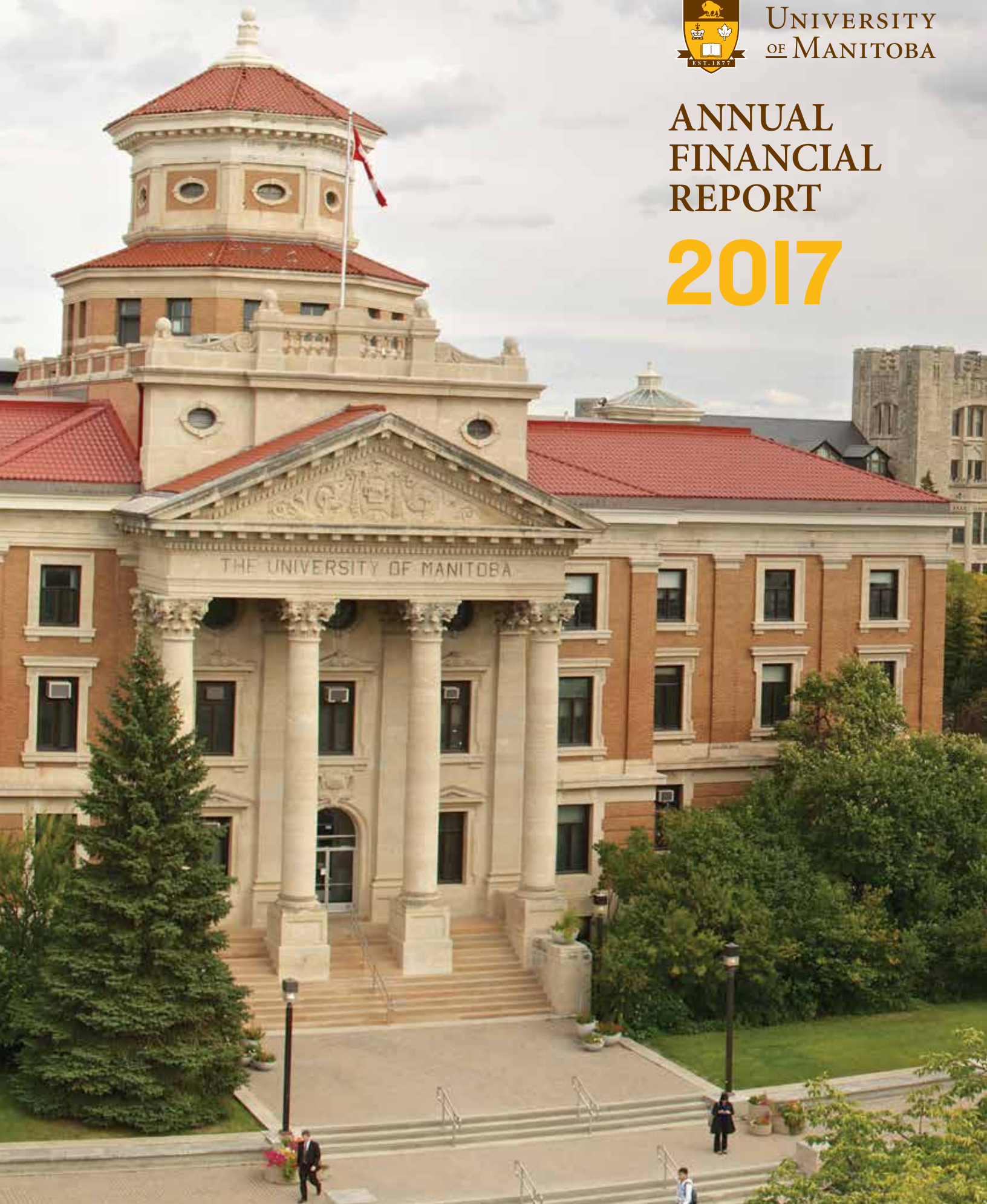




UNIVERSITY  
OF MANITOBA

ANNUAL  
FINANCIAL  
REPORT

2017





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

# MISSION VISION VALUES

## MISSION:

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

## VISION:

To take our place among leading universities through a commitment to transformative research and scholarship, and to innovative teaching and learning – uniquely strengthened by Indigenous knowledge and perspectives.

## VALUES:

To achieve our vision, we require a commitment to a common set of ideals. The University of Manitoba values: Academic Freedom, Accountability, Collegiality, Equity and Inclusion, Excellence, Innovation, Integrity, Respect, and Sustainability.

# REPORT OF THE BOARD OF GOVERNORS

## To the Minister of Education and Training, 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, 2017 is herewith submitted to the Minister of Education and Training. 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 Education and Training.

The following are included with this Report: Management Discussion and Analysis, Statement of Management Responsibility for Financial Reporting, and Independent Auditor's Report.

### RECEIPTS AND EXPENDITURES: SUMMARY OF GENERAL OPERATING FUND RESULTS

(in thousands of dollars)

|  | Year Ended March 31 |                   |
|--|---------------------|-------------------|
|  | 2017                | 2016              |
| Revenues and Other Additions                           | \$ 650,667          | \$ 631,781        |
| Expenditures and Other Deductions                      | 548,371             | 536,163           |
| Net Revenues   | 102,296             | 95,618            |
| Net Appropriated To Specific Provisions                | (36,137)            | (8,483)           |
| Inter-Fund Transfers                                   | (66,141)            | (87,051)          |
| Net Increase to Fund Balance from Operating Activities | 18                  | 84                |
| Remeasurement Gains (Losses)                           | 142                 | (1,096)           |
| <b>Net Increase (Decrease) to Fund Balances</b>        | <b>\$ 160</b>       | <b>\$ (1,012)</b> |

Additions exceeded deductions by \$102.3 million for the current fiscal year. Net appropriations of \$36.1 million were made to specific provisions and an amount of \$66.1 million was transferred to other funds. The resulting net surplus of \$0.2 million has been added to the general operating balance in the General Operating Fund, increasing it to a balance of \$2.4 million as at March 31, 2017.

### INVESTMENTS: INVESTMENT HOLDINGS AT MARCH 31, 2017 WERE AS FOLLOWS (AT FAIR VALUE):

(in thousands of dollars)

|                                       |                   |
|---------------------------------------|-------------------|
| Canadian Bonds and Other Fixed Income | \$ 133,282        |
| Canadian Equities                     | 214,821           |
| U.S. Equities                         | 209,002           |
| International Equities                | 117,034           |
| Preferred Shares                      | 36,936            |
| Pooled Real Estate                    | 113,248           |
| Bankers Acceptances, Guaranteed       |                   |
| Investment Certificates and Cash      | 8,614             |
| Other                                 | 1,974             |
|                                       | <b>\$ 834,911</b> |

# REPORT OF THE BOARD OF GOVERNORS

## MEMBERS OF THE BOARD OF GOVERNORS:

### Chair

Jeff Lieberman, B.A., B.Comm.(Hons.)

### Vice-Chair

Rafi Mohammed, B.R.S.

### 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), LL.M. (York)

### Appointed by the Lieutenant-Governor-in-Council:

Steve Demmings, M.C.P.

Laurel Hyde, B.S.A.

Kathryn Lee, B.Comm.(Hons.), CPA

Judith Linden, B.N.

Jane MacKenzie, Cert. Ed., M.Ed., B.A.

Heather Maxted, B.Comm.(Hons.)

Rafi Mohammed, B.R.S.

Marc Mollot, B.Sc., D.M.D.

Kimber Osioy, B.Sc.(C.E.), M.Sc.

Michael Silicz, B.A.,(Hons.), M.A., LL.B.,  
M.P.Admin.

### Elected by Senate

John Anderson, B.Sc., M.Sc., Ph.D.

Jonathan Beddoes, Ph.D., P. Eng.

Jeffery Taylor, B.A., M.A., Ph.D.

### Elected by Graduates

Shona Connelly, B.A., M.A.

Jeff Lieberman, B.A., B.Comm. (Hons.)

Jerome Knysh, B.Sc.(I.E.), M.B.A.

### Appointed by the University of Manitoba Students Union

Allison Kilgour

Tanjit Nagra

Carl Neumann, B.A., B.Ed.

### University Secretary

Jeff M. Leclerc, B.Ed., M.Ed., C.Dir.

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

Original signed by  
Jeff Lieberman, Chair.



## THE UNIVERSITY OF MANITOBA: OUR 140TH YEAR

The University of Manitoba is taking its place among leading Canadian universities through a commitment to innovative teaching and learning, and transformative research and scholarship – uniquely strengthened by Indigenous knowledge and perspectives. In 2016-17, the University celebrated its 140th year as the oldest university in western Canada and only research-intensive university in Manitoba. Established in 1877, and as this significant milestone passes, the University reflects back on its long history – how we’ve impacted our students, our community, our country and our world.

With our 140th anniversary in 2017 comes the achievement of other milestones as well. Fall Term 2016 marked our largest fall student enrolment to date at 29,987<sup>1</sup> students who represented 116 countries. The 2016-17 academic year also saw the highest enrolment of Indigenous<sup>2</sup> students in our history, who now comprise 8.0% of our total student population.

The University is pleased to have retained its status as one of Manitoba’s Top 25 Employers for 2017. Since the hiring of the “Original Six” in 1904 – the University’s first dedicated faculty members – the University now employs 4,785 full-time equivalent staff comprised of 2,298 faculty, 2,321 administrative staff and 166 staff in Ancillary Services. People drive the success of the University, as faculty and staff are dedicated to providing students with the exceptional education that they expect and deserve.

In 1883, the University’s first benefactor, Alexander Kennedy Isbister, left a bequest of \$83,000 and a legacy to the University of Manitoba to provide scholarships and prizes to students based on merit – regardless of sex, race, creed, language or nationality – which became the impetus for the creation of the University’s Endowment Fund. Now one of the largest Canadian university endowment funds of its kind, the University Investment Trust has grown to a market value \$677.2 million – its largest value to date.

Despite these milestone achievements, the University was not without challenge in 2016-17: a change in Provincial government, a labour disruption by its faculty members, and limited funding for the renewal of our aging infrastructure all had an impact on the University. As a consequence, the University took measures to control its costs and conserve resources in order to support future operations and initiatives. In fiscal 2016-17, the University’s Net Revenue from Operating Activities was \$134.1 million, which reflected contributions by our benefactors to our Endowment Fund, funding earmarked for future capital projects and research endeavors, and funding that has been set aside to support our ongoing operations and future initiatives. The following table summarizes the operating results of the University for the year ended March 31, 2017.

### SUMMARY OF OPERATING RESULTS

(in thousands of dollars)

|                                       | General Funds    | Restricted Funds | Endowment Fund   | 2017 Total Funds  | 2016 Total Funds |
|---------------------------------------|------------------|------------------|------------------|-------------------|------------------|
| Revenue                               | \$ 650,667       | \$ 264,854       | \$ 20,833        | \$ 936,354        | \$ 927,709       |
| Expenses                              | 548,371          | 253,912          |                  | 802,283           | 794,992          |
| Net Revenue from Operating Activities | 102,296          | 10,942           | 20,833           | 134,071           | 132,717          |
| Inter-Fund Transfers                  | (70,765)         | 64,870           | 5,895            |                   |                  |
| Net Increase to Fund Balance from     |                  |                  |                  |                   |                  |
| Operating Activities                  | 31,531           | 75,812           | 26,728           | 134,071           | 132,717          |
| Remeasurement Gains (Losses)          | 142              | 18,585           | 42,836           | 61,563            | (46,831)         |
| <b>Net Increase to Fund Balance</b>   | <b>\$ 31,673</b> | <b>\$ 94,397</b> | <b>\$ 69,564</b> | <b>\$ 195,634</b> | <b>\$ 85,886</b> |

The University continues to engage its community in its decisions regarding resource allocation and work towards enhancing financial transparency as a means to enhance financial stewardship and prepare for future uncertainties. Even with these challenges, the University continued to strive toward achieving its mission and strategic priorities.

<sup>1</sup> As at November 1, 2016. Includes B.Sc.(Dentistry), B.Sc.(Medicine), and Joint Master’s Program students based on workload calculations.

<sup>2</sup> Indigenous identity is a voluntary self-declaration made on admission forms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TAKING OUR PLACE

Our strategic approach to investment decisions is guided by *Taking Our Place: The University of Manitoba Strategic Plan 2015-2020*. Approved by the University's Senate and Board of Governors in November 2014, *Taking Our Place* was developed on the strength of extensive consultation across a wide spectrum of the University community, reflecting the planning priorities shared among faculty, staff, students and alumni.

The 2016 Provincial Budget provided the University with an operating grant increase of 2.5%, and tuition and course related fee increases by up to the inflation rate of 1.2%. The University's operating budget for 2016-17 approved by the Board of Governors allowed the University to invest \$3.8 million of ongoing funding and \$27.9 million of one-time funding in the *Taking Our Place* priorities.

*Taking Our Place* allows the University to sharpen its focus on teaching and research and more deliberately articulate the University's future role in the broader community. *Taking Our Place* continues to drive the University's approach to strategic resource management, reflects our commitment to support our talented faculty, staff and students, and promotes engagement within the communities we serve. The University is committed to working within this context, to invest available funds in a strategic manner and manage toward a sustainable future.

## FINANCIAL OVERVIEW

A university is a complex organization which undertakes several activities. These activities include teaching, research, community service and ancillaries such as student residences, parking services and bookstore operations. In addition, a university maintains its own infrastructure including buildings, roadways, parking lots, computer systems, research equipment, office furnishings and library offerings.

Because of the diverse nature of our activities and the restrictions imposed by our funders, the University segregates its revenue and expenses into separate categories, otherwise known as Funds. The University uses three categories of Funds to account for its financial resources: the General Funds, the Restricted Funds and the Endowment Fund.

**General Funds** consist of the:

### **General Operating Fund**

The General Operating Fund accounts for revenues received for operating purposes that support the University's academic, administrative and operational costs. Revenue recognized in this Fund includes tuition, our operating grant from the Province of Manitoba, and revenue from our Ancillary Services (bookstore sales, residence and parking fees). Expenses paid from this Fund are those that are needed to keep the University in operation. This University's largest expenses are paid from the General Operating Fund, and include the salaries and benefits of our faculty and staff, materials and supplies, utilities, plant maintenance, libraries, student services and other support services.

### **Specific Provisions Fund**

The Specific Provisions Fund consists of resources that have been set aside by the University for specific purposes. The largest single element of this Fund is carryover, which is the accumulated amount of any excess operating funding that is left over at the end of a fiscal year, and is used to fund operations in the next fiscal year. Other funding set aside in the Specific Provisions Fund has been earmarked for specific initiatives, graduate scholarships, equipment replacement and for fiscal stabilization.

### **Expenses Funded from Future Revenues Fund**

The Expenses Funded from Future Revenues Fund always has a negative fund balance. Under accounting standards, we are required to record certain liabilities such as future vacation pay, sick leave benefits, and our pension deficit. The employer costs or payments in any given year are recorded as an expense of the General Operating Fund, however, any change in the long-term liability is recorded against the Expenses Funded from Future Revenues Fund to guard against fluctuations within the General Operating Fund.



**Restricted Funds** consist of the:

## Research and Special Fund

The Research and Special Fund is used to account for the University's revenue and expenses related to sponsored research and other special activities. Revenue recognized in this Fund must be used in accordance with contracts and agreements between the University and its external sponsors of research and other special activities, and cannot be used to support general operations.

## Capital Asset Fund

The Capital Asset Fund houses the University's capital assets and capital-related debt. Capital assets include land, buildings, equipment and library books that have been acquired or donated with the expectation that they will be used for a number of years to help deliver the University's mandate. The Capital Asset Fund also consists of funding that can only be used to purchase or build capital assets, support future costs of capital upgrades or replacement, and funding that can only be used to repay debt that was used to buy or build capital assets. Because of this, the only expenses recognized in the Capital Asset Fund are amortization of capital assets, interest paid on debt, and losses on the disposal of capital assets.

## Staff Benefits Fund

The Staff Benefits Fund houses funding to support the benefit plans of the University's employees, and can only be used for that purpose. It consists of employee contributions to the Long Term Disability Plan, and the University's contributions to the Long-Term Disability and other benefit plans offered by the University. Funding is set aside in this Fund as the University is obligated to fund these benefit plans for its employees.

## Trust Fund

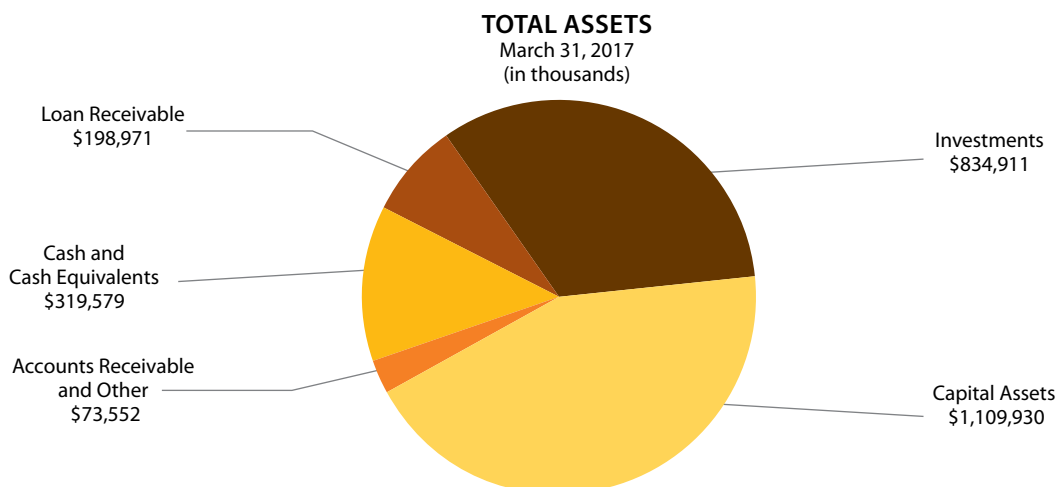
The Trust Fund accounts for funding that has been gifted or bequeathed to the University and can be used in its entirety, according to donor restrictions. Resources within the Trust Fund and any income earned from these resources can be used to support faculties and schools, students, professorships, chairs, research, libraries and athletic programs, to name a few.

The **Endowment Fund** houses resources that have been gifted or bequeathed to the University under the condition that they be held in perpetuity to support the future of the University. These donations are recorded as revenue in the Endowment Fund. However, the income earned from investing these gifts is accounted for in the Trust Fund so it can be used for specific purposes, as outlined previously.

## Assets and Liabilities

### Assets

The University's total assets at March 31, 2017 were \$2.5 billion. Capital assets and investments held in the Trust and Endowment Funds accounted for 76.7% of total assets. Details of the University's assets at March 31, 2017 are depicted below.



# MANAGEMENT DISCUSSION AND ANALYSIS

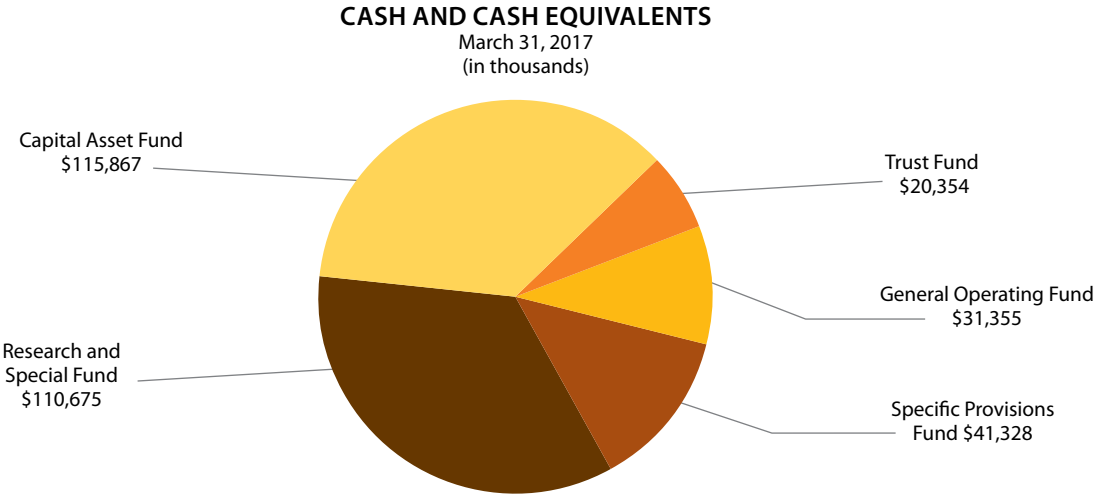
Investments and Capital Assets are discussed later in this report, and are further detailed in Notes 6 and 8 respectively.

The Loan Receivable represented amounts due from Triple B Stadium Inc. All of this receivable was offset by Long Term Debt due to the Province of Manitoba. An increase of \$7.6 million represented accrued interest.

Cash and Cash Equivalents held by the University at any time is a result of timing differences between when revenues are received and expenses are incurred. This is particularly true of research and capital projects, where revenue often is received in one year and the research or capital projects continue over multiple fiscal years. As the University constantly has multiple initiatives underway, it must manage its working capital appropriately to ensure that resources are available when they are needed. To enhance operational efficiency and reduce costs, cash is managed on a pooled basis, and depending on cash flow requirements may at times be invested into cash equivalents, or short-term investments, in order to earn interest income.

At March 31, 2017, the University had a Cash and Cash Equivalents balance of \$319.6 million, comprised of \$72.8 million of cash in bank and cash equivalents of \$246.8 million. Cash Equivalents consisted of Guaranteed Investment Certificates (GICs), all with staggered maturities equal to or less than one year.

Cash and Cash Equivalents within each of the Funds is illustrated below.



The majority of Cash and Cash Equivalents were held in the Capital Asset Fund and the Research and Special Fund. Within the Capital Asset Fund were resources that had been earmarked by our donors, funders, academic and administrative units and University administration for future major capital projects and equipment purchases. Funding is often set aside over multiple years in anticipation of future capital projects, or received at project onset then spent over the life of a project which may span multiple fiscal years. At March 31, 2017, the Capital Asset Fund had a Cash and Cash Equivalents balance of \$115.9 million. This included, among other funding, \$27.1 million set aside for Provincial debt repayment; \$19.4 million for a Centre for Music, Art and Design, which includes \$13.4 million of donations; \$18.5 million of funding from donors and other sources for learning space renewal; \$13.9 million from the Federal government and other sources for the construction of the Churchill Marine Observatory; \$10.6 million from the Federal and Provincial governments, donors and other sources for the construction of the SmartPark Innovation Hub and Stanley Pauley Engineering Innovation Centre; \$10.2 million from Ancillary Services intended for the future construction of a new residence on the Fort Garry campus; and \$6.1 million of funding from the Provincial government and other sources for infrastructure renewal. Details on the University’s capital projects are found later in this report.

The Research and Special Fund’s Cash and Cash Equivalents balance at March 31, 2017 represented funding received from the University’s external sponsors of research. These resources were provided to the University specifically to conduct research, and any Cash and Cash Equivalents balance remaining at the end of a fiscal year represented the portion of this funding that has not yet been spent. Often funding received is for research projects that span multiple fiscal years, resulting in a Cash and Cash Equivalents balance at March 31 each year. Details on research-related revenues and expenses are found later in this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Specific Provisions Fund balance, which represented funding set aside to support operations and initiatives in future years, was maintained in both Cash and Cash Equivalents and Long Term Investments. Maintaining a balance of Cash and Cash Equivalents in this Fund ensures that the academic and administrative units have ready access to the resources they need to fund their operations and initiatives within the next fiscal year. The Cash and Cash Equivalents balance is replenished as required by the proceeds of long term investments realized as they mature. The Specific Provisions Fund is discussed later in this report.

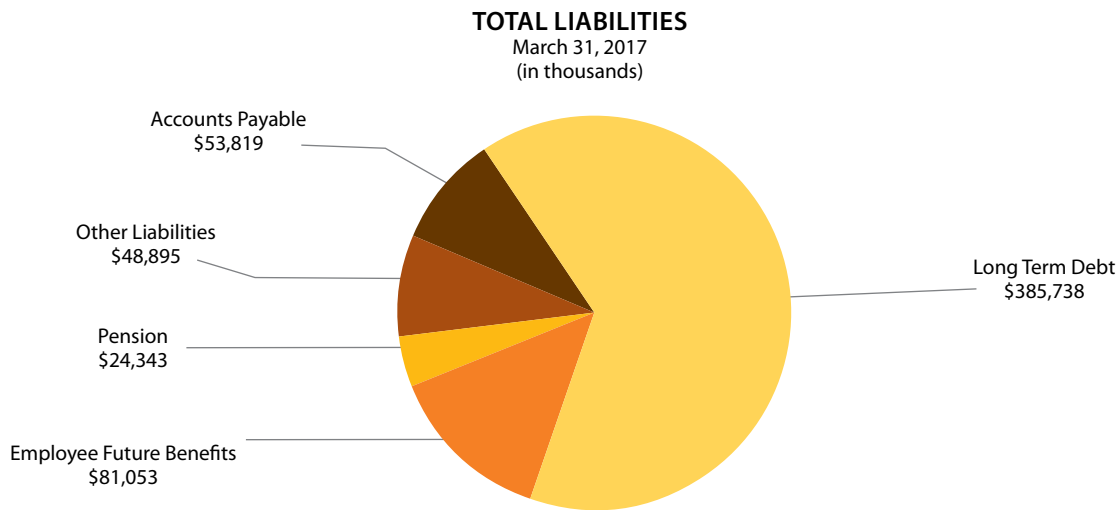
The Cash and Cash Equivalents balance held in the General Operating Fund represented working capital needed to meet the University's short-term obligations and fund our day-to-day operations.

The Trust Fund's Cash and Cash Equivalents balance of \$20.4 million represented donations held as cash equivalents in the Specific Trusts (\$14.0 million), and \$6.4 million of cash held with the investment managers of the University Investment Trust.

At March 31, 2017, the Staff Benefits Fund and the Endowment Fund had no Cash and Cash Equivalents balance as the resources held in these Funds were fully invested.

## Liabilities

The University's total liabilities at March 31, 2017 were \$593.8 million. Details of the University's liabilities at March 31, 2017 are depicted below.



More than half of the Long Term Debt consisted of a loan payable to the Province of Manitoba, which was offset by a Loan Receivable from Triple B Stadium Inc. for the construction of Investors Group Field. Long Term Debt also included loans made to the University for such initiatives as the construction of student residences and other buildings.

Further details on the University's liabilities at March 31, 2017 are found in Notes 9, 10, 11 and 14.

## Fund Balances

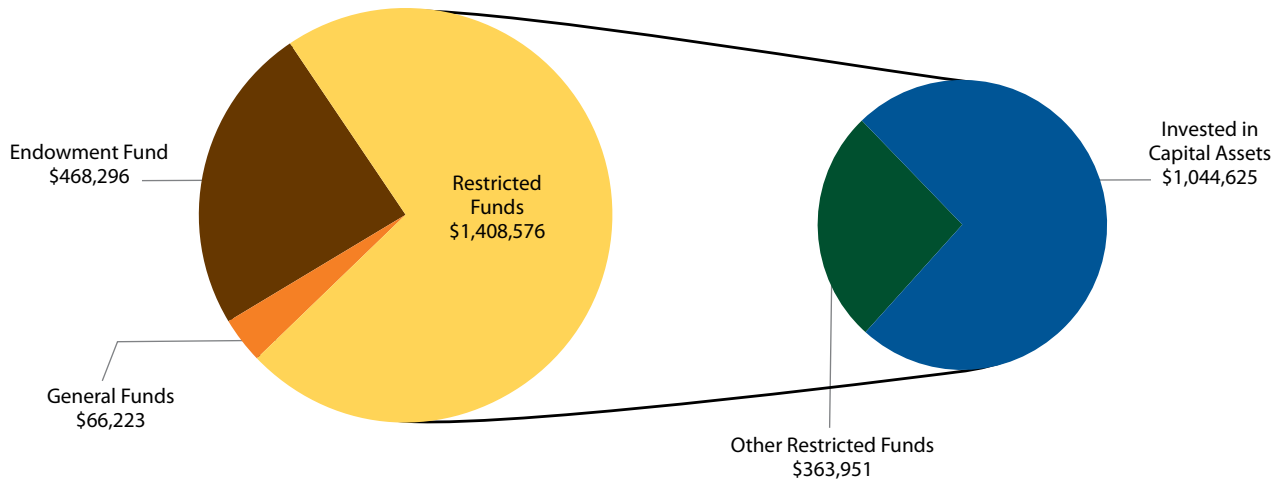
Fund balance is simply defined as total assets less total liabilities. It does not necessarily represent expendable resources as a large part of the balance is comprised of buildings and equipment which cannot be readily converted to cash.

At March 31, 2017, the University had a fund balance of \$1.9 billion across all funds. This was an increase of \$195.6 million from the previous year. The following diagram illustrates the distribution of the fund balance across the three categories of Funds – General Funds, Restricted Funds, and the Endowment Fund.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUND BALANCES

March 31, 2017  
(in thousands)



At March 31, 2017, the General Funds fund balance of \$66.2 million was composed of a balance of \$2.3 million in the General Operating Fund and \$133.8 million in the Specific Provisions Fund, offset by a negative fund balance in the Expenses Funded from Future Revenues Fund of \$69.9 million. As a not-for-profit organization, the University's General Operating Fund is balanced each year by setting aside funding in either the Specific Provisions Fund or the Capital Asset Fund to support future operations, initiatives and projects.

At March 31, 2017, the University's Restricted Funds balance totaled \$1.4 billion, of which \$1.0 billion had been invested in capital assets or earmarked for major capital projects, and the balance attributed to the Trust Fund (\$213.0 million), the Research and Special Fund (\$142.2 million), and the Staff Benefits Fund (\$8.8 million). This funding was either provided to the University for a specific purpose, or was set aside in order to meet certain legal and contractual obligations. It included restricted donations held in the Trust Fund, funding held in the Research and Special Fund that must be used to conduct research, and contributions made to fund employee benefit plans. Because of these factors, this fund balance could not be used to support our general operations.

The Endowment Fund accounted for \$468.3 million of the University's overall fund balance at March 31, 2017. As the resources in this Fund consisted of donations that had been directed by our benefactors to be held in perpetuity for the benefit of our future generations, we also could not use this fund balance to support our general operations.

Further to the classification of the University's fund balances into the General, Restricted and Endowment Fund categories for accounting purposes, fund balances are also categorized as unrestricted, internally restricted and externally restricted. Details on this are found in Notes 23 and 24.

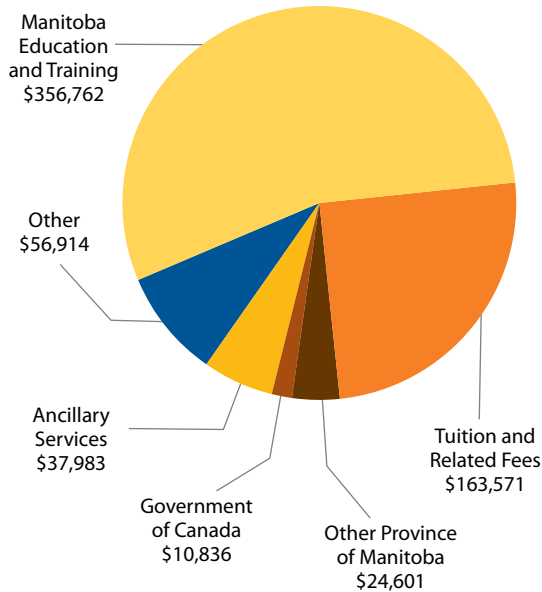
## Revenue

The University earns revenue from a variety of sources. Revenue earned in our General Fund is our operating revenue, which is used to keep the University in operation. Revenue earned in our Restricted Funds can only be used for specific purposes, such as to conduct research, to build or purchase capital assets, or to support student scholarships and awards. Donations are the only revenue recorded in the Endowment Fund.

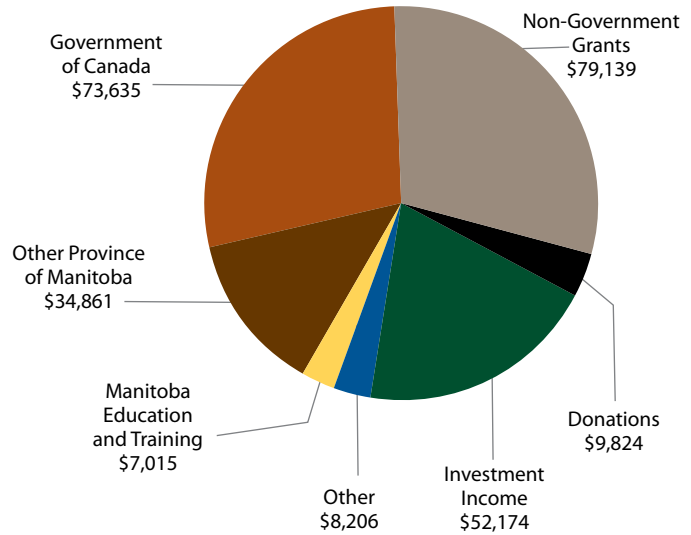
In 2016-17, the University recorded \$936.4 million of total revenue across all Funds, an increase of \$8.6 million from the previous year. Total revenues received in 2016-17 were recorded in each Fund as follows:

# MANAGEMENT DISCUSSION AND ANALYSIS

**GENERAL FUNDS REVENUE**  
2016-17  
(in thousands)



**RESTRICTED FUNDS REVENUE**  
2016-17  
(in thousands)



Details on the categorization of revenue in each of the individual Funds are found in Notes 20 and 21.

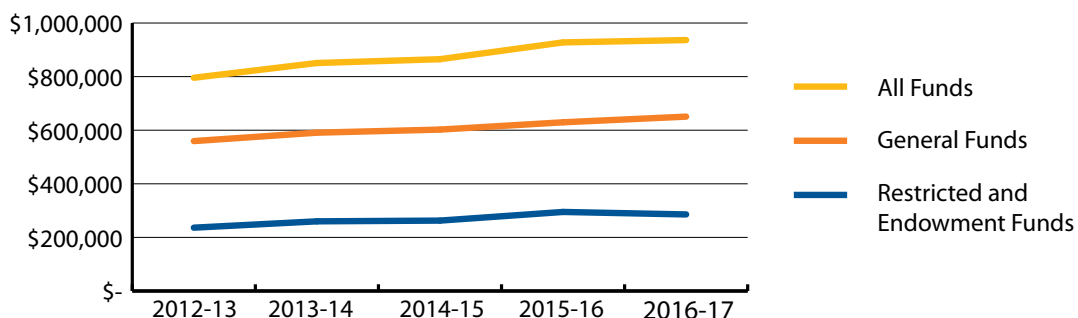
The University's most significant funder is the Province of Manitoba. In 2016-17, revenues from Provincial departments and agencies totaled \$423.2 million or 45.2% of total revenues. Province of Manitoba revenue decreased by \$4.7 million from the prior year due to a decrease of \$16.4 million of capital and research-related funding offset by an increase in our operating grant from Manitoba Education and Training of \$9.6 million and increased operating revenue from Manitoba Health of \$2.3 million.

The University's second largest source of income is Tuition and Related Fees, which in 2016-17 totaled \$163.6 million and was 17.5% of the University's total revenue. This was an increase of \$3.6 million from the prior year. The increase in Tuition and Related Fee revenue was attributed to a tuition and course-related fee increase of 1.2% as allowed by the Province of Manitoba, and to international differential fee increases associated with an increase in enrolment of international students.

In 2016-17, support from the Government of Canada resulted in the University receiving \$84.5 million in Federal funding, which was 9.0% of the University's total revenue. This was an increase of \$2.7 million from the prior year, which was attributed to an increase in research-related funding.

The following graph shows revenue growth over the last five years, which has been relatively consistent across the Fund categories.

**TOTAL REVENUE**  
2012-13 to 2016-17  
(in thousands)



# MANAGEMENT DISCUSSION AND ANALYSIS

The drivers of General Funds revenue differ from those of our Restricted and Endowment Fund revenue. For instance, as we experience increases in student enrolment and increases to our tuition fee rates as permitted by the Province of Manitoba, an increase in Tuition and Related Fees revenue will result. The combination of these two drivers has had the most significant influence on the growth of our General Operating Fund revenue over the past five years.

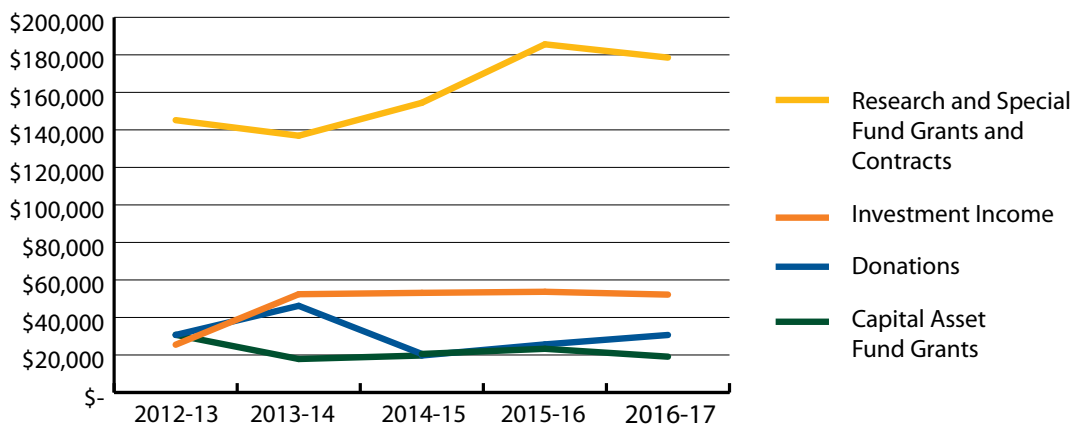
Further driving our revenue growth in the General Funds have been increases to our operating grant from the Province of Manitoba. Because we rely so heavily on our operating grant from Manitoba Education and Training, any change in our operating grant significantly impacts our ability to fund operations.

In the Restricted and Endowment Funds, the focus shifts to our researchers and benefactors as the drivers of revenue. The dedication of the University’s researchers to expanding our world-class research programs and commitment to innovation have resulted in increased research-related grants and contracts being the most identifiable source of revenue growth in the Restricted Funds. Research-related grants and contracts come from various sources, which are discussed in detail later in this report.

Further contributing to revenue growth in the Restricted and Endowment Funds is the continued generosity of our benefactors. With the launch of the Front and Centre Capital Campaign, the University has experienced growth in its donation revenue which in turn enables the University to provide increased financial assistance to its students; enhances the support of our staff and operations; helps us improve our campus facilities for our students, faculty and staff; and provides increased financial security to our future generations of students.

The differing dynamics of the revenue types in the Restricted and Endowment Funds are illustrated in the following graph.

**RESTRICTED AND ENDOWMENT FUNDS  
SELECT REVENUES**  
2012-13 to 2016-17  
(in thousands)



Most notable in the above graph is the significant increase in research-related funding from grants and contracts since fiscal 2013-14. As the University strives to achieve its strategic priority of Driving Discovery and Insight, our researchers have expanded our global reach and attracted international attention from agencies dedicated to quality research and innovation. For instance, over the past five years The Bill and Melinda Gates Foundation has contributed \$102.0 million to the University’s research and public health programs in India, Kenya and elsewhere. This funding has been instrumental to the growth of Research and Special Fund revenue. Research-related revenues are discussed in further detail later in this report.

Variations in Investment Income can be muted due to the accounting standard requiring separate measurement of unrealized gains and losses on investments, as explained later in this report. While Investment Income and Donation revenue have remained relatively consistent over the past five years, capital-related grants received by the University can vary from one year to the next. Although the University is provided with an annual grant from the Province of Manitoba in support of our deferred maintenance, the major capital projects we undertake are driven by the approval of our requests to both the Provincial and Federal governments for capital-related funding. Depending on the number of capital projects



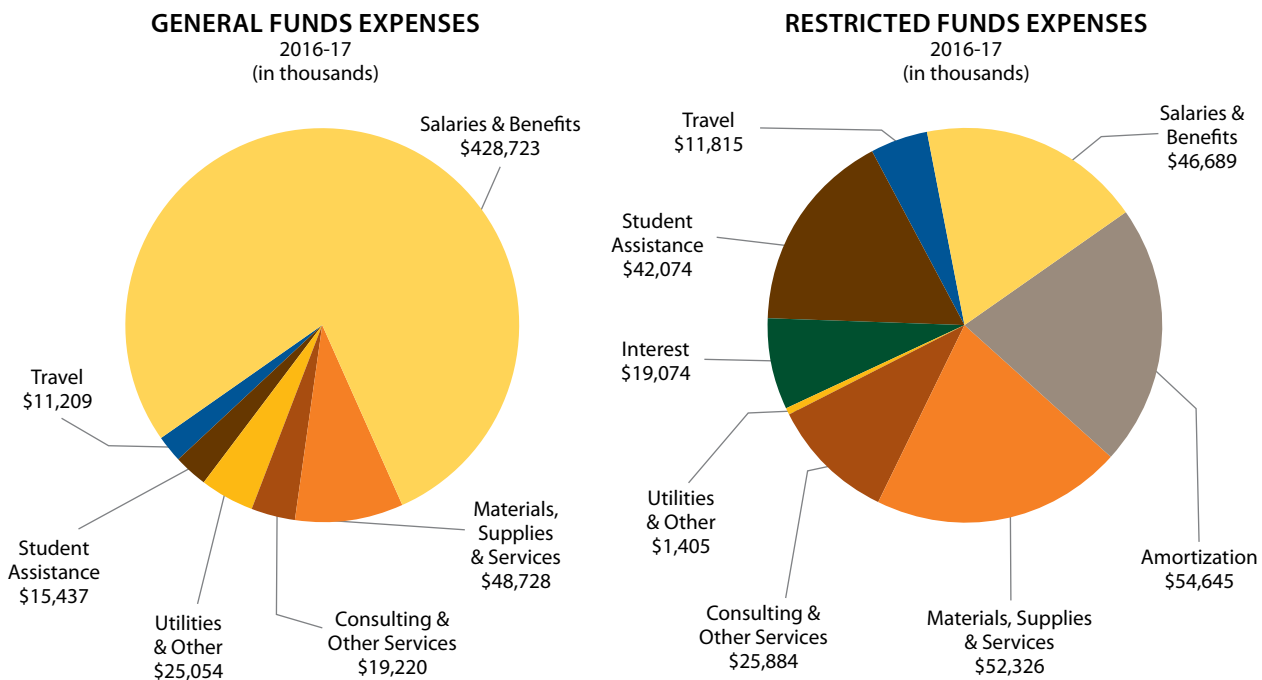
# MANAGEMENT DISCUSSION AND ANALYSIS

supported by the Provincial and Federal governments, if any, and the size of these projects, there can be a significant year-over-year variance in Restricted and Endowment Fund revenue, as well as our cash balances.

## Expenses

Like revenue, expenses are recorded in the various Fund categories according to their purpose. Expenses incurred to keep the University in operation are recorded in the General Funds, and expenses incurred for example, to conduct research, manage investments in the Trust and Endowment Funds, and service our debt, are recorded in the Restricted Funds. The Endowment Fund does not incur any expenses.

In 2016-17, the University recorded \$802.3 million of expenses across all Funds. This was an increase of \$7.3 million from the previous year. The General Funds incurred expenses of \$548.4 million, and the Restricted Funds incurred expenses of \$253.9 million. The types of expenses incurred in each Fund in 2016-17 are illustrated below.



Details on the categorization of expenses in each of the individual Funds are found in Notes 20 and 21.

### Compensation

By far, the University's most significant expense is faculty and staff compensation. In 2016-17, the University incurred Salaries and Benefits of \$475.4 million, which was 59.3% of total expenses. The University's compensation-related expenses are largely governed by collective bargaining agreements which can be subject to Provincial government mandates. In 2016-17, the University experienced a decrease in Salaries expense of \$7.5 million that was offset by an increase in Staff Benefits and Pay Levy expense of \$18.9 million. The decrease in Salaries expense was due primarily to the impact of the UMFA labour disruption and no inflationary increase in salaries for this and other compensation groups, and from incurring one-time costs in the prior year associated with a Voluntary Early Retirement Plan. The increase in Staff Benefits expense of \$18.9 million was mainly due to a net change in the actuarially-determined pension and employee benefit valuations.

### Other Expenses

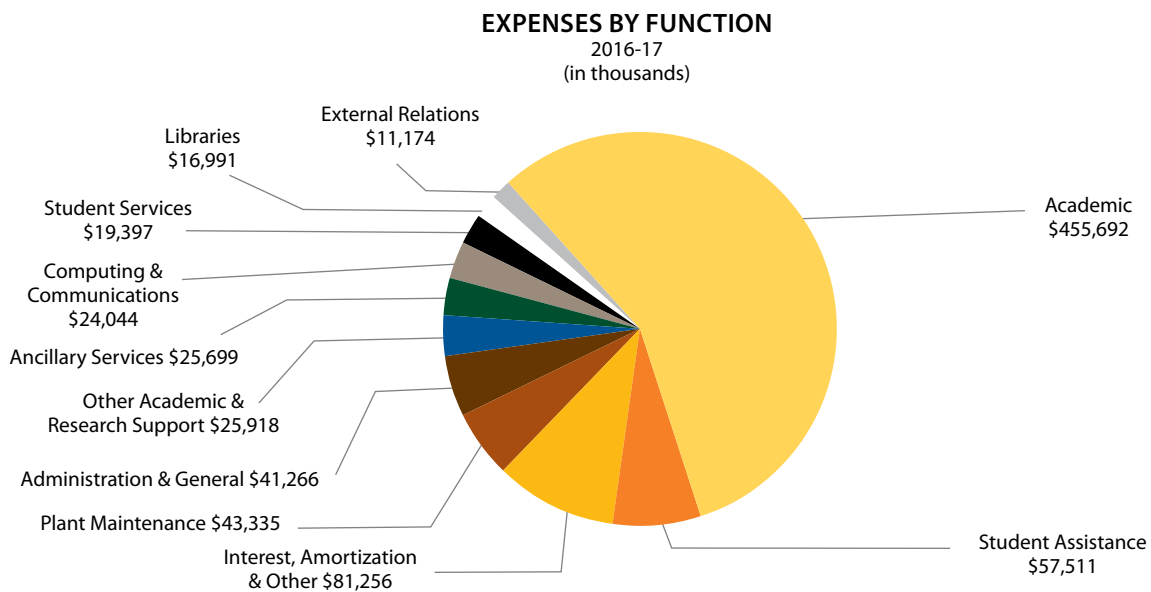
Other significant expenses incurred in 2016-17 included Materials, Supplies and Services of \$101.1 million or 12.6% of total expenses. These expenses included the materials and supplies needed, for example, to deliver our education programs, conduct experiments and testing in labs for research and teaching purposes, and to stock our bookstores. In 2016-17, Materials, Supplies and Services expense decreased by \$8.0 million from the prior year, primarily due to planned efforts to

# MANAGEMENT DISCUSSION AND ANALYSIS

reduce operating-related spending, and because in the prior year the University flowed a payment of \$3.7 million through from the Province of Manitoba to Triple B for Investors Group Field improvements, which did not occur in 2016-17. This expense was offset by \$3.7 million of revenue from the Province of Manitoba.

Student Assistance is also a major expenditure of the University, and is primarily incurred in the Restricted Funds. As investment income is earned in the Trust and Endowment Funds, some of it is redistributed to our students in the form of scholarships, prizes and bursaries in accordance with donor requests. The funding of Student Assistance is also derived from our research-related revenue, as students participating in our research projects are often eligible to receive financial assistance as part of their learning experience. Further, a significant portion of Tuition and Related Fees revenue is redistributed back to our students as financial assistance. In 2016-17, the University provided \$57.5 million of Student Assistance, which comprised 7.2% of total expenses.

The following diagram depicts where the University spent its funding in 2016-17. Further details on expenses by function can be found in Note 19.



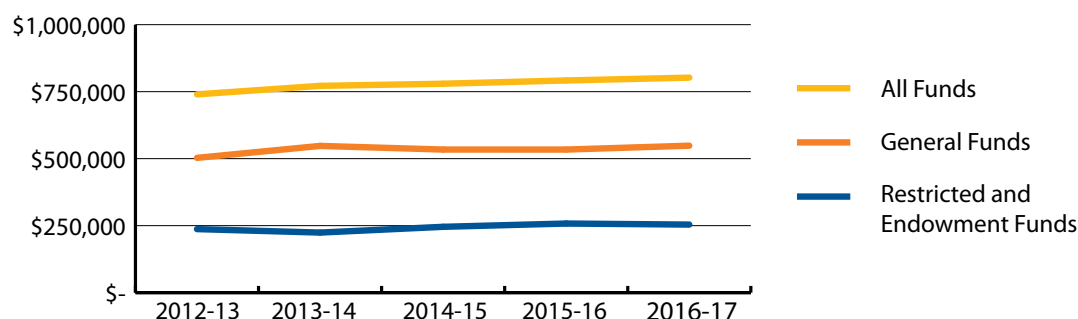
Similar to compensation-related expenses, the majority of expenses incurred by the University are to directly carry out our primary mission of teaching our students and conducting research. All other expenditures incurred are in support of these functions. For example, Administration and General expenses in 2016-17 included \$3.2 million of costs associated with a project the University undertook to redesign its budget model to increase the transparency of and accountability for the University's finances and resource allocation. The project is being led by the Provost and Vice-President (Academic) with input from academic and administrative unit leaders, and faculty and staff.

The following illustration shows the growth of the University's total expenses across the major Fund categories over the last five years. Expenses have remained relatively consistent from year to year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TOTAL EXPENSES

2012-13 to 2016-17  
(in thousands)



## Inter-Fund Transfers

Inter-fund transfers are transfers of resources from one Fund to another. They are made when resources held in one Fund are used to pay for activities that are required to be recorded in another Fund for accounting purposes. Inter-fund transfers are made for transactions that have already occurred, as well as for transactions planned to be made in the future.

In 2016-17, a net \$102.3 million of inter-fund transfers were made from the General Operating Fund. The following table is a summary of the net inter-fund transfers made between the University's Funds during 2016-17.

## 2016-17 INTER-FUND TRANSFERS

(in thousands)

| Purpose                                 | Expenses Funded from   |                          |                      |                    |                           |                     |                   |                 |
|---|------------------------|--------------------------|----------------------|--------------------|---------------------------|---------------------|-------------------|-----------------|
|   | General Operating Fund | Specific Provisions Fund | Future Revenues Fund | Capital Asset Fund | Research and Special Fund | Staff Benefits Fund | Trust Fund        | Endowment Fund  |
| Capital Asset Funding                   | \$ (65,255)            | \$ 1,072                 | \$                   | \$ 69,742          | \$ (4,707)                | \$                  | \$ (852)          | \$              |
| Carryover and Other Specific Provisions | (44,503)               | 44,503                   |                      |                    |                           |                     |                   |                 |
| Debt Repayment                          | (15,196)               |                          |                      | 15,196             |                           |                     |                   |                 |
| Student Support                         | (8,929)                |                          |                      |                    | (44)                      |                     | 8,963             | 10              |
| Pension Liability                       | 3,771                  |                          | (3,771)              |                    |                           |                     |                   |                 |
| Other Net Transfers                     | 5,050                  |                          | (817)                | (206)              | (741)                     | (2,880)             | (6,291)           | 5,885           |
| Support of Operating Expenses           | 22,784                 | (9,474)                  |                      | (1,448)            | (2,317)                   |                     | (9,545)           |                 |
| <b>Net Transfers</b>                    | <b>\$(102,278)</b>     | <b>\$ 36,101</b>         | <b>\$ (4,588)</b>    | <b>\$ 83,284</b>   | <b>\$ (7,809)</b>         | <b>\$ (2,880)</b>   | <b>\$ (7,725)</b> | <b>\$ 5,895</b> |

The more significant transfers to and from the General Operating Fund included:

- Transfers of \$65.3 million from the General Operating Fund to the Capital Asset Fund were comprised of:
  - \$30.3 million for strategic priorities, which included \$10.0 million for learning space renewal, \$6.6 million for preventative maintenance, \$6.0 million for a proposed concert hall, \$1.7 million for energy conservation, \$1.0 million for road renewal, \$1.0 million for Bannatyne Dining Services upgrades, \$0.9 million for the renovation of the Centre for Advancement of Teaching and Learning, and \$3.1 million for various other projects;
  - \$21.2 million for the purchase of capital assets including equipment, furnishings and library acquisitions; and
  - \$13.8 million for capital projects initiated by the academic and administrative units, which included, but were not exclusive to, \$4.7 million from Ancillary Services for residence renovation and construction, \$2.0 million from the

# MANAGEMENT DISCUSSION AND ANALYSIS

Vice-President (Research and International) Office for the construction of the Churchill Marine Observatory, \$0.9 million from the I.H. Asper School of Business for classroom, lab and library renovations, \$0.9 million from the Faculty of Arts for Black Hole Theatre renovations and the relocation of their general office, \$0.6 million from the Faculty of Science for classroom and Dean's Office renovations, \$0.5 million from the Faculty of Kinesiology and Recreation Management for Max Bell Fieldhouse upgrades and a new scoreboard system, and \$0.4 million from the School of Art for gallery foyer renovations;

- The transfer of carryover of \$50.0 million from the Specific Provisions Fund to the General Operating Fund at the beginning of the fiscal year, and the transfer of carryover of \$75.8 million from the General Operating Fund to the Specific Provisions Fund at the end of the fiscal year;
- Transfers of \$19.8 million from the General Operating Fund to the Specific Provisions Fund for special projects and initiatives, of which \$5.4 million was transferred in by the academic and administrative units for such initiatives as IST-related projects (\$3.5 million) and SmartPark renovations and upgrades (\$1.1 million); and \$14.4 million from central sources which included funding for future payments made under the Retirement Allowance Program for UMFA members (\$4.8 million), future pension payments (\$3.4 million), support for 2017-18 strategic priorities funded by revenue from the International College of Manitoba (\$3.4 million), and Human Resources information system renewal (\$1.5 million);
- Transfers of \$15.2 million from the General Operating Fund to the Capital Asset Fund for the repayment of debt, which consisted primarily of \$6.5 million for Ancillary Services and Active Living Centre debt, \$5.3 million for the repayment of Provincial debt, and \$2.8 million collected from students for the repayment of debt associated with technology improvements;
- Transfers of \$8.9 million from the General Operating Fund to the Trust Fund for the payment of scholarships and bursaries to students; and
- Transfers of \$22.8 million to the General Operating Fund from all other Funds by the academic and administrative units in support of operating expenses, which included \$9.5 million from the Specific Provisions Fund for various initiatives and \$9.5 million from the Trust Fund for operating expenses as supported by the terms and conditions of the various trust funds.

Inter-fund transfers are detailed further in Note 22.

## ***Specific Provisions***

During 2016-17, net inter-fund transfers of \$36.1 million were made to the Specific Provisions Fund, bringing the balance of the Specific Provisions Fund to \$133.8 million at March 31, 2017 as depicted below.

### **SPECIFIC PROVISIONS FUND**

(in thousands)

|   | 2017              | 2016             |
|---|-------------------|------------------|
| Carryover                                 | \$ 75,861         | \$ 50,068        |
| Special Projects – Centrally Funded       | 23,460            | 15,781           |
| Special Projects – Faculty or Unit Funded | 13,897            | 15,444           |
| Pension                                   | 12,862            | 9,457            |
| Other                                     | 7,689             | 6,918            |
| <b>Fund Balance</b>                       | <b>\$ 133,769</b> | <b>\$ 97,668</b> |

Carryover increased by \$25.8 million from the prior year. This was due in part to salary and other savings realized because of the UMFA labour disruption, funding set aside for future initiatives, as well as deliberate actions taken by the academic and administrative units to reduce their expenditures in order to ensure fiscal stability in future years.

Funding for centrally-funded special projects increased by \$7.7 million from the prior year, which was primarily the result of \$7.2 million being set aside for 2017-18 strategic priorities.

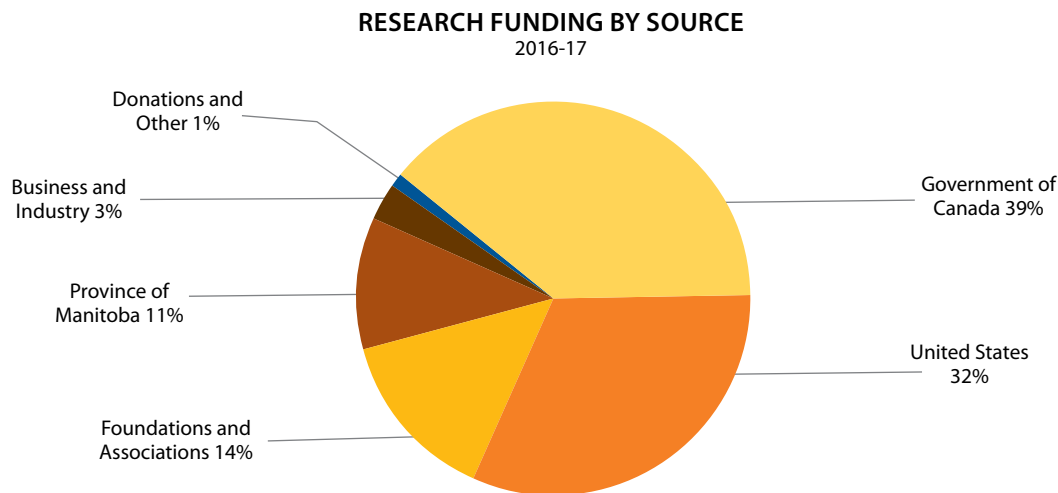
## Remeasurement Gains and Losses

Remeasurement gains and losses primarily represent unrealized gains and losses on the investments held in the University Investment Trust, which is part of the Trust and Endowment Funds. During the year, the University recorded \$61.6 million in net remeasurement gains, of which \$55.1 million represented net unrealized gains experienced as security valuations increased in most of the asset portfolios of the University Investment Trust.

## RESEARCH

In 2016-17, research at the University continued to flourish, with investment in a number of key areas. The University received \$152.3 million in sponsored or assisted research support, which was a decrease of \$7.6 million from the previous year.

Funding of the University's research activities comes from a variety of sources. The following diagram illustrates the sources of the research-related funding received during 2016-17.



The University's largest funder of research is the Government of Canada, which in 2016-17 provided 39.0% of our research-related revenue through the issuance of grants and contracts. The majority of these grants and contracts were provided by the Tri-Agency, which is comprised of the Natural Sciences and Engineering Research Council of Canada (\$19.4 million), the Canadian Institutes of Health Research (\$23.6 million), and the Social Sciences and Humanities Research Council of Canada (\$6.0 million). Other funding was provided from a variety of other Federal government departments. Funding from the Federal government decreased \$2.3 million or 3.7% from the previous year because we received a \$2.8 million dollar contribution in the prior year for the operations of the National Centre for Truth and Reconciliation which was not repeated in 2016-17.

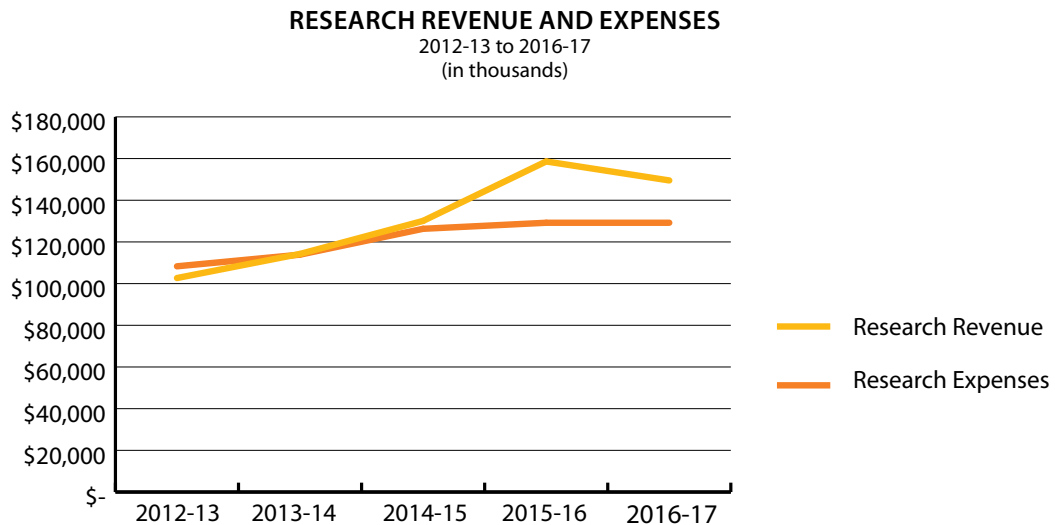
The University also received a significant portion of funding for research from sources in the United States, which provided \$47.5 million or 32.0% of research-related revenues in 2016-17. Our largest funder of research from the United States is the Bill and Melinda Gates Foundation, which provided \$38.5 million in 2016-17. The funds were directed to our Centre for Global Public Health for ongoing projects primarily related to reproductive, maternal, neonatal and child health in India, Kenya and elsewhere.

The Province of Manitoba provided the University with \$17.1 million in funding in 2016-17, or 11.2% of our research-related revenues. This amount decreased \$4.2 million or 19.6% from the previous year. The decrease is attributable to several elements including a \$1.0 million reduction in funding from Manitoba Agriculture and Research Manitoba due to the completion of certain research projects during the fiscal year, and the receipt by the Centre for Earth Observation Science of a major award from Manitoba Hydro in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the external funding we received for research, the University also transferred \$5.9 million from the General Operating Fund and \$1.7 million from the Trust Fund to the Research Fund in order to support the establishment of research programs and to supplement ongoing research.

In 2016-17, research-related expenses were \$129.2 million, which was consistent with the prior year. The following diagram illustrates the relationship between research revenue and research expenses over the past five years.



At times, research revenue is received at the commencement of a research project and may not all be spent during a particular fiscal year, as research projects often span multiple fiscal years. This often results in a differential between research revenues and research expenses, which can vary from year to year.

Expenses incurred to conduct research include, but are not exclusive to: direct compensation costs; materials including lab equipment and supplies, and those required for animal care; travel to specialized conferences in the various fields of study; and for professional consulting fees. In 2016-17 research funding also provided \$22.6 million in support of students who participate in our research activities, which amounted to 40.6% of all assistance provided to students by the University in 2016-17. This support enabled students to work with experienced researchers while they continued their studies and developed their own research activities. The Research Fund provided the University with \$4.8 million in indirect cost funding which was used to support research and defray some of the indirect costs associated with research activities. The Research Fund also provided \$4.5 million in funding for the acquisition or construction of capital assets, which included \$3.7 million for scientific and research equipment.

Research expenses were highest in the Rady Faculty of Health Sciences, at a level of \$90.7 million in 2016-17. It was followed by the Faculty of Agricultural and Food Sciences at \$18.1 million; the Faculty of Science at \$8.9 million; the Clayton H. Riddell Faculty of Environment, Earth and Resources at \$8.4 million; and the Faculty of Engineering at \$8.1 million. In 2016-17, these five faculties accounted for 88.8% of the University's research-related expenses.

## CAPITAL

The University carefully plans its capital activities and identifies and prioritizes deferred maintenance, infrastructure renewal requirements and major capital projects. The University's Visionary (re)Generation master plan will guide the design and development of the University's campuses over the next 30 years, and is a resource for the entire campus community.



## *Investment in Capital, Infrastructure and Technology*

During 2016-17, the University invested \$80.9 million in capital assets, an increase of \$4.1 million from the previous year. This included \$52.5 million for the construction of buildings, infrastructure renewal, parking lot upgrades and land improvements; \$12.9 million for library acquisitions and works of art; \$12.6 million for the acquisition of furniture, equipment and vehicles; and \$2.9 million for computer equipment and other technological improvements.

In 2016-17, the University continued to invest in the redevelopment of Tache Hall. Phase II of the project continues and will result in an addition to the building that will house custom-designed spaces for rehearsal studios, an ensemble room, a jazz studio, and a combined choral/opera rehearsal room with risers for the Desautels Faculty of Music. In 2016-17, \$18.9 million was invested in this project. The project is anticipated to continue into future years, with the anticipated completion of Phase II in 2017-18, and afterwards the construction of a proposed concert hall. This project is funded by the Province of Manitoba, generous donors and through other sources.

Over the last four years, the University has allocated \$12.0 million toward renewing its classrooms and labs. Upgrades have been ongoing since then, and in 2016-17 \$3.7 million was spent on these projects. The University has allocated a further \$10.0 million to fund learning space renewal, and through generous donations will continue to allocate resources to these projects over the coming years.

In partnership with the Federal and the Provincial governments and generous donors, the University initiated two new construction projects in 2016-17. Supported by the Post-Secondary Institutions Strategic Investment Fund, the University will construct a SmartPark Innovation Hub and the Stanley Pauley Engineering Innovation Centre. The SmartPark Innovation Hub will support commercialization and professional services, encouraging partnerships to form that will drive the creation of new technologies, ultimately growing the number of local start-up companies. The Stanley Pauley Engineering Innovation Centre will create new spaces for research and teaching labs, industry collaboration, prototype development, and commercialization. The construction of SmartPark Innovation Hub commenced in 2016-17, and construction of the Stanley Pauley Engineering Innovation Centre will start in 2017-18. The costs incurred in 2016-17 for these projects totaled \$2.6 million. The expected completion date for both projects is April 2018.

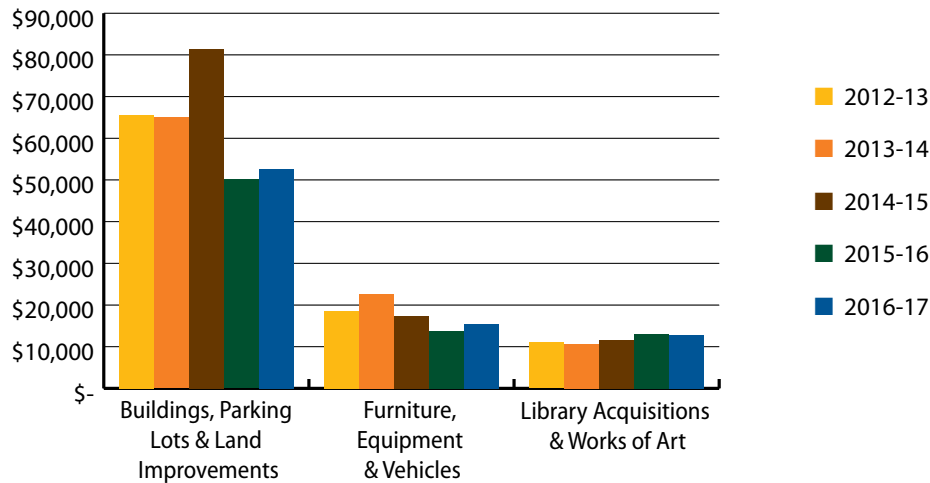
The project to build the Churchill Marine Observatory (CMO) commenced in 2015-16, and the University has incurred costs of \$0.7 million to date with the completion of the conceptual design of the facility. The CMO will be a globally unique, highly innovative, multi-disciplinary research facility located in the Canadian Arctic on the shores of Hudson Bay. This unique facility will bring together researchers from the Universities of Manitoba, Calgary, Victoria, Laval, Dalhousie and Washington, and from Government of Canada departments. Because of the challenges associated with building such a facility in a remote location, in 2016-17 the project was delayed and the conceptual design was modified. Construction of the facility is expected to start in 2017-18, and will be funded by the Canada Foundation for Innovation (CFI), the Provinces of Manitoba and Alberta, and other sources.

The University invested \$10.1 million in infrastructure renewal projects in 2016-17. Major upgrades on waterline and outfall were completed and, with other minor projects related to sewer and water, resulted in a total cost of \$2.5 million. Other investments in infrastructure included \$2.4 million for asbestos remediation, \$1.3 million for fire and safety upgrades, \$1.1 million for building envelope repairs, \$1.0 million for HVAC upgrades, and \$1.8 million for other infrastructure projects. Infrastructure projects were funded by the Province of Manitoba and other sources.

The University's investment in capital, infrastructure and technology over the last five years is depicted below.

# MANAGEMENT DISCUSSION AND ANALYSIS

**INVESTMENT IN CAPITAL ASSETS**  
2012-13 to 2016-17  
(in thousands)



The University’s investment in capital assets is highly dependent on the funding it receives from the Federal and Provincial governments and our donors. As such, the University’s investment in capital assets will fluctuate from year to year.

### ***Sale of Portion of Southwood Land***

In 2016-17, the University sold approximately 10 acres of its Southwood land to the City of Winnipeg for the expansion of the Rapid Transit System. This expansion will result in a direct public transportation corridor from Pembina Highway to Investors Group Field. The City of Winnipeg expects to substantially complete the project in 2022.

The University incurred a loss of \$1.0 million on the sale of this land. However, the University will benefit significantly from this undertaking and the City of Winnipeg has agreed to enhance and redevelop existing transit-related infrastructure within the Fort Garry campus.

## TRUST AND ENDOWMENT FUNDS

The University’s Trust and Endowment Funds are an integral source of funding for our students, faculties, professorships and chairs, research activities, capital projects, library acquisitions, athletic programs, and many other undertakings. The net investment income earned in these funds, as well as donations received that can be used in their entirety, support our activities as directed by our donors. Gifts and bequests received in our Endowment Fund must be held in perpetuity; however, each year a portion of the net investment income earned from investing these gifts is used to support current year endeavors, and the rest is reinvested to provide financial security for beneficiaries in the future.

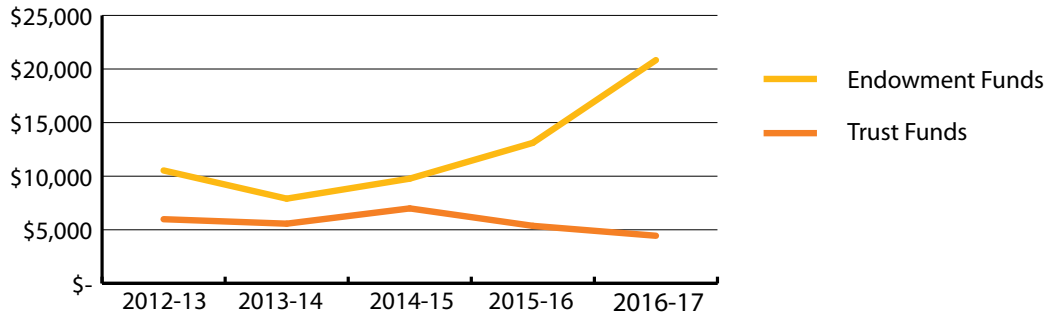
### ***Gifts to the University***

In 2016-17, the Trust and Endowment Funds received a combined \$25.3 million in new gifts. Donations to the Endowment Fund have increased over the past few years in conjunction with the Front and Centre Capital Campaign. In 2016-17, the largest single gift received was \$5.0 million from the Rady Family in support of the Rady Faculty of Health Sciences. The Rady family has donated or pledged a total of \$30.0 million to the University.

Donation revenue realized in the Trust and Endowment Funds over the past five years is illustrated below.

## TRUST AND ENDOWMENT FUNDS DONATION REVENUE

2012-13 to 2016-17  
(in thousands)



Since most donors tend to endow their contributions, and larger gifts in particular, the Endowment Fund realizes the majority of charitable giving.

### University Investment Trust

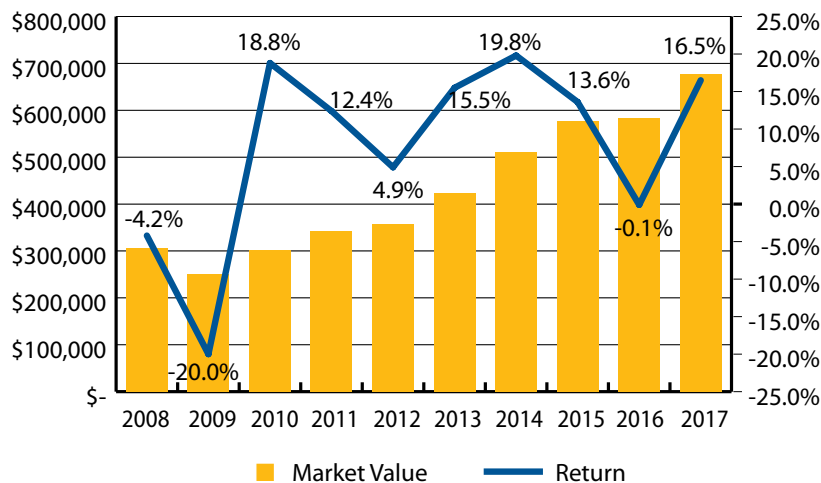
Although accounting standards require that the Trust Fund and the Endowment Fund be recorded separately, the resources in these Funds are combined and invested together. All of the Endowment Fund and most of the Trust Fund are together known as the University Investment Trust (UIT).

The UIT, with a market value of \$677.2 million at March 31, 2017, was comprised of approximately 2,200 individual donor-named accounts and represented most of the resources in the Trust and Endowment Funds. During the last 10 years, the UIT has grown by \$364.8 million, having received gifts of \$156.1 million during that period and realizing a 10-year annualized rate of return of 7.0%.

The following graph demonstrates the growth of the market value of the UIT and annual returns over the past 10 years.

## MARKET VALUE AND ANNUAL RETURN OF UIT

2007-08 to 2016-17  
(in thousands)



# MANAGEMENT DISCUSSION AND ANALYSIS

The UIT has reached its highest value to date, thanks to both the generosity of our donors and to the return experienced from the investments held.

The University has set a long-term payout rate, also referred to as a spending allocation, so that the current generation can realize a benefit from the UIT. However, this spending allocation rate is set keeping in mind that future generations also need to be supported. This payout requirement is currently set at 4.25% of a rolling 48 month average of market value of the UIT. An asset mix is set for the UIT's investment portfolio with the purpose of achieving a rate of return great enough to fund the spending allocation, the associated investment management fees, and inflation in order to protect the purchasing power of the UIT for future beneficiaries.

In 2016-17, the asset mix of the UIT investment portfolio, set at 75% equities, 15% real estate, and 10% government bonds, generated an annual return of 16.5%. The return was a combination of interest, dividends, capital gains on the sale of investments, and the appreciation in value of the portfolio due to changes in the market price of investments held. The return of 16.5% exceeded the UIT's benchmark rate of 15.3%, adding value of 1.2%.

The annual returns reflect the volatility in the investment markets over the past 10 years. This period started with the financial crisis of 2008-2009, which saw the UIT lose 20.0% of its market value, which was typical of most endowment funds that year. In the subsequent years, the UIT has mostly experienced very strong earnings: in six of the past eight years, the UIT has had double-digit investment returns, and in all but one of those years the UIT exceeded its policy benchmark. Over that period the UIT has consistently ranked in the top quartile of performance among the larger university endowment funds in Canada.

In 2016-17, the UIT generated enough investment income to support the allocation of \$23.3 million to support our students, faculty, and other activities.

## CONCLUSION

As we embark on the decade that will lead the University to its 150th year, we look back at where we've been and how far we've come. Without our students, faculty, staff, benefactors and funders, we would not have achieved the success we have today in influencing our community and beyond. Continued investment in the University will result in increased capacity to support the cultural, social and economic well-being of Manitoba, Canada and, indeed, our world. Through a continued commitment to excellence in teaching, research, scholarly work and other innovative activities, the University promotes a sustainable community that will be of benefit for years to come.

# STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada, including the standards for government not for profit organizations. The University believes the financial statements present fairly the University's financial position as at March 31, 2017 and the results of its operations for the years ending March 31, 2017.

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 the 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 and Audit Services.

The financial statements for the year ended March 31, 2017 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 his examination and provides his opinion on the fairness of presentation of the financial statements.

Original signed by

David T. Barnard, Ph.D.

President and Vice-Chancellor

Winnipeg, Manitoba

June 27, 2017







## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the University of Manitoba, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in fund balances, remeasurement gains and losses, 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 public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Manitoba as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

June 27, 2017  
Winnipeg, Manitoba

**Original document signed by  
Norm Ricard**

Norm Ricard, CPA, CA  
Auditor General



# FINANCIAL STATEMENTS

**UNIVERSITY OF MANITOBA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**  
(in thousands of dollars)

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| <i>Current Assets</i>                                    |                     |                     |
| Cash and Cash Equivalents (Note 3)                       | \$ 319,579          | \$ 273,624          |
| Accounts Receivable (Note 4)                             | 68,599              | 76,379              |
| Inventories  | 3,164               | 3,706               |
| Prepaid Expenses   | 1,789               | 796                 |
|  | <b>393,131</b>      | <b>354,505</b>      |
| <i>Long Term Assets</i>                                  |                     |                     |
| Loan Receivable (Note 5)                                 | 198,971             | 191,364             |
| Investments (Note 6)                                     | 834,911             | 697,254             |
| Capital Assets, Net of Accumulated Amortization (Note 8) | 1,109,930           | 1,084,705           |
|  | 2,143,812           | 1,973,323           |
|  | <b>\$ 2,536,943</b> | <b>\$ 2,327,828</b> |
| <b>Liabilities</b>                                       |                     |                     |
| <i>Current Liabilities</i>                               |                     |                     |
| Accounts Payable   | \$ 53,819           | \$ 60,711           |
| Unearned Revenue   | 18,030              | 11,259              |
| Vacation and Sick Leave Liability                        | 15,597              | 14,638              |
| Current Portion of Long Term Debt (Note 9)               | 6,337               | 6,015               |
|  | <b>93,783</b>       | <b>92,623</b>       |
| <i>Long Term Liabilities</i>                             |                     |                     |
| Long Term Debt (Note 9)                                  | 385,738             | 384,467             |
| Other Long Term Liabilities (Note 10)                    | 8,931               | 6,179               |
| Employee Future Benefits (Note 11)                       | 81,053              | 76,526              |
| Pension Liability (Note 14)                              | 24,343              | 20,572              |
|  | <b>500,065</b>      | <b>487,744</b>      |
| <b>Fund Balances</b>                                     |                     |                     |
| Unrestricted (Note 20)                                   | (67,546)            | (63,118)            |
| Internally Restricted (Note 23)                          | 207,899             | 166,001             |
| Externally Restricted (Note 24)                          | 289,821             | 247,267             |
| Invested in Capital Assets (Note 24)                     | 1,044,625           | 998,579             |
| Endowed (Note 24)  | 468,296             | 398,732             |
|  | <b>1,943,095</b>    | <b>1,747,461</b>    |
|  | <b>\$ 2,536,943</b> | <b>\$ 2,327,828</b> |

Contractual Obligations and Contingencies (Note 18)

Original signed by \_\_\_\_\_

Jeff Lieberman – Chair

Original signed by \_\_\_\_\_

Rafi Mohammed – Vice-Chair

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

# FINANCIAL STATEMENTS

**UNIVERSITY OF MANITOBA**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
(in thousands of dollars)

|  | <b>General<br/>Funds<br/>(Note 2D)</b> | <b>Restricted<br/>Funds<br/>(Note 2E)</b> | <b>Endowment<br/>Fund<br/>(Note 2F)</b> | <b>2017<br/>Total<br/>Funds</b> | <b>2016<br/>Total<br/>Funds</b> |
|--|--|---|---|---------------------------------|---------------------------------|
| <b>Revenue</b>                               |  |   |   |                                 |                                 |
| Tuition and Related Fees                     | \$ 163,571                             | \$  | \$                                      | \$ 163,571                      | \$ 159,987                      |
| Donations                                    | 3,849                                  | 9,824                                     | 20,833                                  | 34,506                          | 27,366                          |
| Non-Government Grants                        | 4,845                                  | 79,139                                    |   | 83,984                          | 83,657                          |
| Net Investment Income (Note 15)              | 4,765                                  | 52,174                                    |   | 56,939                          | 58,037                          |
| Miscellaneous Income                         | 8,809                                  | 7,700                                     |   | 16,509                          | 17,392                          |
| Government Grants:                           |  |   |   |                                 |                                 |
| Manitoba Education and Training              | 356,762                                | 7,015                                     |   | 363,777                         | 354,120                         |
| Other Province of Manitoba                   | 24,601                                 | 34,861                                    |   | 59,462                          | 73,788                          |
| Government of Canada                         | 10,836                                 | 73,635                                    |   | 84,471                          | 81,821                          |
| City of Winnipeg                             | 51                                     |   |   | 51                              | 51                              |
| Sales of Goods and Services                  | 34,595                                 | 506                                       |   | 35,101                          | 33,244                          |
| Ancillary Services                           | 37,983                                 |   |   | 37,983                          | 38,246                          |
|  | <b>650,667</b>                         | <b>264,854</b>                            | <b>20,833</b>                           | <b>936,354</b>                  | <b>927,709</b>                  |
| <b>Expense</b>                               |  |   |   |                                 |                                 |
| Salaries                                     | 350,262                                | 39,366                                    |   | 389,628                         | 397,098                         |
| Staff Benefits and Pay Levy                  | 78,461                                 | 7,323                                     |   | 85,784                          | 66,854                          |
| Materials, Supplies and Services             | 48,728                                 | 52,326                                    |   | 101,054                         | 109,093                         |
| Amortization of Capital Assets               |  | 54,645                                    |   | 54,645                          | 54,931                          |
| Student Assistance                           | 15,437                                 | 42,074                                    |   | 57,511                          | 55,619                          |
| Professional Consulting and Externally       |  |   |   |                                 |                                 |
| Contracted Services                          | 19,220                                 | 25,884                                    |   | 45,104                          | 42,325                          |
| Travel and Conferences                       | 11,209                                 | 11,815                                    |   | 23,024                          | 22,449                          |
| Utilities, Municipal Taxes and Insurance     | 19,174                                 | 33  |   | 19,207                          | 19,466                          |
| Interest                                     |  | 19,074                                    |   | 19,074                          | 19,062                          |
| Maintenance and Repairs                      | 5,880                                  | 372                                       |   | 6,252                           | 8,095                           |
| Loss on Disposal of Capital Assets           |  | 1,000                                     |   | 1,000                           |                                 |
|  | <b>548,371</b>                         | <b>253,912</b>                            |   | <b>802,283</b>                  | <b>794,992</b>                  |
| <b>Net Revenue from Operating Activities</b> | <b>102,296</b>                         | <b>10,942</b>                             | <b>20,833</b>                           | <b>134,071</b>                  | <b>132,717</b>                  |
| Inter-Fund Transfers (Note 22)               | (70,765)                               | 64,870                                    | 5,895                                   |                                 |                                 |
| Net Increase to Fund Balances from           |  |   |   |                                 |                                 |
| Operating Activities                         | 31,531                                 | 75,812                                    | 26,728                                  | 134,071                         | 132,717                         |
| Fund Balances from Operating Activities      |  |   |   |                                 |                                 |
| Beginning of Year                            | 34,689                                 | 1,328,600                                 | 298,011                                 | 1,661,300                       | 1,528,583                       |
| Fund Balances from Operating Activities      |  |   |   |                                 |                                 |
| End of Year                                  | 66,220                                 | 1,404,412                                 | 324,739                                 | 1,795,371                       | 1,661,300                       |
| Accumulated Remeasurement Gains End of Year  | 3                                      | 4,164                                     | 143,557                                 | 147,724                         | 86,161                          |
| <b>Fund Balances End of Year</b>             | <b>\$ 66,223</b>                       | <b>\$ 1,408,576</b>                       | <b>\$ 468,296</b>                       | <b>\$ 1,943,095</b>             | <b>\$ 1,747,461</b>             |

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

# FINANCIAL STATEMENTS

**UNIVERSITY OF MANITOBA**  
**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
(in thousands of dollars)

|   | General<br>Funds | Restricted<br>Funds | Endowment<br>Fund | 2017<br>Total<br>Funds | 2016<br>Total<br>Funds |
|---|------------------|---------------------|-------------------|------------------------|------------------------|
| <b>Accumulated Remeasurement Gains (Losses)</b> |                  |                     |                   |                        |                        |
| <b>Beginning of Year</b>                        | \$ (139)         | \$ (14,421)         | \$ 100,721        | \$ 86,161              | \$ 132,992             |
| Unrealized Gains (Losses) Attributed to:        |                  |                     |                   |                        |                        |
| Derivatives                                     |                  | 1,239               |                   | 1,239                  | 108                    |
| Foreign Exchange                                | 4                | 68                  |                   | 72                     | (341)                  |
| Portfolio Investments                           |                  | 20,017              | 32,104            | 52,121                 | (23,972)               |
| Designated Fair Value Investments               |                  | 25,639              | 10,732            | 36,371                 | 9,283                  |
| Amounts Reclassified to the Statement of        |                  |                     |                   |                        |                        |
| Operations and Changes in Fund Balances:        |                  |                     |                   |                        |                        |
| Foreign Exchange                                | 138              | 204                 |                   | 342                    | (2,128)                |
| Portfolio Investments                           |                  | (25,173)            |                   | (25,173)               | (21,055)               |
| Designated Fair Value Investments               |                  | (3,409)             |                   | (3,409)                | (8,726)                |
| Net Remeasurement Gains (Losses) for the Year   | 142              | 18,585              | 42,836            | 61,563                 | (46,831)               |
| <b>Accumulated Remeasurement Gains</b>          |                  |                     |                   |                        |                        |
| <b>End of Year</b>                              | \$ 3             | \$ 4,164            | \$ 143,557        | \$ 147,724             | \$ 86,161              |

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

# FINANCIAL STATEMENTS

**UNIVERSITY OF MANITOBA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
(in thousands of dollars)

|  | General<br>Funds | Restricted<br>Funds | Endowment<br>Fund | 2017<br>Total<br>Funds | 2016<br>Total<br>Funds |
|--|------------------|---------------------|-------------------|------------------------|------------------------|
| <b>Operating Activities</b>  |                  |                     |                   |                        |                        |
| Net Revenue from Operating Activities                                      | \$ 102,296       | \$ 10,942           | \$ 20,833         | \$ 134,071             | \$ 132,717             |
| Amortization of Capital Assets   |                  | 54,645              |                   | 54,645                 | 54,931                 |
|  | 102,296          | 65,587              | 20,833            | 188,716                | 187,648                |
| Net Change in Non-Cash Working Capital Items                               | (9,756)          | 17,923              |                   | 8,167                  | (16,195)               |
| Net Change in Other Long Term Liabilities                                  | 3,990            | (1,238)             |                   | 2,752                  | (454)                  |
| Net Change in Pension Obligation   | 3,771            |                     |                   | 3,771                  | (10,515)               |
| Net Change in Employee Future Benefits                                     | (56)             | 4,583               |                   | 4,527                  | 7                      |
| Loss on Disposal of Capital Assets   |                  | 1,000               |                   | 1,000                  |                        |
| <i>Net Cash generated through Operating Activities</i>                     | 100,245          | 87,855              | 20,833            | 208,933                | 160,491                |
| <b>Investing Activities</b>  |                  |                     |                   |                        |                        |
| Principal Repayment on Loan Receivable                                     |                  | 1,338               |                   | 1,338                  | 3,977                  |
| Net Decrease (Increase) in Long Term Investments                           | (37,858)         | (11,508)            | (26,728)          | (76,094)               | (1,770)                |
| <i>Net Cash generated through (used in)</i><br><i>Investing Activities</i> | (37,858)         | (10,170)            | (26,728)          | (74,756)               | 2,207                  |
| <b>Capital Activities</b>  |                  |                     |                   |                        |                        |
| Purchase of Capital Assets   |                  | (80,870)            |                   | (80,870)               | (76,779)               |
| <i>Net Cash used in Capital Activities</i>                                 |                  | (80,870)            |                   | (80,870)               | (76,779)               |
| <b>Financing Activities</b>  |                  |                     |                   |                        |                        |
| Principal Repayment on Capital Lease Obligations                           |                  |                     |                   |                        | (6)                    |
| Principal Repayment on Long Term Debt                                      |                  | (7,352)             |                   | (7,352)                | (9,690)                |
| <i>Net Cash generated through (used in) Financing</i><br><i>Activities</i> |                  | (7,352)             |                   | (7,352)                | (9,696)                |
| <b>Net Increase (Decrease) in Cash</b>                                     | 62,387           | (10,537)            | (5,895)           | 45,955                 | 76,223                 |
| Inter-Fund Transfers   | (70,765)         | 64,870              | 5,895             |                        |                        |
| <i>Cash and Cash Equivalents Beginning of Year</i>                         | 81,061           | 192,563             |                   | 273,624                | 197,401                |
| <b><i>Cash and Cash Equivalents End of Year</i></b>                        | <b>\$ 72,683</b> | <b>\$ 246,896</b>   | <b>\$</b>         | <b>\$ 319,579</b>      | <b>\$ 273,624</b>      |
| Supplementary cash flow information:                                       |                  |                     |                   |                        |                        |
| Interest Received (Note 17)  | \$ 4,765         | \$ 2,893            | \$                | \$ 7,658               | \$ 7,712               |
| Interest Paid (Note 17)  | \$               | \$ 10,130           | \$                | \$ 10,130              | \$ 10,443              |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(in thousands of dollars)

### I. AUTHORITY AND PURPOSE

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### A. GENERAL

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

The University controls UM Properties GP Inc. (Note 16), UM Properties Holding Inc. (Note 16) and Partners for Health and Development in Africa (PHDA) (Note 17), but does not consolidate the accounts for the purposes of these financial statements.

The University has an 8.33% (2016, 8.33%) interest in TRIUMF (Note 16), a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

#### 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 Funds. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowed funds of the University.

#### C. ACCOUNTING ESTIMATES

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



# FINANCIAL STATEMENTS

## D. GENERAL FUNDS

### General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment income, 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 and in Note 22.

### Expenses Funded From Future Revenues Fund:

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

## E. RESTRICTED FUNDS

### Capital Asset Fund:

The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets and government grants restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through Manitoba Education and Training (MET), 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 MET 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, which includes 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 related governing contracts and agreements.

## **Staff Benefits Fund:**

The Staff Benefits Fund is divided into Fund Accounts for the Pension Reserve, and for each of the Self-Insured Plans, which are the Long Term Disability Income Plan and the Dental Plan.

## **Trust Fund:**

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

## **F. ENDOWMENT FUND**

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

## **G. REVENUE RECOGNITION**

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

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

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

Investment income, including realized gains or losses, is recorded in the Statement of Operations and Changes in Fund Balances in the appropriate Fund depending on the restrictions imposed. Unrestricted investment income is recorded as unrestricted income in the General Operating Fund.

The change in fair value (unrealized gains or losses) of investments is recorded in the Statement of Remeasurement Gains and Losses until the investments are sold.

## **H. CONTRIBUTED MATERIALS AND SERVICES**

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

Because of the difficulty involved in tracking and recording contributed services, the market value of these services is not recognized in the financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fundraising 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. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of highly liquid investments that are used to meet short term operating needs. They are readily convertible to cash and mature within one year from acquisition. Any cash or other investments maturing within one year that are held by portfolio managers are classified as long term investments and are recorded at fair value or designated to fair value. Portfolio managers maintain a cash balance within investment portfolios as part of their overall long term mandate, as well as to facilitate trades and the rebalancing of funds.

# FINANCIAL STATEMENTS

## 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 calculated on a straight-line basis over an assets' estimated useful life 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 include works of art, rare books and manuscripts, museum specimens and other archival material. The associated library, faculty or school 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 initially record them at fair value and to fund maintenance expenses from the General Operating 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 service and management's best estimate expectations of the discount rate for liabilities, the expected return on assets, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized 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 14.

## O. FINANCIAL INSTRUMENTS

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

All financial instruments are recognized at cost or amortized cost, or fair value.

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

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

Financial instruments recognized at fair value include Canadian equities, US equities and derivatives. Bonds and other fixed income securities and pooled funds have been designated to fair value other than corporate bonds and preferred shares which are recognized at cost, and the investment in TRIUMF which is recognized at modified equity. Pooled funds are valued by the fund managers.

Unrealized gains and losses from the change in fair value of these financial instruments are reflected in the Statement of Remeasurement Gains and Losses until disposition.

Transaction costs are expensed for financial instruments measured at fair value.

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

Financial instruments are classified using a fair value hierarchy that reflects the significance of inputs to valuation techniques used to measure fair value. The fair value hierarchy used has the following levels:

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

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

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

## P. OTHER EMPLOYEE FUTURE BENEFITS

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

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

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

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

# FINANCIAL STATEMENTS

## Q. FOREIGN CURRENCY TRANSLATION

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

## R. DERIVATIVE FINANCIAL INSTRUMENTS

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

## 3. CASH AND CASH EQUIVALENTS

|                                    | 2017              | 2016              |
|------------------------------------|-------------------|-------------------|
| Cash                               | \$ 72,789         | \$ 48,777         |
| Guaranteed Investment Certificates | 246,790           | 224,847           |
|                                    | <b>\$ 319,579</b> | <b>\$ 273,624</b> |

## 4. ACCOUNTS RECEIVABLE

|                                    | 2017             | 2016             |
|------------------------------------|------------------|------------------|
| Business, Industry and Foundations | \$ 31,522        | \$ 30,739        |
| Provincial Government              | 13,784           | 25,315           |
| Federal Government                 | 8,845            | 9,539            |
| Students                           | 4,705            | 3,211            |
| Investment Income and Interest     | 4,525            | 4,541            |
| External Sales and Cost Recoveries | 3,606            | 983              |
| Advances                           | 1,560            | 1,997            |
| Miscellaneous                      | 52               | 54               |
|                                    | <b>\$ 68,599</b> | <b>\$ 76,379</b> |

## 5. LOAN RECEIVABLE

The University has a loan agreement with Triple B Stadium Inc. (Triple B) related to the construction of Investors Group Field 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 and 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 Triple B in the form of insurance proceeds entitled to be retained by Triple B 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:

Triple B is required to make payments to the University equivalent to the aggregate of:

- Any amounts received by Triple B 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 Triple B 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 December 15, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 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 Triple B, on or before December 15, 2017.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 15 of each calendar year commencing on December 15, 2018 based on the amortization of the loan following the December 15, 2017 payment.

## INVESTORS GROUP FIELD LOAN:

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| First Phase interest and principal outstanding | \$ 116,971        | \$ 108,364        |
| Second Phase principal outstanding             | 82,000            | 83,000            |
|  | <b>\$ 198,971</b> | <b>\$ 191,364</b> |

The First and Second Phase loans have an equal long term debt loan payable to the Province of Manitoba (Note 9).

## 6. INVESTMENTS

|  | 2017     |         |         |          | 2016     |         |         |          |
|--|----------|---------|---------|----------|----------|---------|---------|----------|
|  | Level 1  | Level 2 | Level 3 | Total    | Level 1  | Level 2 | Level 3 | Total    |
| <b>Investments Held at Fair Value:</b>       |          |         |         |          |          |         |         |          |
| Cash and Money Market Funds                  | \$ 5,937 | \$      | \$      | \$ 5,937 | \$ 7,987 | \$      | \$      | \$ 7,987 |
| Canadian Equities                            | 196,118  |         |         | 196,118  | 186,564  |         |         | 186,564  |
| US Equities                                  | 202,568  |         |         | 202,568  | 160,494  |         |         | 160,494  |
|  | 404,623  |         |         | 404,623  | 355,045  |         |         | 355,045  |
| <b>Investments Designated to Fair Value:</b> |          |         |         |          |          |         |         |          |
| Cash and Money Market Funds                  |          | 2,677   |         | 2,677    |          | 4,175   |         | 4,175    |
| Bonds and Other Fixed                        |          |         |         |          |          |         |         |          |
| Income Securities                            |          | 57,502  |         | 57,502   |          | 57,046  |         | 57,046   |
| Pooled Bond Fund                             |          | 12,727  |         | 12,727   |          | 11,464  |         | 11,464   |
| Pooled Canadian Equities                     |          | 18,703  |         | 18,703   |          | 15,808  |         | 15,808   |
| Pooled US Equities                           |          | 6,434   |         | 6,434    |          | 5,684   |         | 5,684    |
| Pooled International Equities                |          | 117,034 |         | 117,034  |          | 92,590  |         | 92,590   |
| Pooled Real Estate Fund                      |          | 113,248 |         | 113,248  |          | 92,562  |         | 92,562   |
| Pooled Mortgage Fund                         |          | 7,548   |         | 7,548    |          | 6,764   |         | 6,764    |
|  |          | 335,873 |         | 335,873  |          | 286,093 |         | 286,093  |

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## Investments Held at Amortized

|                  |  |        |        |
|------------------|--|--------|--------|
| <b>Cost:</b>     |  |        |        |
| Corporate Bond   |  | 55,505 | 18,505 |
| Preferred Shares |  | 36,936 | 35,936 |
|                  |  | 92,441 | 54,441 |

## Investments Held at Modified

|                |            |            |            |
|----------------|------------|------------|------------|
| <b>Equity:</b> |            |            |            |
| TRIUMF         |            | 1,974      | 1,675      |
|                | \$ 404,623 | \$ 335,873 | \$ 834,911 |
|                |            |            | \$ 355,045 |
|                |            |            | \$ 286,093 |
|                |            |            | \$ 697,254 |

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.

The fair value of investments held at amortized cost is \$91,585 (2016, \$47,731). As at March 31, 2017 and March 31, 2016 there were no transfers of investments between levels 1, 2 or 3.

## 7. RISK EXPOSURE AND MANAGEMENT

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

### OTHER PRICE RISK

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

### INTEREST RATE RISK

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

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

### INTEREST RATE EXPOSURE AS AT MARCH 31, 2017

|                                  | Less than<br>90 days | 90 days<br>to 1 year | 1 year to<br>5 years | 5 years to<br>10 years | Greater than<br>10 years | Total |
|----------------------------------|----------------------|----------------------|----------------------|------------------------|--------------------------|-------|
| Cash Equivalents and Investments | 32.7%                | 34.2%                | 7.4%                 | 24.0%                  | 1.7%                     | 100%  |
| Financial Derivatives            |                      |                      | 30.7%                | 69.3%                  |                          | 100%  |



## INTEREST RATE EXPOSURE AS AT MARCH 31, 2016

|                                  | Less than<br>90 days | 90 days<br>to 1 year | 1 year to<br>5 years | 5 years to<br>10 years | Greater than<br>10 years | Total |
|----------------------------------|----------------------|----------------------|----------------------|------------------------|--------------------------|-------|
| Cash Equivalents and Investments | 30.3%                | 41.2%                | 10.4%                | 15.7%                  | 2.4%                     | 100%  |
| Financial Derivatives            |                      |                      | 30.4%                | 69.6%                  |                          | 100%  |

|                                  | March 31, 2017                     |  | March 31, 2016                     |  |
|----------------------------------|------------------------------------|--|------------------------------------|--|
|                                  | Interest<br>bearing<br>instruments | Non-interest<br>bearing<br>instruments | Interest<br>bearing<br>instruments | Non-interest<br>bearing<br>instruments |
| Cash Equivalents and Investments | \$ 382,650                         | \$ 699,051                             | \$ 321,876                         | \$ 600,225                             |
| Financial Derivatives            | \$ 4,941                           | \$                                     | \$ 6,179                           | \$                                     |

As at March 31, 2017, a 0.5% fluctuation in interest rates, with all other variables held constant, would have an estimated impact as follows:

|   | 2017     | 2016     |
|---|----------|----------|
| Fair Value of Fixed Income Instruments: | \$ 3,439 | \$ 2,736 |
| Interest Rate Swaps:                    | \$ 1,000 | \$ 1,175 |
| Net Investment Income:                  | \$ 2,105 | \$ 1,779 |

## FOREIGN CURRENCY RISK

The University has cash and cash equivalents, receivables and payables denominated in foreign currencies and holds investments in foreign currency equity markets in both the Trust and Endowment Funds, and the Staff Benefits Fund. The income from these investments is used to meet financial liabilities denominated in Canadian dollars. The University does not actively manage foreign exchange risk.

The University's exposure in cash and investments to foreign currencies is shown below:

|                        | 2017                |              | 2016              |              |
|------------------------|---------------------|--------------|-------------------|--------------|
|                        | \$                  | %            | \$                | %            |
| Canadian Dollar        | \$ 807,998          | 70.0         | \$ 710,933        | 73.2         |
| US Dollar              | 235,008             | 20.4         | 171,799           | 17.7         |
| Euro                   | 34,351              | 3.0          | 28,075            | 2.9          |
| Japanese Yen           | 27,834              | 2.4          | 21,106            | 2.2          |
| British Pound Sterling | 21,792              | 1.9          | 18,190            | 1.9          |
| Swiss Franc            | 12,498              | 1.1          | 9,990             | 1.0          |
| Other                  | 15,009              | 1.2          | 10,785            | 1.1          |
| <b>Total</b>           | <b>\$ 1,154,490</b> | <b>100.0</b> | <b>\$ 970,878</b> | <b>100.0</b> |

As at March 31, 2017, an appreciation of 10% in the Canadian dollar versus foreign currencies exchange rates would increase investments and net remeasurement gains by approximately \$34,649 (2016, \$25,230), while a depreciation of 10% would decrease investments and net remeasurement gains by approximately \$34,649 (2016, \$25,230).

## CREDIT RISK

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

# FINANCIAL STATEMENTS

## % of Total Interest Bearing Investments

| Investment Rating | March 31, 2017    |               | March 31, 2016    |               |
|-------------------|-------------------|---------------|-------------------|---------------|
|                   |                   |               |                   |               |
| R-1High           | \$ 161,090        | 42.1%         | \$ 156,838        | 48.7%         |
| R-1Mid            | 32,793            | 8.6%          | 29,559            | 9.2%          |
| R-1Low            | 498               | 0.1%          | 1,698             | 0.5%          |
| AAA               | 25,589            | 6.7%          | 27,022            | 8.4%          |
| AA                | 74,607            | 19.5%         | 41,156            | 12.8%         |
| A                 | 26,706            | 7.0%          | 21,964            | 6.8%          |
| BBB               | 6,170             | 1.6%          | 3,322             | 1.0%          |
| BB                |                   |               | 133               |               |
| Not Rated         | 55,197            | 14.4%         | 40,184            | 12.6%         |
| <b>Total</b>      | <b>\$ 382,650</b> | <b>100.0%</b> | <b>\$ 321,876</b> | <b>100.0%</b> |

The University manages credit risk related to fixed income investments by focusing on high credit quality. Cash and cash equivalents are held in Canadian Chartered banks and Manitoba credit unions. Trust, Endowment and Capital Asset Fund investments are held in diverse portfolios of investments with counterparties considered to be of high quality.

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

## LIQUIDITY RISK

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

## 8. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

|   | 2017                |                          | 2016                |                          |
|---|---------------------|--------------------------|---------------------|--------------------------|
|   | Cost                | Accumulated Amortization | Cost                | Accumulated Amortization |
| Assets Under Capital Lease                  | \$ 2,557            | \$ 2,557                 | \$ 2,855            | \$ 2,855                 |
| Buildings and Major Renovations             | 1,162,234           | 310,252                  | 1,137,691           | 285,825                  |
| Computer Hardware, Software and Electronics | 100,178             | 93,007                   | 101,100             | 92,689                   |
| Construction in Progress                    | 78,497              |                          | 50,585              |                          |
| Furniture and Equipment                     | 283,054             | 214,017                  | 273,397             | 201,465                  |
| Land  | 29,739              |                          | 30,705              |                          |
| Library Books                               | 221,512             | 165,698                  | 211,932             | 157,951                  |
| Parking Lots                                | 9,983               | 4,948                    | 9,935               | 4,451                    |
| Rare Books and Manuscripts                  | 7,312               |                          | 6,677               |                          |
| Vehicles                                    | 8,870               | 7,513                    | 8,617               | 7,420                    |
| Works of Art                                | 3,986               |                          | 3,867               |                          |
|   | 1,907,922           | 797,992                  | 1,837,361           | 752,656                  |
| Less Accumulated Amortization               | 797,992             |                          | 752,656             |                          |
| <b>Net Book Value</b>                       | <b>\$ 1,109,930</b> |                          | <b>\$ 1,084,705</b> |                          |

## 9. LONG TERM DEBT

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| Stadium Long Term Debt:  |                   |                   |
| Province of Manitoba Loan, First Phase, 4.65% due June 1, 2038                                   | \$ 116,971        | \$ 108,364        |
| Province of Manitoba Loan, Second Phase, 4.65% until June 1, 2053,<br>due November 24, 2058      | 82,000            | 83,000            |
|  | 198,971           | 191,364           |
| Other Long Term Debt:  |                   |                   |
| Province of Manitoba:  |                   |                   |
| Promissory Note, 5.23% blended monthly payments \$413 due March 1, 2035                          | 57,752            | 59,636            |
| Promissory Note, 5.55% blended monthly payments \$428 due April 1, 2036                          | 60,401            | 62,134            |
| Promissory Note, 3.75% blended monthly payments \$129 due September 30, 2039                     | 23,417            | 24,068            |
| Promissory Note, 5.35% blended monthly payments \$173 due February 1, 2040                       | 27,403            | 27,997            |
| Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees): |                   |                   |
| Multi Tenant Facility, due February 28, 2019   | 7,442             | 7,679             |
| Multi Tenant Facility, due November 30, 2022   | 5,780             | 6,056             |
| Arthur V. Mauro Student Residence, due October 1, 2023   | 10,909            | 11,548            |
|  | 193,104           | 199,118           |
|  | 392,075           | 390,482           |
| Less Current Portion:  |                   |                   |
| Province of Manitoba   | (5,120)           | (4,863)           |
| Term Loans   | (1,217)           | (1,152)           |
|  | (6,337)           | (6,015)           |
|  | <b>\$ 385,738</b> | <b>\$ 384,467</b> |

The effective interest rate on each of the term loans is the fixed interest rate based on an interest rate swap agreement plus a stamping fee (Note 10).

Interest expense on long term debt was \$19,074 (2016, \$19,062).

The University entered into a loan agreement with the Province of Manitoba related to the construction of Investors Group Field. 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 secondly 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 Triple B Stadium Inc. (Triple B) to the University in respect of the Triple B 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 Triple B, unless the parties agree otherwise in writing.

# FINANCIAL STATEMENTS

## LOAN, SECOND PHASE:

Interest will be calculated annually and unpaid interest until December 31, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 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 Triple B, on or before December 31, 2017.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 31 of each calendar year commencing on December 31, 2018, based on the amortization of the loan following the December 31, 2017 payment. Payments are applied firstly to accrued interest after December 31, 2017 and secondly to principal outstanding.

Any accrued interest and principal outstanding on the second phase of the loan as at November 24, 2018 is due and payable in full, subject to receipt of accrued interest and principal outstanding from Triple B, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

|                                     | 2017              | 2016              |
|-------------------------------------|-------------------|-------------------|
| Loan, First Phase                   | \$ 75,000         | \$ 75,000         |
| Loan, First Phase Accrued Interest  | 22,265            | 17,516            |
| Loan, Second Phase Accrued Interest | 19,706            | 15,848            |
|                                     | 116,971           | 108,364           |
| Loan, Second Phase                  | 82,000            | 83,000            |
|                                     | <b>\$ 198,971</b> | <b>\$ 191,364</b> |

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

|            | Province of Manitoba | Term Loans       | Total             |
|------------|----------------------|------------------|-------------------|
| 2018       | \$ 5,120             | \$ 1,217         | \$ 6,337          |
| 2019       | 5,391                | 1,282            | 6,673             |
| 2020       | 5,676                | 1,355            | 7,031             |
| 2021       | 5,976                | 1,429            | 7,405             |
| 2022       | 6,293                | 1,507            | 7,800             |
| Thereafter | 339,488              | 17,341           | 356,829           |
|            | <b>\$ 367,944</b>    | <b>\$ 24,131</b> | <b>\$ 392,075</b> |

## 10. OTHER LONG TERM LIABILITIES

|  | 2017            | 2016            |
|--|-----------------|-----------------|
| <b>Fair Value of Financial Derivatives:</b>  |                 |                 |
| Student Residence  | \$ 2,516        | \$ 3,136        |
| Multi Tenant Facility 150 Innovation Drive   | 908             | 1,167           |
| Multi Tenant Facility 900 One Research Road  | 1,517           | 1,876           |
|  | <b>4,941</b>    | <b>6,179</b>    |
| Retirement Allowance   | 3,990           |                 |
|  | <b>\$ 8,931</b> | <b>\$ 6,179</b> |
| Fair Value of Financial Derivatives Beginning of Year                              | \$ 6,179        | \$ 6,287        |
| Unrealized (Gain) Loss Reported in the Statement of Remeasurement Gains and Losses | (1,238)         | (108)           |
| <b>Fair Value of Financial Derivatives End of Year</b>                             | <b>\$ 4,941</b> | <b>\$ 6,179</b> |

Financial Derivatives are classified as Level 3.

## DERIVATIVE FINANCIAL LIABILITIES

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

- The interest rate swap agreement for the loan for the construction of the Arthur V. Mauro Student Residence has a fixed interest rate of 5.62% that is committed until September 1, 2028. The notional principal underlying this swap agreement was \$10,909 as at March 31, 2017 (2016, \$11,548).
- The interest rate swap agreement for the loan for the development of the multi-tenant facility at 150 Innovation Drive has a fixed interest rate of 4.07% that is committed until February 13, 2032. The notional principal underlying this swap agreement as at March 31, 2017 was \$5,780 (2016, \$6,056).
- The interest rate swap agreement for the loan for the addition to the multi-tenant facility at 900 – One Research Road has a fixed interest rate of 4.4% that is committed until August 5, 2035. The notional principal underlying this swap agreement was \$7,442 as at March 31, 2017 (2016, \$7,679).

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

## RETIREMENT ALLOWANCE

During the year, the University entered into a letter of understanding with the University of Manitoba Faculty Association (UMFA) to provide a retirement allowance to eligible UMFA members in exchange for their voluntarily and irrevocable agreement to retire. The allowance is dependent upon the UMFA member's age and the number of advance years of notice given to the University prior to retirement. To be eligible, the member must be at least fifty-five years of age and have at least fifteen years of service at the University on a date that they have chosen as their retirement date. UMFA members have up to three years to enroll in the program and must retire within three years of their enrolment. The University's policy is to record the estimated liability once members enroll. As at March 31, 2017, the estimated liability is \$4,849 with \$859 being a current liability included in accounts payable and \$3,990 representing a long term liability.

## II. EMPLOYEE FUTURE BENEFITS

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

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

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

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

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post retirement pension adjustments as of March 31. A firm of consulting actuaries prepared an actuarial valuation for the post-retirement adjustments plan as at March 31, 2017. They also prepared extrapolations to March 31, 2017 of the 2015 actuarial valuations for the non-pension benefit plans. The actuarial gains and losses are amortized over nine years commencing in the year following the year the respective annual actuarial gains or losses arise.

# FINANCIAL STATEMENTS

The Accrued Benefit Obligations for the non-pension benefit plans and the post retirement adjustments are reported in the University's Statement of Financial Position under Long Term Liabilities.

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

|   | Non-Pension Benefit Plans |                  | Post-Retirement Adjustments |                 | Total 2017       | Total 2016       |
|---|---------------------------|------------------|-----------------------------|-----------------|------------------|------------------|
|   | 2017                      | 2016             | 2017                        | 2016            |                  |                  |
| Accrued Benefit Obligations               | \$ 72,988                 | \$ 68,975        | \$ 2,068                    | \$ 2,325        | \$ 75,056        | \$ 71,300        |
| Unamortized Actuarial Gains               | 5,863                     | 5,130            | 134                         | 96              | 5,997            | 5,226            |
| <b>Employee Future Benefits Liability</b> | <b>\$ 78,851</b>          | <b>\$ 74,105</b> | <b>\$ 2,202</b>             | <b>\$ 2,421</b> | <b>\$ 81,053</b> | <b>\$ 76,526</b> |
| Benefit Cost                              | \$ 4,486                  | \$ 4,662         | \$ 67                       | \$ 65           | \$ 4,553         | \$ 4,727         |
| Plan Assets                               | 54,441                    | 48,739           | 763                         | 863             | 55,204           | 49,602           |
| Employer Contribution                     | 5,441                     | 5,623            | 186                         | 210             | 5,627            | 5,833            |
| Employees' Contributions                  | 3,428                     | 3,616            |                             |                 | 3,428            | 3,616            |
| Benefits Paid                             | 8,093                     | 7,549            | 372                         | 420             | 8,465            | 7,969            |
| Plan assets consist of:                   | Non-Pension Benefit Plans |                  | Post-Retirement Adjustments |                 |                  |                  |
|   | 2017                      | 2016             | 2017                        | 2016            |                  |                  |
| Money Market Funds and Cash               | 4.4%                      | 6.7%             | 4.4%                        | 6.7%            |                  |                  |
| Equities                                  | 52.4%                     | 50.2%            | 52.4%                       | 50.2%           |                  |                  |
| Fixed Income                              | 21.1%                     | 21.2%            | 21.1%                       | 21.2%           |                  |                  |
| Pooled Real Estate                        | 9.6%                      | 9.6%             | 9.6%                        | 9.6%            |                  |                  |
| Mortgage Fund                             | 12.5%                     | 12.3%            | 12.5%                       | 12.3%           |                  |                  |
| <b>Total</b>                              | <b>100.0%</b>             | <b>100.0%</b>    | <b>100.0%</b>               | <b>100.0%</b>   |                  |                  |

|   | Non-Pension Benefit Plans        |                                  | Post-Retirement Adjustments |      |
|---|----------------------------------|----------------------------------|-----------------------------|------|
|   | 2017                             | 2016                             | 2017                        | 2016 |
| Accrued Benefit Obligation at March 31:   |                                  |                                  |                             |      |
| Discount Rate                             | 5.5%                             | 5.6%                             | 5.5%                        | 5.6% |
| Benefit Cost for Year Ended March 31:     |                                  |                                  |                             |      |
| Discount Rate                             | 5.6%                             | 6.0%                             | 5.6%                        | 6.0% |
| Expected Rate of Return on Assets         | 5.6%                             | 6.0%                             | 5.6%                        | 6.0% |
| Health Care Cost Trend Rates at March 31: |                                  |                                  |                             |      |
| Initial Rate                              | 7.5%                             | 7.5%                             |                             |      |
| Ultimate Rate                             | 5.0%                             | 5.0%                             |                             |      |
| Year Ultimate Rate Reached                | 2027                             | 2027                             |                             |      |
| Dental Care Cost Trend Rates at March 31: | 5.0% to 2018,<br>4.5% thereafter | 5.0% to 2018,<br>4.5% thereafter |                             |      |

## 12. INTER-FUND ADVANCES AND LOANS

As at March 31, 2017, the General Funds owed the Restricted Funds \$3,703 (2016, \$18,887).

## 13. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of \$979 (2016, \$925).

## 14. PENSION PLANS

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

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

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

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

All three pension plans issue their own financial statements, none of which form part of the University's financial statements. The University's pension liability for the 1993 Plan is the net of pension obligations less plan assets and adjusted for any unamortized actuarial gains or losses. For the 1986 Plan, the University has no pension liability as pension obligations equal plan assets. The University has no pension liability for the 1970 Plan.

### 1993 PLAN

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. The following is a summary of the Plan:

Staff members of the University, other than those eligible for membership in The University of Manitoba GFT Pension Plan (1986), are eligible for membership in The University of Manitoba Pension Plan (1993). The Plan members contributed at the rate of 9.0% of salary less an adjustment for the Canada Pension Plan during the year. The University matches these contributions. If an actuarial valuation reveals a deficiency in the fund, *The Pension Benefits Act* of the Province of Manitoba requires that the University make additional contributions to fund the deficiency.

The Plan provides for full and immediate vesting on termination of employment, subject to the provisions of *The Pension Benefits Act* of the Province of Manitoba.

At retirement, the Plan provides that the Member's Contribution Account and University Contribution Account are applied to establish retirement income known as a plan annuity. This annuity is determined using a pension factor established by the Actuary and is paid from the Plan. The Plan provides that if the defined benefit pension based on a formula involving the member's years of service and highest average earnings exceeds the plan annuity, the difference (known as a supplementary pension) is paid from the Plan.

The Plan provides for retirement benefits paid from the Plan to be increased using an excess interest approach, provided such increase can be afforded by the Plan as confirmed by the Actuary.

At the December 31, 2013 valuation of the Plan, there were 5,192 active member accounts with an average salary weighted age of 51.8 for academic staff and 47 for support staff, and 1,241 annuitants and other recipients.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2013 and extrapolated to December 31, 2016.



# FINANCIAL STATEMENTS

The University uses a December 31 measurement date for reporting plan assets and obligations. Pension liability is calculated as follows:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Accrued Benefit Obligations</b>                                     |                     |                     |
| Actuarial present value of accrued pension benefits, beginning of year | \$ 1,173,668        | \$ 1,110,225        |
| Interest accrued on defined benefits                                   | 24,924              | 23,006              |
| Interest accrued on member accounts                                    | 61,725              | 28,988              |
| Benefits accrued   | 57,093              | 54,393              |
| Benefits paid  | (102,617)           | (99,343)            |
| Actuarial gains (losses)   | (8,839)             | 3,650               |
| Change in actuarial assumptions  | (6,067)             | 52,749              |
| Actuarial present value of accrued pension benefits, end of year       | 1,199,887           | 1,173,668           |
| <b>Plan Assets</b>   |                     |                     |
| Fair value, beginning of year  | 1,099,448           | 1,091,432           |
| Actual return on plan assets   | 99,919              | 47,200              |
| Employer contributions calendar year                                   | 34,092              | 34,280              |
| Employee contributions   | 25,462              | 25,595              |
| Transfer from other plans  | 198                 | 284                 |
| Benefits paid  | (102,617)           | (99,343)            |
| Fair value, end of year  | 1,156,502           | 1,099,448           |
| Plan deficit   | 43,385              | 74,220              |
| Contributions during fiscal year in excess of calendar year            | (8,994)             | (8,380)             |
| Adjusted plan deficit  | 34,391              | 65,840              |
| Unamortized net actuarial gains (losses)                               | (10,048)            | (45,268)            |
| <b>Pension Liability</b>   | <b>\$ 24,343</b>    | <b>\$ 20,572</b>    |
| <b>Net Benefit Plan Expense</b>  |                     |                     |
| Current service cost, net of employee contributions                    | \$ 31,433           | \$ 28,514           |
| Interest costs at discount rate  | 62,383              | 62,794              |
| Expected return on plan assets   | (60,369)            | (64,310)            |
| Amortization of net actuarial gains (losses)                           | 5,030               | (2,180)             |
| Net benefit plan expense   | \$ 38,477           | \$ 24,818           |
| <b>Reconciliation of Unamortized Gains (Losses)</b>                    |                     |                     |
| Expected average remaining service life                                | 9.00                | 9.00                |
| Net unamortized gain (loss), beginning of year                         | \$ (45,268)         | \$ 19,621           |
| New net gain (loss) for current year                                   | 30,190              | (62,709)            |
| Amortization for current year  | 5,030               | (2,180)             |
| Net unamortized (loss), end of year                                    | \$ (10,048)         | \$ (45,268)         |
| <b>Plan Assets Measured at Fair Value Consist of:</b>                  |                     |                     |
| Cash and Other   | \$ 20,867           | \$ 29,262           |
| Bonds and Debentures   | 143,834             | 248,350             |
| Canadian Equities  | 255,768             | 300,379             |
| Mortgages  | 163,076             | 134,234             |
| Real Estate  | 99,061              | 68,205              |
| Foreign Equities   | 473,896             | 319,018             |
|  | <b>\$ 1,156,502</b> | <b>\$ 1,099,448</b> |

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## Significant Long-term Actuarial Assumptions

|  |  |  |
|--|--|--|
| Discount rate  | 5.50%  | 5.60%  |
| Expected rate of return on assets                                    | 5.50%  | 5.60%  |
| Rate of general salary increase                                      | 1.5% to 2022, 2.5% thereafter  | 2.0% to 2018, 3% thereafter  |
| Interest assumption for converting member accumulations to annuities | 3.75%  | 3.75%  |
| Mortality  | Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B. | Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B. |

Pension Plan Assets are valued at market values. The expected rate of return on plan assets net of expenses is 5.5% (2015, 5.6%). The actual return on pension fund assets was 9.3% (2015, 4.4%).

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 2017 was \$3.5 million (2016, \$3.6 million).

The unamortized net actuarial gains (losses) shown above, which were determined on the basis of the 2013 actuarial valuation and the 2016 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 fifteen years. The payments are \$5.1 million annually until the going concern deficit is eliminated, based on the December 2013 funding valuation. This total payment for fiscal 2017 was \$5.1 million (2016, \$5.1 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 Pension Benefits Act* and the funding deficit payments are being paid by the University over the maximum of fifteen years as indicated above.

## 1986 PLAN

For the 1986 Plan, which is a money purchase plan for active members, the University recorded contributions of \$1,976 (2016, \$2,114) and this is included in the Statement of Operations and Changes in Fund Balances as an expense.

## 1970 PLAN

There were no university employees earning pension entitlements in 2017 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

# FINANCIAL STATEMENTS

## 15. NET INVESTMENT INCOME

|                                  | General<br>Funds | Restricted<br>Funds | Total<br>2017    | Total<br>2016    |
|----------------------------------|------------------|---------------------|------------------|------------------|
| Non Portfolio Interest Income    | \$ 2,984         | \$ 10,199           | \$ 13,183        | \$ 12,240        |
| Portfolio Investments:           |                  |                     |                  |                  |
| Interest                         | 1,781            | 1,639               | 3,420            | 4,091            |
| Dividends                        |                  | 11,754              | 11,754           | 11,925           |
| Net Gains on Sale of Investments |                  | 28,582              | 28,582           | 29,781           |
|                                  | 1,781            | 41,975              | 43,756           | 45,797           |
| <b>Total</b>                     | <b>\$ 4,765</b>  | <b>\$ 52,174</b>    | <b>\$ 56,939</b> | <b>\$ 58,037</b> |

## 16. INTEREST IN RELATED ENTITIES

### UM PROPERTIES LIMITED PARTNERSHIP

In 2008, the University purchased approximately 120 acres of land from the Southwood Golf and Country Club (Southwood lands). The University is pursuing the development of the Southwood lands through UM Properties Limited Partnership (the Partnership) which was created in 2016-17.

The Partnership is responsible for the planning and development of the infrastructure and roadways of the Southwood lands and will negotiate with builders/developers for the construction of residential and commercial buildings located on the Southwood lands. It is the intent of the University to transfer an interest in the lands to the Partnership by selling its fee simple interest, or by entering into a long term lease.

The Partnership has a sole general partner and sole limited partner. UM Properties GP Inc. is the general partner and a wholly owned subsidiary of the University. UM Properties Trust (the Trust) is a legal trust and is the limited partner.

UM Properties Holdings Inc. (the corporate trustee) is a wholly owned subsidiary of the University, and is the sole trustee of the Trust. Income will flow from the Partnership to the Trust. The corporate trustee is responsible to allocate the taxable income of the Trust in any given year. The University and the J.W. Dafoe Foundation are the beneficiaries of the Trust.

The Trust is taxable on any taxable income that is not allocated to the beneficiaries.

There was no financial activity in 2016-17.

### 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 Subsection 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 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 from time to time. The gifts received in fiscal 2017 were \$1,406.

## TRIUMF

The University has an 8.33% (2016, 8.33%) interest in TRIUMF, a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

Available financial information in respect of TRIUMF is disclosed below:

|   | U of M's<br>Proportionate |                 | U of M's<br>Proportionate |                 |
|---|---------------------------|-----------------|---------------------------|-----------------|
|   | March 31, 2016            | Share           | March 31, 2015            | Share           |
| <b>Statement of Financial Position:</b> |                           |                 |                           |                 |
| Assets                                  | \$ 32,020                 | \$ 2,667        | \$ 26,369                 | \$ 2,197        |
| Liabilities                             | 8,322                     | 693             | 6,257                     | 522             |
| <b>Net Assets</b>                       | <b>\$ 23,698</b>          | <b>\$ 1,974</b> | <b>\$ 20,112</b>          | <b>\$ 1,675</b> |
| <b>Statement of Operations:</b>         |                           |                 |                           |                 |
| Revenue                                 | \$ 71,873                 | \$ 5,987        | \$ 69,133                 | \$ 5,758        |
| Expenses                                | 68,286                    | 5,688           | 66,654                    | 5,552           |
| <b>Surplus for the Year</b>             | <b>\$ 3,587</b>           | <b>\$ 299</b>   | <b>\$ 2,479</b>           | <b>\$ 206</b>   |
| <b>Statement of Cash Flows:</b>         |                           |                 |                           |                 |
| Cash Provided by (Used in):             |                           |                 |                           |                 |
| Operating Activities                    | \$ 5,364                  | \$ 447          | \$ 3,780                  | \$ 315          |
| Investing Activities                    | (7,171)                   | (597)           | 2,783                     | 232             |
| <b>Increase (Decrease) in Cash</b>      | <b>\$ (1,807)</b>         | <b>\$ (150)</b> | <b>\$ 6,563</b>           | <b>\$ 547</b>   |

TRIUMF's financial statements have been prepared in accordance with section 11B of the TRIUMF joint venture agreement. TRIUMF has adopted Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF and related decommissioning costs (if any) are expensed in the period in which the costs are incurred. The financial statements for the year ended March 31, 2017 are not available.

TRIUMF follows the restricted fund method of accounting for contributions.

## 17. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in Triple B Stadium Inc. (Triple B). Triple B is a for-profit corporation established to develop, own and operate a stadium as a venue for professional and university football and community athletics. The members of Triple B are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of Triple B 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 Triple B related to the use of the stadium for university football games and events at nil charge.

As at March 31, 2017 and for year then ended, the related party transactions pertaining to Investors Group Field, with Triple B and the Province of Manitoba are as follows:

|  | 2017       | 2016       |
|--|------------|------------|
| Loans Receivable, including accrued interest | \$ 198,971 | \$ 191,364 |
| Loan Payable, including accrued interest     | \$ 198,971 | \$ 191,364 |
| Revenue and Expenses:                        |            |            |
| Investment Income                            | \$ 8,945   | \$ 8,661   |
| Interest Expense                             | \$ 8,945   | \$ 8,619   |

# FINANCIAL STATEMENTS

The investment income from Triple B and related interest expense of \$8,945 (2016, \$8,619) has been included in the Statement of Operations and Changes in Fund Balances. However, these amounts have not been included in Statement of Cash Flow supplementary information as the interest was neither received nor paid during the year. Any related payments received for the loan receivable and payments made on the related debt were applied against the outstanding principal.

The University controls Partners for Health and Development in Africa (PHDA), a non-profit, non-governmental organization registered in Kenya. PHDA has a March 31 year end. Its main purpose is to promote health and economic development in Kenya and Africa, including promotion of health and economic services in HIV/AIDS and population and reproductive health. PHDA uses a modified cash basis of accounting.

The University funds the operations of PHDA by the transfer of research grants. PHDA is not permitted under local government restrictions to transfer any assets back to the University. Available financial information in respect of PHDA is disclosed below. The financial statements for the year ended March 31, 2017 are not available. PHDA operates in Kenyan Schillings and the amounts below have been converted to Canadian dollars.

|   | March 31, 2016 | March 31, 2015 |
|---|----------------|----------------|
| <b>Statement of Financial Position:</b> |                |                |
| Assets                                  | \$ 800         | \$ 452         |
| Liabilities                             | 354            | 338            |
| <b>Net Assets</b>                       | <b>\$ 446</b>  | <b>\$ 114</b>  |
| <b>Statement of Operations:</b>         |                |                |
| Revenue                                 | \$ 6,026       | \$ 4,447       |
| Expenses                                | 5,687          | 4,334          |
| <b>Surplus for the Year</b>             | <b>\$ 339</b>  | <b>\$ 113</b>  |
| Cash Provided by (Used in):             |                |                |
| Operating Activities                    | \$ 353         | \$ 251         |
| Investing Activities                    | (60)           | (67)           |
| <b>Increase in Cash</b>                 | <b>\$ 293</b>  | <b>\$ 184</b>  |

Total transfers in 2016 to PHDA were \$5,633 (2015, \$1,476).

## 18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University 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 amounted to \$39,950 (2016, \$30,197). The contractual obligations relating to service contracts was \$27,912 (2016, \$24,899).

The University of Manitoba Faculty Association (UMFA) has filed an application for remedy for unfair labour practice against the University. UMFA has brought forward these allegations with The Manitoba Labour Board and has alleged that the University failed to bargain collectively in good faith under *The Labour Relations Act*. UMFA is seeking both financial and non financial remedies. The financial remedies include the following:

- Payment of lost wages and benefits for the entire period of the strike;
- Compensate UMFA for all costs associated with the strike;
- Restoration of the monetary proposal that existed on September 13, 2016;
- \$2 payment to UMFA; and
- \$2 payment to each UMFA member.

# FINANCIAL STATEMENTS

The University is actively defending these allegations and is participating in hearings with The Manitoba Labour Board. Initial hearings were held in May 2017 and are expected to be completed by October 2017, at which time The Manitoba Labour Board will convene to render a judgement which is expected some time in 2018.

The possible loss to the University depends on what financial restitution the University is ordered to pay and ranges from nil to \$9,400 based on the requests of the application.

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 \$44,200 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, 2016 is estimated at \$2,800 (2015, \$2,800). The March 31, 2017 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.

## 19. EXPENSE BY FUNCTION

|  | General<br>Funds  | Restricted<br>Funds | 2017<br>Total<br>Funds | 2016<br>Total<br>Funds |
|--|-------------------|---------------------|------------------------|------------------------|
| <b>Expense</b>                                     |                   |                     |                        |                        |
| Academic   | \$ 330,127        | \$ 125,565          | \$ 455,692             | \$ 469,117             |
| Amortization                                       |                   | 54,645              | 54,645                 | 54,931                 |
| Student Assistance                                 | 15,437            | 42,074              | 57,511                 | 55,619                 |
| Plant Maintenance                                  | 43,315            | 20                  | 43,335                 | 46,039                 |
| Administration and General                         | 33,047            | 8,219               | 41,266                 | 41,593                 |
| Ancillary Services                                 | 25,699            |                     | 25,699                 | 27,725                 |
| Computing and Communications                       | 24,044            |                     | 24,044                 | 26,803                 |
| Other Academic and Research Support                | 22,603            | 3,315               | 25,918                 | 20,834                 |
| Student Services                                   | 19,397            |                     | 19,397                 | 20,328                 |
| Interest   |                   | 19,074              | 19,074                 | 19,062                 |
| Libraries  | 16,991            |                     | 16,991                 | 18,462                 |
| External Relations                                 | 11,174            |                     | 11,174                 | 12,169                 |
| Actuarially Determined Employee<br>Future Benefits | 4,527             |                     | 4,527                  | 7                      |
| Change in Pension Liability                        | 3,771             |                     | 3,771                  | (10,515)               |
| Staff Benefits Contra                              | (1,761)           |                     | (1,761)                | (7,182)                |
| Loss on Disposal of Capital Assets                 |                   | 1,000               | 1,000                  |                        |
| <b>Total</b>                                       | <b>\$ 548,371</b> | <b>\$ 253,912</b>   | <b>\$ 802,283</b>      | <b>\$ 794,992</b>      |

# FINANCIAL STATEMENTS

## 20. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – GENERAL FUNDS

|   | General<br>Operating<br>Fund | Specific<br>Provisions<br>Fund | Expenses<br>Funded<br>From Future<br>Revenues<br>Fund | 2017<br>Total<br>General<br>Funds | 2016<br>Total<br>General<br>Funds |
|---|------------------------------|--------------------------------|---|-----------------------------------|-----------------------------------|
| <b>Revenue</b>  |                              |                                |   |                                   |                                   |
| Tuition and Related Fees                                      | \$ 163,571                   | \$                             | \$  | \$ 163,571                        | \$ 159,987                        |
| Donations   | 3,849                        |                                |   | 3,849                             | 1,734                             |
| Non-Government Grants   | 4,845                        |                                |   | 4,845                             | 5,344                             |
| Net Investment Income (Note 15)                               | 4,765                        |                                |   | 4,765                             | 4,348                             |
| Miscellaneous Income  | 8,809                        |                                |   | 8,809                             | 9,390                             |
| Government Grants:  |                              |                                |   |                                   |                                   |
| Manitoba Education and Training                               | 356,762                      |                                |   | 356,762                           | 347,105                           |
| Other Province of Manitoba                                    | 24,601                       |                                |   | 24,601                            | 22,493                            |
| Government of Canada  | 10,836                       |                                |   | 10,836                            | 10,850                            |
| City of Winnipeg  | 51                           |                                |   | 51                                | 51                                |
| Sales of Goods and Services                                   | 34,595                       |                                |   | 34,595                            | 32,233                            |
| Ancillary Services  | 37,983                       |                                |   | 37,983                            | 38,246                            |
|   | <b>650,667</b>               |                                |   | <b>650,667</b>                    | <b>631,781</b>                    |
| <b>Expenses</b>   |                              |                                |   |                                   |                                   |
| Salaries  | 350,262                      |                                |   | 350,262                           | 356,627                           |
| Staff Benefits and Pay Levy                                   | 78,461                       |                                |   | 78,461                            | 59,766                            |
| Materials, Supplies and Services                              | 48,728                       |                                |   | 48,728                            | 51,352                            |
| Student Assistance  | 15,437                       |                                |   | 15,437                            | 14,000                            |
| Professional Consulting and Externally<br>Contracted Services | 19,220                       |                                |   | 19,220                            | 16,010                            |
| Travel and Conferences  | 11,209                       |                                |   | 11,209                            | 11,314                            |
| Utilities, Municipal Taxes and Insurance                      | 19,174                       |                                |   | 19,174                            | 19,442                            |
| Maintenance and Repairs                                       | 5,880                        |                                |   | 5,880                             | 7,652                             |
|   | 548,371                      |                                |   | 548,371                           | 536,163                           |
| <b>Net Revenue from Operating Activities</b>                  | 102,296                      |                                |   | 102,296                           | 95,618                            |
| Inter-Fund Transfers (Note 22)                                | (102,278)                    | 36,101                         | (4,588)   | (70,765)                          | (86,501)                          |
| Net Increase (Decrease) to Fund                               |                              |                                |   |                                   |                                   |
| Balances from Operating Activities                            | 18                           | 36,101                         | (4,588)   | 31,531                            | 9,117                             |
| Fund Balances from Operating Activities                       |                              |                                |   |                                   |                                   |
| Beginning of Year   | 2,366                        | 97,668                         | (65,345)  | 34,689                            | 25,572                            |
| Fund Balances from Operating Activities                       |                              |                                |   |                                   |                                   |
| End of Year   | 2,384                        | 133,769                        | (69,933)  | 66,220                            | 34,689                            |
| Accumulated Remeasurements Gains<br>(Losses) End of Year      | 3                            |                                |   | 3                                 | (139)                             |
| <b>Fund Balances End of Year</b>                              | <b>\$ 2,387</b>              | <b>\$ 133,769</b>              | <b>\$ (69,933)</b>                                    | <b>\$ 66,223</b>                  | <b>\$ 34,550</b>                  |
| Unrestricted Funds  | \$ 2,387                     | \$                             | \$ (69,933)   | \$ (67,546)                       | \$ (63,118)                       |
| Internally Restricted Funds (Note 23)                         |                              | 133,769                        |   | 133,769                           | 97,668                            |
|   | <b>\$ 2,387</b>              | <b>\$ 133,769</b>              | <b>\$ (69,933)</b>                                    | <b>\$ 66,223</b>                  | <b>\$ 34,550</b>                  |



## 21. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – RESTRICTED FUNDS

|   | Capital<br>Asset<br>Fund | Research<br>and Special<br>Fund | Staff<br>Benefits<br>Fund | Trust<br>Fund     | 2017<br>Total<br>Restricted<br>Funds | 2016<br>Total<br>Restricted<br>Funds |
|---|--------------------------|---------------------------------|---------------------------|-------------------|--------------------------------------|--------------------------------------|
| <b>Revenue</b>  |                          |                                 |                           |                   |                                      |                                      |
| Donations   | \$ 4,788                 | \$ 595                          | \$                        | \$ 4,441          | \$ 9,824                             | \$ 11,625                            |
| Non-Government Grants   |                          | 79,139                          |                           |                   | 79,139                               | 78,313                               |
| Net Investment Income (Note 15)                               | 9,646                    | 341                             | 579                       | 41,608            | 52,174                               | 53,689                               |
| Miscellaneous Income  | 2,693                    | 1,547                           | 3,460                     |                   | 7,700                                | 8,002                                |
| Government Grants:  |                          |                                 |                           |                   |                                      |                                      |
| Manitoba Education and Training                               | 7,015                    |                                 |                           |                   | 7,015                                | 7,015                                |
| Other Province of Manitoba                                    | 2,714                    | 32,147                          |                           |                   | 34,861                               | 51,295                               |
| Government of Canada  | 9,366                    | 64,269                          |                           |                   | 73,635                               | 70,971                               |
| Sales of Goods and Services                                   | 20                       | 486                             |                           |                   | 506                                  | 1,011                                |
|   | <b>36,242</b>            | <b>178,524</b>                  | <b>4,039</b>              | <b>46,049</b>     | <b>264,854</b>                       | <b>281,921</b>                       |
| <b>Expenses</b>   |                          |                                 |                           |                   |                                      |                                      |
| Salaries  |                          | 39,366                          |                           |                   | 39,366                               | 40,471                               |
| Staff Benefits and Pay Levy                                   |                          | 7,323                           |                           |                   | 7,323                                | 7,088                                |
| Materials, Supplies and Services                              |                          | 47,706                          | 4,248                     | 372               | 52,326                               | 57,741                               |
| Amortization of Capital Assets                                | 54,645                   |                                 |                           |                   | 54,645                               | 54,931                               |
| Student Assistance  |                          | 22,994                          |                           | 19,080            | 42,074                               | 41,619                               |
| Professional Consulting and Externally<br>Contracted Services |                          | 22,370                          | 133                       | 3,381             | 25,884                               | 26,315                               |
| Travel and Conferences  |                          | 11,815                          |                           |                   | 11,815                               | 11,135                               |
| Utilities, Municipal Taxes and Insurance                      |                          | 33                              |                           |                   | 33                                   | 24                                   |
| Interest  | 19,074                   |                                 |                           |                   | 19,074                               | 19,062                               |
| Maintenance and Repairs                                       |                          | 372                             |                           |                   | 372                                  | 443                                  |
| Loss on Disposal of Capital Assets                            | 1,000                    |                                 |                           |                   | 1,000                                |                                      |
|   | <b>74,719</b>            | <b>151,979</b>                  | <b>4,381</b>              | <b>22,833</b>     | <b>253,912</b>                       | <b>258,829</b>                       |
| <b>Net Revenue (Loss) from<br/>Operating Activities</b>       | <b>(38,477)</b>          | <b>26,545</b>                   | <b>(342)</b>              | <b>23,216</b>     | <b>10,942</b>                        | <b>23,092</b>                        |
| Inter-Fund Transfers (Note 22)                                | 83,284                   | (7,809)                         | (2,880)                   | (7,725)           | 64,870                               | 84,197                               |
| Net Increase (Decrease) to Fund                               |                          |                                 |                           |                   |                                      |                                      |
| Balances from Operating Activities                            | 44,807                   | 18,736                          | (3,222)                   | 15,491            | 75,812                               | 107,289                              |
| Fund Balances from Operating<br>Activities Beginning of Year  | 999,248                  | 123,386                         | 3,211                     | 202,755           | 1,328,600                            | 1,221,311                            |
| Fund Balances from Operating<br>Activities End of Year        | 1,044,055                | 142,122                         | (11)                      | 218,246           | 1,404,412                            | 1,328,600                            |
| Accumulated Remeasurements<br>Gains (Losses) End of Year      | 570                      | 70                              | 8,777                     | (5,253)           | 4,164                                | (14,421)                             |
| <b>Fund Balances End of Year</b>                              | <b>\$ 1,044,625</b>      | <b>\$ 142,192</b>               | <b>\$ 8,766</b>           | <b>\$ 212,993</b> | <b>\$ 1,408,576</b>                  | <b>\$ 1,314,179</b>                  |
| Internally Restricted Funds (Note 23)                         | \$                       | \$ 7,296                        | \$ 2,729                  | \$ 64,105         | \$ 74,130                            | \$ 68,333                            |
| Externally Restricted Funds (Note 24)                         |                          | 134,896                         | 6,037                     | 148,888           | 289,821                              | 247,267                              |
| Invested in Capital Assets (Note 24)                          | 1,044,625                |                                 |                           |                   | 1,044,625                            | 998,579                              |
|   | <b>\$ 1,044,625</b>      | <b>\$ 142,192</b>               | <b>\$ 8,766</b>           | <b>\$ 212,993</b> | <b>\$ 1,408,576</b>                  | <b>\$ 1,314,179</b>                  |

# FINANCIAL STATEMENTS

## 22. INTER-FUND TRANSFERS

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

|  | General<br>Operating<br>Fund | Specific<br>Provisions<br>Fund | Expenses<br>Funded<br>From Future<br>Revenues<br>Fund | Total<br>General<br>Funds | Total<br>Restricted<br>Funds | Endowment<br>Fund |
|--|------------------------------|--------------------------------|---|---------------------------|------------------------------|-------------------|
| Funding of Capital Asset Additions:                        |                              |                                |   |                           |                              |                   |
| Current Year Acquisitions                                  | \$ (21,161)                  | \$                             | \$  | \$ (21,161)               | \$ 21,161                    | \$                |
| Other Funded Projects                                      | (30,316)                     |                                |   | (30,316)                  | 30,316                       |                   |
| Faculty and Unit Funded Projects                           | (13,778)                     | 1,072                          |   | (12,706)                  | 12,706                       |                   |
| <b>Total Funding of Capital Asset Additions</b>            | <b>(65,255)</b>              | <b>1,072</b>                   |   | <b>(64,183)</b>           | <b>64,183</b>                |                   |
| Debt Funding:  |                              |                                |   |                           |                              |                   |
| Ancillary Services   | (4,964)                      |                                |   | (4,964)                   | 4,964                        |                   |
| Faculties  | (1,542)                      |                                |   | (1,542)                   | 1,542                        |                   |
| Unit Capital Development Assessment                        | (5,274)                      |                                |   | (5,274)                   | 5,274                        |                   |
| Student Contributions for Technology                       | (2,784)                      |                                |   | (2,784)                   | 2,784                        |                   |
| Other  | (632)                        |                                |   | (632)                     | 632                          |                   |
| <b>Total Debt Funding</b>                                  | <b>(15,196)</b>              |                                |   | <b>(15,196)</b>           | <b>15,196</b>                |                   |
| Scholarships, Bursaries and Prizes:                        |                              |                                |   |                           |                              |                   |
| Faculty and Unit Funded                                    | (1,878)                      |                                |   | (1,878)                   | 1,874                        | 4                 |
| Centrally Funded   | (7,051)                      |                                |   | (7,051)                   | 7,045                        | 6                 |
| <b>Total Scholarships, Bursaries and Prizes</b>            | <b>(8,929)</b>               |                                |   | <b>(8,929)</b>            | <b>8,919</b>                 | <b>10</b>         |
| Transfers to Provisions for Specific Projects:             |                              |                                |   |                           |                              |                   |
| Faculty and Unit Funded                                    | (787)                        | 787                            |   |                           |                              |                   |
| Centrally Funded   | (17,913)                     | 17,913                         |   |                           |                              |                   |
| <b>Total Transfers to Provisions for Specific Projects</b> | <b>(18,700)</b>              | <b>18,700</b>                  |   |                           |                              |                   |
| Benefit Premiums Net of Employer                           |                              |                                |   |                           |                              |                   |
| Contributions for Staff Benefits                           | (1,704)                      |                                |   | (1,704)                   | 1,704                        |                   |
| Student Contribution to University                         |                              |                                |   |                           |                              |                   |
| Development Fund   | (965)                        |                                |   | (965)                     | 195                          | 770               |
| Overhead Recoveries  | 6,527                        |                                |   | 6,527                     | (6,527)                      |                   |
| Funding of General Operating Expenses                      | 22,784                       | (9,474)                        |   | 13,310                    | (13,310)                     |                   |
| Net Change in Unit Carryover                               | (25,803)                     | 25,803                         |   |                           |                              |                   |
| Funding of Research Projects                               | (4,211)                      |                                |   | (4,211)                   | 4,211                        |                   |
| Employee Future Benefits                                   | 4,527                        |                                | 57  | 4,584                     | (4,584)                      |                   |
| Pension Liability  | 3,771                        |                                | (3,771)   |                           |                              |                   |
| Vacation and Sick Leave Liability                          | 874                          |                                | (874)   |                           |                              |                   |
| Other Net Transfers  | 2                            |                                |   | 2                         | (5,117)                      | 5,115             |
| <b>March 31, 2017</b>                                      | <b>\$(102,278)</b>           | <b>\$ 36,101</b>               | <b>\$ (4,588)</b>                                     | <b>\$ (70,765)</b>        | <b>\$ 64,870</b>             | <b>\$ 5,895</b>   |
| March 31, 2016   | \$ (95,534)                  | \$ (1,306)                     | \$ 10,339   | \$ (86,501)               | \$ 84,197                    | \$ 2,304          |

## 23. INTERNALLY RESTRICTED FUND BALANCES

Internally restricted fund balances represent amounts set aside by the University for specific purposes. Within the Specific Provisions Fund is \$89,758 (2016, \$65,512) that is set aside at the request of faculties and units while \$44,011 (2016, \$32,156) has been set aside at the discretion of senior administration. Included in the \$89,758 is faculty and unit carryover of \$75,861 (2016, \$50,068). Although the entire provision balance of \$133,769 (2016, \$97,668) is deemed internally restricted, senior administration is not able to repurpose the \$89,758 (2016, \$65,512) as it is bound by certain restrictions including collective agreements.

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>General Funds</b>                             |                   |                   |
| Specific Provisions                              | \$ 133,769        | \$ 97,668         |
| <b>Restricted Funds</b>                          |                   |                   |
| Research and Special                             | 7,296             | 7,832             |
| Staff Benefits                                   | 2,729             | 2,569             |
| Trust  | 64,105            | 57,932            |
|  | 74,130            | 68,333            |
| <b>Total Internally Restricted Fund Balances</b> | <b>\$ 207,899</b> | <b>\$ 166,001</b> |

## 24. EXTERNALLY RESTRICTED FUND BALANCES

Externally restricted fund balances represent unexpended fund balances to be used in future years. External parties have imposed specific restrictions on how the funds can be used and the terms cannot be altered without explicit permission from these funders. Endowed fund balances represent donations received that must be held in perpetuity. The endowed contributions generate an investment return which is made available for spending in the Trust Fund. Invested in Capital Assets represents capital assets and the net assets held for capital purchases or debt repayment.

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>Endowed</b>                                   | \$ 468,296          | \$ 398,732          |
| <b>Invested in Capital Assets</b>                | 1,044,625           | 998,579             |
| <b>Restricted Funds</b>                          |                     |                     |
| Research and Special                             | 134,896             | 115,352             |
| Staff Benefits                                   | 6,037               | 4,570               |
| Trust  | 148,888             | 127,345             |
|  | 289,821             | 247,267             |
| <b>Total Externally Restricted Fund Balances</b> | <b>\$ 1,802,742</b> | <b>\$ 1,644,578</b> |

## 25. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2016 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2017.







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