cabling; and
- \$10.9 million for library acquisitions and works of art.

In addition, debt servicing costs of \$21.2 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 \$6.8 million from COPSE, \$24.8 million from other Provincial departments, \$21.7 million from the Federal Government, \$6.3 million from private donors and \$6.4 million from other income.

A number of projects were completed during the fiscal year including Art Research Technology (ART) Lab (\$16.4 million), Biological Sciences Building Upgrade (\$1.6 million), eureka Incubator (\$0.4 million), Buller Building Labs and Infrastructure Renovation (\$0.2 million) and Smartpark Lake 2 Infrastructure Development (\$0.2 million) funded by the Knowledge Infrastructure Program (KIP). Other projects which were completed include: Pembina Hall Student Residence (\$17.0 million), Soccer Playing Field Relocation (\$2.7 million), Asper School of Business James W. Burns Executive Education Centre (\$0.6 million) and the Dafoe Library Storage Annex (\$0.4 million).

Construction commenced on the Active Living Centre (\$2.2 million) which will be available to all students, as well as staff and community members. The new 100,000 square foot Active Living Centre will house a state-of-the-art indoor running track, 40-foot climbing wall and strength and conditioning room and assist to create a world-class health, wellness and fitness centre. Construction also commenced on the Project Domino Taché Hall Renovation (\$4.9 million) which will house the Marcel A. Desautels Faculty of Music. The Taché Hall project includes a new 500 seat Concert Hall, classroom addition and renovation and retrofitting of the existing 100 year old Taché Hall.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

Construction continued on the Wallace Building Addition (\$4.7 million) and the Duff Roblin Building fire restoration/upgrades (\$13.0 million). The Duff Roblin west side occupancy is expected in late June 2012.

Infrastructure renewal projects undertaken in 2011-2012 included asbestos remediation (\$1.8 million), fire and safety (\$1.2 million), window replacements (\$1.4 million) roof replacements (\$1.2 million) and electrical distribution upgrades (\$0.9 million); which includes the Bannatyne Electrical Reservicing Project. These projects were funded by COPSE capital grants, Critical Deferred Maintenance funding from the Province and the Provincial Debt.

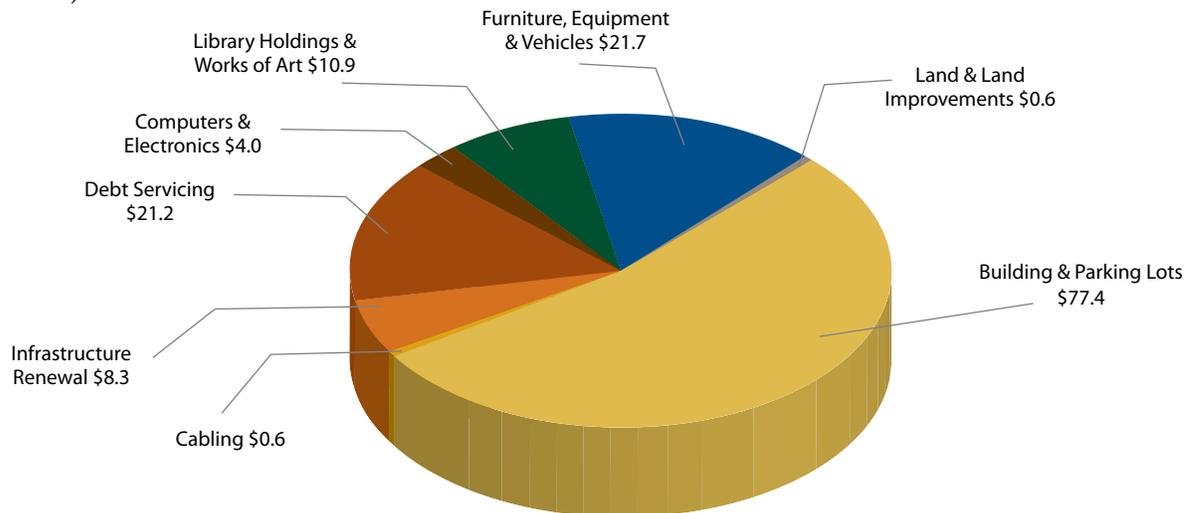
During 2011/12 Smartpark Development Corporation completed its transaction from a subsidiary corporation directly into the University of Manitoba as an income funded department of Ancillary Services. Smartpark properties were transferred to the university including the assignment of all its leases, licenses and use agreements, as well as the assumption of all its obligations. Day to day management of buildings and grounds continued seamlessly throughout this period operating under the banner of the University of Manitoba / Smartpark Department.

Since the first building opened in 2002, the Smartpark record has been one of rapid development and growth that is now beginning to show fulfillment of its vision – to build a community of innovators on the doorstep of the university that facilitates university-industry research collaborations and innovation. Today, after the development of nine building facilities, the community is home to twenty high tech tenant organizations and a technology business incubator employing over a thousand researchers, technicians and innovators with the capability of attracting and retaining highly skilled students and academic researchers in the Winnipeg and Manitoba region. Recognizing the long-term nature of research park development, Smartpark Research and Technology Park has the potential to translate discovery into application, develop talent, commercialize technology, and integrate government, higher education and industry interests.

Table 5, Capital Fund Expenditures provides a more detailed breakdown of the \$123.5 million in capital asset expenditures and debt servicing costs of \$21.2 million during 2011-12.

**Table 5: Capital Fund Expenditures
2011-12**

(Total \$144.7 M)



REPORT OF THE VICE–PRESIDENT (ADMINISTRATION)

AN ASSET TO OUR COMMUNITY

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

In addition, Dentistry, Medicine and Social Work all offer programs onsite and through distance education delivery techniques in rural and northern communities. Dentistry offers extensive dental services through the Centre for Community Oral Health and Medicine provides health services through the Northern Medical Unit, bringing dental and health care to remote and Aboriginal communities. The University Centre Pharmacy also operates the Medical Information Line 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 Pembina Hall, 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 the adjacent ARTlab Building providing 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 includes a government contribution to the university of \$22.5 million which is, in part, facilitating development of the new Active Living Centre.

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:

Deborah J. McCallum
Vice-President (Administration)

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the financial statements present fairly the University's financial position as at March 31, 2012 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 financial statements. The Board has delegated certain responsibilities to its Audit and Risk Management Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Auditor General of Manitoba on matters relating to financial reporting. The Auditor General has full access to the Audit and Risk Management Committee with or without the presence of management. The Board has approved the financial statements.

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

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

The original was signed by:

Deborah J. McCallum,
Vice-President (Administration)

Winnipeg, Manitoba
June 26, 2012

INDEPENDENT AUDITOR'S REPORT



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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

The original was signed by:

June 26, 2012
Winnipeg, Manitoba

Carol Bellringer, FCA, MBA
Auditor General

FINANCIAL STATEMENTS

UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands of dollars)

	2012	2011
Assets		
Current Assets		
Cash	\$ 101,368	\$ 109,444
Marketable Investments	20,000	
Accounts Receivable (Note 3)	74,081	75,230
Inventories	3,348	3,411
Prepaid Expenses	1,097	551
	199,894	188,636
Long Term Assets		
Loan Receivable (Note 4)	130,878	24,286
Investments (Note 5)	553,309	537,587
Capital Assets, Net of Accumulated Amortization (Note 7)	917,277	843,385
	1,601,464	1,405,258
	\$ 1,801,358	\$ 1,593,894
Liabilities		
Current Liabilities		
Accounts Payable	\$ 49,813	\$ 55,119
Unearned Revenue	6,521	5,278
Staff Vacation Entitlements	11,412	10,809
Bank Loans	15,570	8,712
Current Portion of Capital Lease Obligations (Note 8)	234	347
Current Portion of Long Term Debt (Note 9)	3,901	3,739
	87,451	84,004
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	5,856	2,714
Capital Lease Obligations (Note 8)	200	307
Long Term Debt (Note 9)	305,258	211,965
Employee Future Benefits (Note 11)	67,924	65,552
Pension Obligation (Note 15)	24,074	23,124
	403,312	303,662
Fund Balances	1,310,595	1,206,228
	\$ 1,801,358	\$ 1,593,894

Contractual Obligations and Contingencies (Note 20)

The original was signed by:

Janice Lederman – Chair

The original was signed by:

Patricia Bovey – Vice-Chair

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

FINANCIAL STATEMENTS

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

(in thousands of dollars)

	General Funds (Note 2D)	Restricted Funds (Note 2E)	Endowment Fund (Note 2F)	2012 Total Funds	2011 Total Funds
Revenue:					
Tuition and Related Fees	\$ 123,191	\$	\$	\$ 123,191	\$ 117,529
Contributions, Donations, Non-Government Grants	2,653	65,169	13,256	81,078	84,781
Net Investment Income (Note 16)	5,426	24,686	(3,078)	27,034	45,350
Miscellaneous Income	17,070	3,626		20,696	12,125
Government Grants:					
Council on Post-Secondary Education	304,147	6,817		310,964	294,560
Other Province of Manitoba	15,799	52,925		68,724	72,289
Government of Canada	10,760	82,851		93,611	93,833
Sales of Goods and Services	31,010	721		31,731	32,274
Ancillary Services	37,025			37,025	32,793
	547,081	236,795	10,178	794,054	785,534
Expense:					
Academic	291,347	105,457		396,804	383,840
Libraries	16,872	9		16,881	16,997
Student Affairs	16,786	30		16,816	15,854
Administration	35,051	2,591		37,642	36,882
Plant Maintenance	32,858			32,858	34,640
Other Academic Support	21,124	16		21,140	19,252
General	23,024	5,890		28,914	31,443
Student Awards	7,850	38,691		46,541	42,695
Interest		16,863		16,863	11,310
Amortization of Capital Assets		49,654		49,654	47,217
Ancillary Services	28,926			28,926	27,277
Actuarially Determined Employee Future Benefits	2,372			2,372	3,602
Change in Pension Obligation (Note 15)	950			950	(2,187)
Staff Benefits Contra	(6,674)			(6,674)	(6,194)
	470,486	219,201		689,687	662,628
Net Revenue (Expense)	76,595	17,594	10,178	104,367	122,906
<i>Inter-Fund Transfers (Note 13)</i>	(76,147)	74,682	1,465		
<i>Net Increase to Fund Balances</i>	448	92,276	11,643	104,367	122,906
<i>Fund Balances Beginning of the Year</i>	15,258	958,282	232,688	1,206,228	1,083,322
Fund Balances End of the Year	\$ 15,706	\$ 1,050,558	\$ 244,331	\$ 1,310,595	\$ 1,206,228
Unrestricted Funds	\$ (67,264)	\$	\$	\$ (67,264)	\$ (65,741)
Internally Restricted Funds	82,970	39,016		121,986	117,020
Externally Restricted Funds		196,283	244,331	440,614	429,469
Invested in Capital Assets		815,259		815,259	725,480
	\$ 15,706	\$ 1,050,558	\$ 244,331	\$ 1,310,595	\$ 1,206,228

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

FINANCIAL STATEMENTS

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

(in thousands of dollars)

	General Operating Fund (Note 2D)	Specific Provisions Fund (Note 2D)	Expenses Funded From Future Revenues (Note 2D)	2012 Total General Funds	2011 Total General Funds
Revenue:					
Tuition and Related Fees	\$ 123,191	\$	\$	\$ 123,191	\$ 117,529
Contributions, Donations, Non-Government Grants	2,653			2,653	2,231
Net Investment Income (Note 16)	5,426			5,426	4,317
Miscellaneous Income	17,070			17,070	9,603
Government Grants:					
Council on Post-Secondary Education	304,147			304,147	288,282
Other Province of Manitoba	15,799			15,799	15,184
Government of Canada	10,760			10,760	9,373
Sales of Goods and Services	31,010			31,010	31,375
Ancillary Services	37,025			37,025	32,793
	547,081			547,081	510,687
Expense:					
Academic	291,347			291,347	277,322
Libraries	16,872			16,872	16,901
Student Affairs	16,786			16,786	15,791
Administration	35,051			35,051	34,469
Plant Maintenance	32,858			32,858	34,643
Other Academic Support	21,124			21,124	18,891
General	23,024			23,024	24,898
Student Awards	7,850			7,850	6,473
Ancillary Services	28,926			28,926	27,277
Actuarially Determined Employee Future Benefits	2,372			2,372	3,602
Change in Pension Obligation (Note 15)	950			950	(2,187)
Staff Benefits Contra	(6,674)			(6,674)	(6,194)
	470,486			470,486	451,886
Net Revenue	76,595			76,595	58,801
<i>Inter-Fund Transfers (Note 13)</i>	(76,581)	1,971	(1,537)	(76,147)	(59,548)
<i>Net Increase (Decrease) to Fund Balances</i>	14	1,971	(1,537)	448	(747)
<i>Fund Balances Beginning of the Year</i>	2,289	80,999	(68,030)	15,258	16,005
Fund Balances End of the Year	\$ 2,303	\$ 82,970	\$ (69,567)	\$ 15,706	\$ 15,258
Unrestricted Funds	\$ 2,303	\$	\$ (69,567)	\$ (67,264)	\$ (65,741)
Internally Restricted Funds		82,970		82,970	80,999
	\$ 2,303	\$ 82,970	\$ (69,567)	\$ 15,706	\$ 15,258

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

FINANCIAL STATEMENTS

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

(in thousands of dollars)

	Capital Asset Fund (Note 2E)	Research and Special Fund (Note 2E)	Staff Benefits Fund (Note 2E)	Trust Fund (Note 2E)	2012 Total Restricted Funds	2011 Total Restricted Funds
Revenue:						
Contributions, Donations, Non-Government Grants	\$ 6,304	\$ 48,923	\$ 3,323	\$ 6,619	\$ 65,169	\$ 66,686
Net Investment Income (Note 16)	3,460		999	20,227	24,686	24,590
Miscellaneous Income	2,905	550	171		3,626	2,522
Government Grants:						
Council on Post-Secondary Education	6,817				6,817	6,278
Other Province of Manitoba	24,813	28,112			52,925	57,105
Government of Canada	21,675	61,176			82,851	84,460
Sales of Goods and Services		721			721	899
	65,974	139,482	4,493	26,846	236,795	242,540
Expense:						
Academic		105,457			105,457	106,518
Libraries		9			9	96
Student Affairs		30			30	63
Administration		2,591			2,591	2,413
Plant Maintenance					-	(3)
Other Academic Support		16			16	361
General			3,485	2,405	5,890	6,545
Student Awards		24,089		14,602	38,691	36,222
Interest	16,863				16,863	11,310
Amortization of Capital Assets	49,654				49,654	47,217
	66,517	132,192	3,485	17,007	219,201	210,742
Net Revenue	(543)	7,290	1,008	9,839	17,594	31,798
<i>Inter-Fund Transfers (Note 13)</i>	90,322	(16,995)	(110)	1,465	74,682	55,730
<i>Net Increase (Decrease) to Fund Balances</i>	89,779	(9,705)	898	11,304	92,276	87,528
<i>Fund Balances Beginning of the Year</i>	725,480	104,365	(5,296)	133,733	958,282	870,754
Fund Balances End of the Year	\$ 815,259	\$ 94,660	\$ (4,398)	\$ 145,037	\$ 1,050,558	\$ 958,282
Internally Restricted Funds	\$	\$	\$ 762	\$ 38,254	\$ 39,016	\$ 36,021
Externally Restricted Funds		94,660	(5,160)	106,783	196,283	196,781
Invested in Capital Assets	815,259				815,259	725,480
	\$815,259	\$ 94,660	\$ (4,398)	\$145,037	\$1,050,558	\$ 958,282

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

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Funds	2012 Total Funds	2011 Total Funds
Operating Activities:					
Net Revenue	\$ 76,595	\$ 17,594	\$ 10,178	\$ 104,367	\$ 122,906
Amortization of Capital Assets		49,654		49,654	47,217
	76,595	67,248	10,178	154,021	170,123
Net Change in Non-Cash Working Capital Items	53,437	(49,373)		4,064	(638)
Net Change in Other Long Term Liabilities	346	2,796		3,142	486
Net Change in Pension Obligation	950			950	(2,187)
Net Change in Employee Future Benefits	67	2,305		2,372	3,602
<i>Net Cash Generated through Operating Activities</i>	131,395	22,976	10,178	164,549	171,386
Investing Activities:					
Increase in Loan Receivable		(106,592)		(106,592)	(24,286)
Increase in Long Term Investments	(50,150)	46,071	(11,643)	(15,722)	(55,740)
Purchase of Capital Assets		(123,546)		(123,546)	(138,755)
<i>Net Cash Generated used in Investing Activities</i>	(50,150)	(184,067)	(11,643)	(245,860)	(218,781)
Financing Activities:					
Proceeds from Capital Lease Obligations		168		168	279
Proceeds from Long Term Debt		103,591		103,591	23,976
Contractual Interest Added to Loan Principal		3,002		3,002	309
Principal Repayment on Capital Lease Obligations		(388)		(388)	(450)
Refinancing of Long Term Debt		(7,075)		(7,075)	
Principal Repayment on Long Term Debt		(6,063)		(6,063)	(4,094)
<i>Net Cash Generated through Financing Activities</i>		93,235		93,235	19,932
Net Increase (Decrease) in Cash	81,245	(67,856)	(1,465)	11,924	(27,463)
Inter-Fund Adjustments	(76,147)	74,682	1,465		
Cash Beginning of Year	21,798	87,646		109,444	136,907
Cash End of Year	\$ 26,896	\$ 94,472	\$	\$ 121,368	\$ 109,444
<i>Cash is defined as:</i>					
Cash	\$ 6,896	\$ 94,472	\$	\$ 101,368	\$ 109,444
Marketable Investments	20,000			20,000	
	\$ 26,896	\$ 94,472	\$	\$ 121,368	\$ 109,444
Supplemental cash flow information:					
Interest Received	\$ 4,387	\$ 6,245		\$ 10,632	\$ 7,907
Dividends Received		\$ 7,134		\$ 7,134	\$ 5,807
Interest Paid		\$ 10,617		\$ 10,617	\$ 11,249

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

FINANCIAL STATEMENTS

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

I. AUTHORITY AND PURPOSE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

These financial statements have been prepared in accordance with 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.

Effective July 28, 2011, Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba, transferred its net assets to the University and the Corporation was dissolved. The University assumed operations of the research park.

B. FUND ACCOUNTING

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

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

C. ACCOUNTING ESTIMATES

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

D. GENERAL FUNDS

General Operating Fund: The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, 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, Pharmacy/Post Office, and Smartpark are classified as Ancillary Services and are budgeted on a break even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

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

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

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

E. RESTRICTED FUNDS

Capital Asset Fund: The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, 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 Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

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

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

- (i) **Pension Reserve:** This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1993) and other pension obligations.
- (ii) **Self-Insured Plans:** This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments 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.

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F. 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.

G. REVENUE RECOGNITION

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

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

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. 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.

H. CONTRIBUTED MATERIALS AND SERVICES

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

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

I. 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 statement of operations. Fair value of investments is determined based on year end quoted market prices.

J. PLEDGES RECEIVABLE

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

K. INVENTORIES

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

L. CAPITAL ASSETS

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

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

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

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

M. COLLECTIONS

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

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

N. PENSION COSTS

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

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

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

The funded position of the 1993 plan is disclosed in Note 15.

O. 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 loans, staff vacation entitlements, other long term liabilities, and long term debt.

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

Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in the 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, investments, and derivatives as held-for-trading, which are measured at fair value. Accounts receivables and loan receivable are classified as loans and receivables which are measured at

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amortized cost and accounts payable, staff vacation entitlements, bank loans, long term debt, and other long term liabilities, excluding derivatives, 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 and Treasury Services, 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.

P. 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.

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.

Q. 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.

R. DERIVATIVE FINANCIAL INSTRUMENTS

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

S. 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 board (PSAB) 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, 2011 will require the restatement and presentation of the April 1, 2011 Statement of Financial Position, for comparative purposes and the restatement of the March 31, 2012 figures in the March 31, 2013 financial statements. The University is currently assessing the impact of those differences.

3. ACCOUNTS RECEIVABLE

	2012	2011
Business, Industry and Foundations	\$ 20,490	\$ 21,871
Federal Government	20,345	19,501
Other	13,399	13,977
Provincial Government	15,123	16,422
Students	4,724	3,459
	\$ 74,081	\$ 75,230

4. LOAN RECEIVABLE

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

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

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

FIRST PHASE:

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

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

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

SECOND PHASE:

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

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

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

	2012	2011
First Phase interest and principal outstanding	\$ 78,311	\$ 24,286
Second Phase principal outstanding	52,567	
	\$ 130,878	\$ 24,286

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

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5. INVESTMENTS

	2012 Fair Value	2011 Fair Value
General Funds		
Bonds and Other Fixed Income Securities:		
Other Provincial	\$	\$ 14,565
Corporate	130,727	124,596
	130,727	139,161
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment		
Certificates and Cash	15,593	18,169
Bonds and Other Fixed Income Securities:		
Government of Canada	23,686	24,245
Province of Manitoba	3,227	2,193
Other Provincial	18,566	13,216
Corporate	1,004	3,210
Other	69	77
Municipal	4,599	4,398
	51,151	47,339
Equities:		
Canadian Equities	133,029	129,512
US Equities	69,677	62,515
International Equities	45,595	46,875
	248,301	238,902
Pooled Real Estate Fund	56,488	48,676
	371,533	353,086
Capital		
Bankers Acceptances, Guaranteed Investment		
Certificates and Cash	20,129	17,998
Staff Benefits		
Money Market Funds and Cash		
	792	732
Bonds		
	10,446	9,070
Equities:		
Canadian Equities	7,391	6,968
US Equities	4,462	4,019
International Equities	4,419	3,899
	16,272	14,886
Mortgage Fund	2,988	2,607
	30,498	27,295
Research & Special		
Other Investments	422	47
Total Investments	\$ 553,309	\$ 537,587

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% (2011, 1.40%); term to maturity: less than one year.
- Government and Corporate bond funds: 2.84% (2011, 2.82%); 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

During the year ended March 31, 2012, the University recognized net unrealized losses of \$3,331 (2011 net unrealized gains, \$24,971) on investments classified as held-for-trading, which are recorded in net investment income in the 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:

	2012	2011
Financial Assets Held-For-Trading:		
Cash	\$ 101,368	\$ 109,444
Marketable Investments	20,000	
Investments	553,309	537,587
Loans and Receivables:		
Accounts Receivable	74,081	75,230
Loan Receivable	130,878	24,286
Totals	\$ 879,636	\$ 746,547

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

Cash is held in Chartered banks and marketable investments are held in high quality Canadian money market instruments. 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 (Note 3) is related to Restricted Funds and is from the federal and provincial governments, not-for-profit organizations, corporations, the US government, and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The credit risk on the loan receivable (Note 4) is offset by a loan payable (Note 9) from the Province of Manitoba with matching terms of repayment.

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7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	\$ 3,632	\$ 3,191	\$ 3,526	\$ 2,840
Buildings and Major Renovations	886,708	200,550	745,989	183,148
Computer Hardware and Electronics	100,815	83,695	98,961	79,015
Construction in Progress	41,377		96,074	
Furniture and Equipment	227,344	147,313	208,165	134,348
Land	28,681		27,994	
Library Books	176,115	127,923	168,136	121,353
Parking Lots	8,481	2,605	8,280	2,187
Rare Books and Manuscripts	5,734		5,271	
Vehicles	7,745	6,618	7,810	6,418
Works of Art	2,540		2,488	
	1,489,172	571,895	1,372,694	529,309
Less Accumulated Amortization	571,895		529,309	
Net Book Value	\$ 917,277		\$ 843,385	

8. CAPITAL LEASE OBLIGATIONS

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

2013	\$ 247
2014	130
2015	72
2016	6
Total Minimum Lease Payments	455
Less: Interest at 2.22%	(21)
	434
Less: Current Portion	234
	\$ 200

9. LONG TERM DEBT

	2012	2011
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	\$ 66,264	\$ 67,715
Promissory Note, 5.55% due April 1, 2036	68,184	69,498
Promissory Note, 5.35% due February 1, 2040	30,079	30,533
Loan, First Phase, 4.65% due June 1, 2038	78,311	24,286
Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	52,567	
	295,405	192,032
Term Loans:		
Multi Tenant Facility, 5.975% due October 31, 2012		1,219
Multi Tenant Facility, 5.95% due January 22, 2014		1,150
		2,369
Bankers Acceptances with Interest Rate Swaps:		
Multi Tenant Facility, 3.85% due February 11, 2019		7,075
Arthur V. Mauro Student Residence, 5.62% due September 5, 2028	13,754	14,228
	13,754	21,303
	309,159	215,704
Less Current Portion:		
Province of Manitoba	(3,398)	(3,221)
Term Loans		(44)
Bankers Acceptances	(503)	(474)
	(3,901)	(3,739)
	\$ 305,258	\$ 211,965

Interest expense on long term debt was \$14,058 (2011, \$10,828), including the change in the fair value of the interest rate swaps of \$1,206 (2011, \$70).

The fair value of long term debt is approximately \$336,092 (2011, \$226,901) compared to a carrying value of \$309,159 (2011, \$215,704). 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 \$13,754 as at March 31, 2012 (2011, \$14,228).

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, 2016. The notional principal underlying this swap agreement as at March 31, 2011 was \$7,075. During the year the swap agreement was refinanced with a stamping fee committed until November 30, 2012. The amount is now included in bank loans.

The fair value of the swap agreements on the bank loan and long term debt at March 31, 2012 was \$5,510 (2011, \$2,368) and has been recorded in other long-term liabilities (Note 10).

The University has entered into a loan agreement with the Province of Manitoba related to the construction of a new stadium at the Fort Garry campus. The loan agreement is divided into a first phase and a second phase for a combined amount not to exceed \$160 million. The first phase is not to exceed \$75 million while the second phase is not to exceed \$85 million. The

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interest rate on the first phase of the loan is 4.65% and the first phase of the loan is due and payable in full on June 1, 2038. The second phase of the loan bears interest at 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

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

Additional terms of repayment of the loan are as follows:

LOAN, FIRST PHASE:

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

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

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

LOAN, SECOND PHASE:

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

- (i) July 31, 2013;
- (ii) July 31, 2014;
- (iii) July 31, 2015; and
- (iv) July 31, 2016.

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

Any accrued interest and principal outstanding on the second phase of the loan as at November 24, 2058 is due and payable in full, subject to receipt of accrued interest and principal outstanding from BBB, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

	2012	2011
Loan, First Phase	\$ 75,000	\$ 23,977
Loan, First Phase Accrued Interest	2,869	309
Loan, Second Phase Accrued Interest	442	
	78,311	24,286
Loan, Second Phase	52,567	
	\$ 130,878	\$ 24,286

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

	Province of Manitoba	Bankers Acceptances	Total
2013	\$ 3,398	\$ 503	\$ 3,901
2014	3,586	533	4,119
2015	3,783	567	4,350
2016	3,992	603	4,595
2017	4,212	639	4,851
Thereafter	276,434	10,909	287,343
	\$ 295,405	\$ 13,754	\$ 309,159

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are as follows:

	2012	2011
Refundable deposit	\$ 346	\$ 346
Fair Value of Financial Derivatives	5,510	2,368
	\$ 5,856	\$ 2,714

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.

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, 2012.

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

FINANCIAL STATEMENTS

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

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2012	2011	2012	2011	2012	2011
Benefit Cost	\$ 5,054	\$ 4,500	\$ 226	\$ 163	\$ 5,280	\$ 4,663
Accrued Benefit Obligation	64,041	61,356	3,883	4,196	67,924	65,552
Plan Assets	27,372	24,232	1,418	1,662	28,790	25,894
Employer Contribution	5,509	5,061			5,509	5,061
Employees' Contributions	3,322	2,978			3,322	2,978
Benefits Paid	6,584	6,109	590	652	7,174	6,761

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments			
	2012	2011	2012	2011		
Equities			54%	55%	55%	56%
Fixed Income			34%	33%	35%	34%
Other			12%	12%	10%	10%
Total			100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2012	2011	2012	2011
Accrued benefit obligation at March 31: Discount rate	4.30%	5.00%	4.30%	5.00%
Benefit Cost for year ended March 31: Discount rate	5.00%	5.50%	5.00%	5.75%
Expected rate of return on assets	5.00%	5.50%	5.00%	5.75%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.00%	8.25%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2020	2020		
Dental Care Cost Trend Rates at March 31:				
	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

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

	2012	2011
General Operating Fund:		
Due to Capital	\$ (57,853)	\$ (3,685)
Due to Trust	(3,529)	(4,656)
	<u>\$ (61,382)</u>	<u>\$ (8,341)</u>
Capital Asset Fund:		
Due from Operating	\$ 57,853	\$ 3,685
Due to Research		(5,961)
Due to Trust		(909)
	<u>\$ 57,853</u>	<u>\$ (3,185)</u>
Trust Fund:		
Due from Operating	\$ 3,529	\$ 4,656
Due from Capital		909
	<u>\$ 3,529</u>	<u>\$ 5,565</u>
Research and Special Fund:		
Due from Capital	\$	\$ 5,961
	<u>\$</u>	<u>\$ 5,961</u>

FINANCIAL STATEMENTS

13. INTER-FUND TRANSFERS

	General Operating	Specific Provisions	Expenses Funded From Futures Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endow- ment Fund
Employee Future Benefits	\$ 2,372	\$	\$ (67)	\$	\$	\$ (2,305)	\$	\$
Net Change in Vacation Pay & Pension Liability	1,470		(1,470)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(2,195)					2,195		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(5,310)	5,310						
Unit Carryovers, Special Projects & Initiatives	(68,508)	68,508						
Funding of Capital								
Asset Additions	(63,105)	(2,343)		76,652	(11,047)		(157)	
Long Term Debt Repayments	(5,486)			5,489	(3)			
Student Contributions to University Development Funds	(738)							738
Student Contributions for Technology	(3,703)			3,703				
Scholarships, Bursaries & Prizes	(7,620)	(100)			(3,091)		10,811	
Other Net Transfers					(21)		(706)	727
Overhead Recoveries	3,348				(3,348)			
Funding of General								
Operating Expenses	77,523	(69,404)			(502)		(7,617)	
Unit Capital Development Assessment	(4,478)			4,478				
Funding of Research Projects	(151)				1,017		(866)	
March 31, 2012	\$ (76,581)	\$ 1,971	\$ (1,537)	\$ 90,322	\$ (16,995)	\$ (110)	\$ 1,465	\$ 1,465
March 31, 2011	\$ (58,783)	\$ (1,535)	\$ 770	\$ 72,296	\$ (8,397)	\$ (3,158)	\$ (5,011)	\$ 3,818

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of \$822 (2011, \$836).

15. PENSION PLANS

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

During the year, The University created separate Pension Committees to act as Plan Administrator for each of the 1993 and 1986 plan. The University is the Plan Administrator for the 1970 plan.

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

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

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

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

1993 PLAN

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

At December 31, 2010, the actuarial method used to value the liabilities was the projected unit credit method, consistent with the funding valuations. Under this method, the amendment to increase future contributions had no effect on the pension obligations for the 1993 Plan because the obligations for the supplementary pensions are based on the projection to retirement of contributions and service accrued to the valuation date only.

For 2011, the actuarial method used to value the liabilities was changed to the projected unit credit method, prorated on services. Under this method, the amendment to increase future contributions also affects the determination of the accrued benefit obligations.

The financial impact of the change in method has been reflected as two adjustments to the accrued benefit obligations: an increase of \$4,023 related prorating on services and a decrease of \$15,150 related to the plan amendment to increase future contributions.

The \$4,023 has also been reflected as an increase in the current year pension expense. The \$15,150 has been accounted for as an actuarial gain and was applied against the unamortized actuarial losses. The unamortized net actuarial losses will be amortized over EARSL.

An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2009 and extrapolated to December 31, 2011.

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

FINANCIAL STATEMENTS

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

	2011	2010
Accrued Benefit Obligation		
Actuarial present value of accrued pension benefits at beginning of year, as previously reported	\$ 1,017,033	\$ 936,458
Plan amendment	(15,150)	
Actuarial present value of accrued pension benefits, at the beginning of year, as adjusted	\$ 1,001,883	\$ 936,458
Adjustment pro rating on service to December 31	4,023	
Interest accrued on defined benefits	20,133	21,706
Interest accrued (decreased) on member accounts	(15,561)	54,671
Benefits accrued	39,905	36,353
Benefits paid	(74,922)	(77,727)
Actuarial losses	15,599	6,588
Change in assumptions	22,453	38,984
Actuarial present value of accrued pension benefits at end of year	\$ 1,013,513	\$ 1,017,033
Plan Assets		
Fair value, at beginning of year	\$ 939,571	\$ 889,022
Actual return on plan assets	(24,506)	86,295
Employer contributions calendar year	26,268	25,682
Employee contributions	17,803	16,093
Transfer from other plans	205	206
Benefits paid	(74,922)	(77,727)
Fair value, at end of year	\$ 884,419	\$ 939,571
Reconciliation of Pension Liability		
Accrued benefit obligation	\$ 1,013,513	\$ 1,017,033
Plan assets	(884,419)	(939,571)
Plan deficit	129,094	77,462
Contributions during fiscal year in excess of calendar year	(4,531)	(2,092)
Adjusted plan deficit	124,563	75,370
Unamortized net actuarial losses	(100,489)	(52,246)
Pension liability	\$ 24,074	\$ 23,124
Pension Liability		
Pension liability, beginning of year	\$ 23,124	\$ 25,311
Employer contributions, fiscal year	(28,707)	(27,327)
Net benefit plan expense	29,657	25,140
Pension liability, end of year	\$ 24,074	\$ 23,124
Net Benefit Plan Expense		
Current service cost, net of employee contributions	\$ 21,898	\$ 20,054
Interest costs at discount rate	55,069	54,946
Expected return on plan assets	(55,455)	(52,269)
Amortization of actuarial loss	4,122	2,409
Adjustment pro rating on service to December 31	4,023	
Net benefit plan expense	\$ 29,657	\$ 25,140

Significant Long-term Actuarial Assumptions	2011	2010
Discount rate	4.3%	5.0%
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%	4.75%
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 2012 was \$4.1 million (2011, \$5.9 million).

The unamortized net actuarial losses shown above, which were determined on the basis of this valuation and extrapolation 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 2012 was \$4.0 million (2011, \$5.0 million).

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 \$2,001 (2011, \$1,929) and this is included in the statement of operations as an expense.

1970 PLAN

There were no university employees earning pension entitlements in 2011 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)

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

2011

Net Realized Investment Income:						
Interest	\$ 4,683	\$ 534	\$ 2,081	\$ 710	\$	\$ 8,008
Dividends			5,807			5,807
Gains on sale of investments		570	5,994			6,564
	4,683	1,104	13,882	710		20,379
Change in fair value of investments	(366)	1,826	7,068		16,443	24,971
Total	\$ 4,317	\$ 2,930	\$ 20,950	\$ 710	\$ 16,443	\$ 45,350

17. CAPITAL DISCLOSURES

A. CAPITAL MANAGEMENT

General Funds (Note 2d)

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 2e and 2f)

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

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.

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 Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2012, 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.

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19. OTHER RELATED PARTY TRANSACTIONS

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

The Province of Manitoba has committed up to \$160 million as a loan to the University (Note 9), and the University has committed to loan an equal amount to BBB (Note 4). As at March 31, 2012 and for year then ended the related party transactions with BBB and the corresponding transactions with the Province of Manitoba are as follows:

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

	2012	2011
Loan Receivable, including accrued interest	\$130,878	\$24,286
Interest Income on loan	\$3,002	\$309
Loan Payable, including accrued interest	\$130,878	\$24,286
Interest Expense on loan	\$3,002	\$309

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

Effective July 28, 2011, Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba, transferred its net assets of \$4,056 (assets \$33,430, liabilities \$29,374) to the University and the Corporation was dissolved. The University assumed operations of the research park.

20. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

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

Contractual obligations relating to Construction in Progress amount to \$26,495 (2011, \$61,504).

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, 2012.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at \$44.2 million as of November 2011, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at March 31, 2011, is estimated at \$3.1 million. The March 31, 2012 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, 2011 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2012.



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