



THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>PAGE</u>
Management Report	1
Auditor's Report	2
 <u>FINANCIAL STATEMENTS</u>	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8



THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPOs), including the 4200 series of standards, as issued by the Public Sector Accounting Board.

The University's Board of Regents is responsible for overseeing the business affairs of the University including approving the consolidated financial statements. The Board has delegated the responsibility for reviewing these annual consolidated financial statements and meeting with management and the external auditor on matters relating to the financial reporting to its Audit and Risk Committee. The external auditor has full access to the Audit and Risk Committee with or without the presence of management. The Board of Regents has reviewed and approved these annual consolidated financial statements.

In management's opinion, these annual consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded. The integrity of internal controls is reviewed on an on-going basis by the University's Audit Services.

The external auditor, KPMG LLP, is responsible for auditing these annual consolidated financial statements and for issuing a report thereon. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation.

On Behalf of Management

(Original signed by Michael Emslie)

Michael Emslie, CPA, CA
Vice-President Finance & Administration

(Original signed by Gary Pawlychka)

Gary Pawlychka, CPA, CGA
Executive Director, Financial Reporting

Winnipeg, Manitoba
June 19, 2017



KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone	(204) 957-1770
Fax	(204) 957-0808
Internet	www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Winnipeg

We have audited the accompanying consolidated financial statements of The University of Winnipeg, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

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

Signed "KPMG LLP"

Chartered Professional Accountants

June 19, 2017

Winnipeg, Canada

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017, with comparative information for 2016
Amounts in Thousands

Statement I

	2017	2016 Restated (Note 23)
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents (Notes 3, 7)	\$ 31,392	\$ 27,776
Short Term Investments (Note 3)	102	347
Accounts Receivable (Note 15)	3,169	4,222
Current Portion of Long Term Receivables (Note 5)	41	38
Due from Related Parties (Note 20)	1,909	5,940
Prepaid Expenses and other assets	1,625	1,831
	<u>38,238</u>	<u>40,154</u>
Long Term Investments (Note 4)	1,767	2,194
Long Term Receivables (Note 5)	4,444	4,448
Capital Assets (Note 6)	<u>197,977</u>	<u>197,811</u>
	<u>\$ 242,426</u>	<u>\$ 244,607</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 11,864	\$ 12,524
Deferred Revenue	6,626	7,219
Deferred Contributions (Note 9)	9,691	11,909
Accrued Vacation Pay	2,739	2,464
Current Portion of Obligations Under Capital Leases (Note 10)	157	152
Current Portion of Long Term Debt (Note 12)	1,352	1,565
Due to Related Parties (Note 20)	668	669
	<u>33,097</u>	<u>36,502</u>
Obligations under Capital Leases (Note 10)	64	221
Long Term Liabilities (Note 12)	65,433	66,784
Deferred Capital Contributions (Note 11)	129,001	127,083
Obligations for Compensated Absences (Note 8)	418	413
Pension Obligation (Note 16)	10,087	11,303
	<u>238,100</u>	<u>242,306</u>
Net Assets:		
Unrestricted Net Deficiency	(28,168)	(30,118)
Internally Restricted (Note 13)	6,651	6,390
Externally Restricted (Note 14)	3,671	3,590
Investment in Capital Assets	22,172	22,439
	<u>4,326</u>	<u>2,301</u>
	<u>\$ 242,426</u>	<u>\$ 244,607</u>
Special Purpose and Trust Assets (Notes 3, 13)		
Contractual Obligations (Notes 10, 17, 18, 19)		
Contingencies (Note 22)		

Approved by the Board of Regents

(Original signed by Albina Moran)
Chair, Board of Regents

(Original signed by Annette Trimbee)
President & Vice Chancellor

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For The Year Ended March 31, 2017, with comparative information for 2016
Amounts in Thousands

Statement II

	2017	2016 Restated (Note 23)
REVENUE		
Government Grants:		
Education and Advanced Learning	\$ 71,262	\$ 67,201
Province of Manitoba, other	793	569
Government of Canada	6,571	6,138
Student Academic Fees	44,742	43,134
Gifts and Bequests	4,118	4,039
Interest Income	644	585
Sales of Services and Products	3,167	2,451
Other Revenues	8,076	8,437
Amortization of Deferred Capital Contributions (Note 11)	3,872	4,089
	<u>143,245</u>	<u>136,643</u>
EXPENSES		
Salaries and Benefits	91,713	87,593
Supplies, Services and Other Expenses	16,466	16,995
Cost of Sales	922	848
Building, Utilities and Related Expenses	14,537	13,137
Interest	3,178	3,230
Provincial and Municipal Taxes	1,878	1,801
Scholarships and Awards	4,529	4,487
Gifts to Related Party (Note 20)	1,758	1,362
Amortization of Capital Assets	6,320	6,592
	<u>141,301</u>	<u>136,045</u>
Excess of Revenue over Expenses	<u>\$ 1,944</u>	<u>\$ 598</u>

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2017 , with comparative information for 2016
Amounts in Thousands

Statement III

2017.....				
	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR (previously reported)	\$ (30,008)	\$ 2,479	\$ 3,590	\$ 22,439	\$ (1,500)
Restatements (Note 23)	\$ (110)	\$ 3,911	\$ -	\$ -	\$ 3,801
BALANCE, BEGINNING OF YEAR (restated)	\$ (30,118)	\$ 6,390	\$ 3,590	\$ 22,439	\$ 2,301
Excess of Revenue over Expenses	1,460	484	-	-	1,944
Endowment Contributions	-	-	115	-	115
Transfer to Related Foundation	-	-	-	-	-
Endowment Custodial/Management Fees	-	-	(34)	-	(34)
Transfers:					
Capital Asset Additions	(1,688)	-	-	1,688	-
Amortization of Deferred Capital Contributions	(3,872)	-	-	3,872	-
Amortization of Capital Assets	6,320	-	-	(6,320)	-
Repayment of Long Term Debt	(493)	-	-	493	-
Internally Restricted - Reductions (Note 13)	800	(800)	-	-	-
Internally Restricted - Additions (Note 13)	(577)	577	-	-	-
NET CHANGE FOR THE YEAR	1,950	261	81	(267)	2,025
BALANCE, END OF YEAR	\$ (28,168)	\$ 6,651	\$ 3,671	\$ 22,172	\$ 4,326
2016.....				
	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR (previously reported)	\$ (30,786)	\$ 2,163	\$ 3,868	\$ 22,843	\$ (1,912)
Restatements (Note 23)	(70)	3,963	-	-	3,893
BALANCE, BEGINNING OF YEAR (restated)	(30,856)	6,126	3,868	22,843	1,981
Excess of Revenue over Expenses (previously reported)	690	-	-	-	690
Restatements (Note 23)	(40)	(52)	-	-	(92)
Excess (Deficiency) of Revenue over Expenses (restated)	650	(52)	-	-	598
Endowment Contributions	-	-	734	-	734
Transfer to Related Foundation	-	-	(1,000)	-	(1,000)
Endowment Custodial/Management Fees	-	-	(12)	-	(12)
Transfers:					
Capital Asset Additions	(1,606)	-	-	1,606	-
Amortization of Deferred Capital Contributions	(4,089)	-	-	4,089	-
Amortization of Capital Assets	6,592	-	-	(6,592)	-
Disposal of Capital Assets	497	-	-	(497)	-
Repayment of Long Term Debt	(990)	-	-	990	-
Internally Restricted - Reductions (Note 13)	114	(114)	-	-	-
Internally Restricted - Additions (Note 13)	(430)	430	-	-	-
NET CHANGE FOR THE YEAR	738	264	(278)	(404)	320
BALANCE, END OF YEAR	\$ (30,118)	\$ 6,390	\$ 3,590	\$ 22,439	\$ 2,301

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2017 , with comparative information for 2016
Amounts in Thousands

Statement IV

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	\$ 79,459	\$ 74,508
Student Academic Fees	46,046	43,995
Gifts, Grants and Bequests	3,567	5,576
Interest Income	638	585
Sales of Services and Products	3,177	2,472
Other Revenues	7,356	9,041
Cash Paid for:		
Salaries and Benefits	(92,454)	(85,701)
Supplies, Services and Other Expenses	(15,750)	(16,793)
Cost of Sales	(924)	(870)
Building, Utilities and Related Expenses	(14,427)	(13,701)
Interest Paid	(3,155)	(3,254)
Provincial and Municipal Taxes	(1,874)	(1,798)
Scholarships and Awards	(4,529)	(4,487)
Gifts to Related Party	(1,649)	(2,495)
	<u>5,481</u>	<u>7,078</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of Capital Assets	<u>(5,875)</u>	<u>(3,763)</u>
	(5,875)	(3,763)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Long Term Investments	-	(1,177)
Proceeds on Maturity of Long Term Investments	427	980
Collections of Long Term Receivables	4	2
Advances (to) from 7049651 Manitoba Association Inc.	<u>(1,007)</u>	<u>1,734</u>
	(576)	1,539
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment and Retirement of Long Term Debt	(1,564)	(1,809)
Long Term Debt Proceeds	-	1,150
Transfer Endowment Fund to UofW Foundation Inc.	-	(1,000)
Deferred Capital Contributions	5,789	3,290
Contributions Received for Endowment	<u>115</u>	<u>734</u>
	4,340	2,365
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	3,370	7,219
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	<u>28,124</u>	<u>20,905</u>
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	<u>\$ 31,494</u>	<u>\$ 28,124</u>
Cash and Short Term Investments consist of:		
Cash and Cash Equivalents	31,392	27,776
Short Term Investments	<u>102</u>	<u>347</u>
	<u>\$ 31,494</u>	<u>\$ 28,123</u>

A Statement of Remeasurement Gains and Losses has been excluded as there have been no remeasurement gains or losses.

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

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post-secondary education, research and service. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies

A) Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPOs), including the 4200 series of standards, as issued by the Public Sector Accounting Board. The consolidated financial statements of the University include the University's investment in the 460 Portage Avenue Joint Venture, (Note 21) a government partnership, which is accounted for using the proportional consolidated method. The University of Winnipeg Foundation Inc. (the Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC), both controlled entities, are not consolidated in these financial statements, but details of their consolidated financial results are included in the notes to the consolidated financial statements (Notes 18 and 19 respectively).

B) Revenue Recognition

The University follows the deferral method of accounting for contributions such that the restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions have external stipulations imposed that specify how resources must be used.

Operating grants are recognized as revenue in the period received or receivable. Tuition fees and sales of goods and services are recognized as revenue in the period in which the services are rendered or goods are sold.

Externally restricted non-capital and non-endowment contributions are recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recorded as direct increases in net assets in the period in which they are received.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Promissory notes payable to the Manitoba Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Manitoba Provincial Government through Manitoba Education and Training are, in substance, capital grants. These capital grants are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The interest expense and the related funding from Manitoba Education and Training over the terms of the promissory notes are both excluded from the statement of operations and changes in fund balances.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less.

D) Long Term Receivables

Long term receivables are carried at amortized cost using the effective interest method. Long term receivables are due from a related joint venture with a non-related partner and are secured by the 460 Portage Avenue property.

E) Tangible Capital Assets

Purchased capital assets and collections of the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Collections which include art work and rare books are recorded at fair value derived by independent appraisal at the time of acquisition or donation. Land, collections of rare books and works of art are not amortized.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building, additions and improvements	60 years
Leasehold improvements	Term of lease
Library acquisitions	10 years
Furnishings and equipment	10 years
Major system computer software	10 years
Computer equipment	5 years
Vehicles	5 years
Equipment under capital lease	Term of lease

F) Accrued Vacation Pay

The University recognizes vacation pay as an expense on the accrual basis.

G) Other Employee Benefits

The University provides health benefits and pension plan contributions to eligible employees in receipt of long term disability benefits. The costs are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are recorded in the financial statements in the year they occur.

University employees appointed to a position expected to last one year or more are entitled to 180 days of sick leave that is non-vesting, non-accumulating and event driven. The benefit expense and liabilities are recorded when the triggering event occurs.

H) Financial Instruments

All currently held financial instruments are reported at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction expenses related to all financial instruments are expensed as incurred.

I) Trusted Pension Plan

The University contributes to the University of Winnipeg Trusted Pension Plan for University employees. The Plan has both defined benefit and defined contribution components. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method which incorporates management's best estimates of investment performance, salary escalation, retirement ages of employees and members mortality. Consistent with PS 3250 the University has amortized actuarial gains and losses over the estimated average remaining service life (EARSL) of active members of the defined benefit plan. The amortization amount for a year is determined by dividing the unamortized balance at the end of the previous year by the EARSL.

The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

J) Loan Guarantees

The University guarantees a condition of a loan on the land and building situated at 491 Portage Avenue (the Property) as part of its relationship with UWCRC. The University takes responsibility for ensuring that the debt service coverage ratio on the Property does not go below 1.0:1.0. In the event the Property falls below that ratio, the University would be required to lease space in the Property at normal commercial rents, or ensure that another tenant is obtained to bring the ratio back to 1.0:1.0 or higher. The unrelated owners in the Property have fully indemnified the University for the guarantee until October 31, 2018, and a share of the guarantee thereafter on the basis of their ownership (75%) in the Property.

K) Use of Judgments

The preparation of the University's financial statements in conformity with PSAS for GNFPs requires management to make judgments, apart from those involving estimations, in applying accounting policies that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenue and expenses during the reporting period. Items requiring the use of judgments include the selection of cut-off dates used to determine when to end the processing of transactions received after March 31, the decision to record reconciling and correcting items or not (application of materiality) and the assessment of outstanding legal issues and the need to disclose a resulting contingent liability.

L) Use of Estimates

The preparation of the University's financial statements in conformity with PSAS for GNFPs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, allowance for doubtful accounts, and the actuarial estimation of compensated absences liabilities and pension obligation. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

	2017	2016
Operating Funds	\$ 13,900	\$ 8,897
Internally Restricted	6,651	6,390
Sponsored Research and Designated Funds	3,901	4,314
	<u>24,452</u>	<u>19,601</u>
Special Purpose and Trust Funds	5,138	7,125
Externally Restricted (Endowments)	1,802	1,050
	<u>\$ 31,392</u>	<u>\$ 27,776</u>

Short term investments - \$102 (2016 - \$347) consist of fixed income investments.

4. Long Term Investments

	2017	2016
Fixed Income Instruments	\$ 1,767	\$ 1,869
Equity Investment in properties	-	325
	<u>\$ 1,767</u>	<u>\$ 2,194</u>

During the 2016-17 fiscal year the last property was disposed of. The equity in properties has been converted to fixed income instruments and cash & cash equivalents.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

5. Long Term Receivables

	2017	2016
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave (Interest Rate 5.6%, due December 31, 2050)	\$ 8,285	\$ 8,366
460 Portage Ave (Interest Rate 3.8%, due October 31, 2052)	2,696	2,731
	<u>10,981</u>	<u>11,097</u>
Less: University of Winnipeg component	<u>(7,321)</u>	<u>(7,398)</u>
	3,660	3,699
Receivable from Plug-in ICA		
460 Portage Ave. (Interest Rate 4.65%, due December 31, 2020)	825	787
	<u>4,485</u>	<u>4,486</u>
Less: Current Portion	<u>(41)</u>	<u>(38)</u>
	<u>\$ 4,444</u>	<u>\$ 4,448</u>

Annual principal payments receivable on the notes during the next five years and thereafter are: 2018 - \$41, 2019 - \$43, 2020 - \$45, 2021 - \$47, 2022 - \$51, thereafter - \$3,433.

These notes are carried at amortized cost using the effective interest method.

6. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 10,119	\$ -	\$ 10,119	\$ -
Buildings, Additions and Improvements	216,363	42,069	211,884	38,449
Library Acquisitions	14,136	13,182	14,003	12,977
Furnishings and Equipment	43,860	34,948	42,295	32,836
Collections	1,573	-	1,573	-
Major System Computer Software	4,394	2,525	3,975	2,419
Buildings Under Construction	57	-	347	-
Equipment Under Capital Leases	2,336	2,137	2,336	2,040
	<u>292,838</u>	<u>\$ 94,861</u>	<u>286,532</u>	<u>\$ 88,721</u>
Less Accumulated Amortization	<u>(94,861)</u>		<u>(88,721)</u>	
Net Book Value	<u>\$ 197,977</u>		<u>\$ 197,811</u>	

Furnishings and Equipment include Vehicles and Computer Equipment.

7. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of \$1,500. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2017 or March 31, 2016.

8. Obligations for Compensated Absences

The University provides health benefits and pension plan contributions to employees receiving long term disability (LTD) benefits.

Health benefit premiums are paid by the University until the earlier of recovery and return to work, death, or attainment of the normal pension commencement date. For health benefits the liability for each current recipient is the actuarial present value of future premiums for each employee based on the current monthly premium, future assumed inflation for health benefits' premiums, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date. The following assumptions were made in determining the actuarial present value of future premiums:

- A discount rate of 5.95%
- Health benefit premium inflation of 5% per year.
- LTD recovery rates from the 1987 Commissioner's Group Disability Table
- Canada Pension Plan earnings base increase at 3% per year

The University pays the required pension contribution on behalf of employees receiving LTD benefits, into the University of Winnipeg Trusteed Pension Plan in accordance with the provisions of the pension plan (see Note 16). Contributions are calculated based on the salary rate at the time of disability and the current yearly maximum pensionable earnings (YMPE). The liability for each member is the actuarial present value of future contributions based on the salary at disability, the projected future YMPE and yearly maximum contributory earnings (YMCE), the applicable contribution formula, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date.

9. Deferred Contributions

Deferred contributions represent unspent externally restricted funding received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting primarily of scholarships and bursaries, library acquisitions and lecture funds.

	2017	2016
Balance, Beginning of Year	\$ 11,909	\$ 9,057
Contributions Received	12,074	14,890
Contributions Expensed	(12,534)	(9,676)
Transferred to Foundation (Note 20)	(1,758)	(2,362)
Balance, End of Year	<u>\$ 9,691</u>	<u>\$ 11,909</u>
Balance Consists of:		
Sponsored Research and Designated Funds	\$ 4,554	\$ 4,784
Special Purpose Trust	5,137	7,125
	<u>\$ 9,691</u>	<u>\$ 11,909</u>

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between April 30, 2017 and September 30, 2019 together with the balances of the obligations under capital leases:

2017/18	\$ 162
2018/19	65
Total minimum lease payments	<u>227</u>
Less: Amount representing interest at approximately 2.5%	<u>(6)</u>
Balance of Obligations under Capital Leases	221
Less: Current Portion of Obligations under Capital Leases	<u>(157)</u>
Obligations under Capital Leases	<u>\$ 64</u>

Interest expense for the current year on the lease obligations amounted to \$10 (2016 - \$15).

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

11. Deferred Capital Contributions

	2017	2016
Balance, Beginning of Year	\$ 127,083	\$ 128,632
Contributions Received	1,179	1,600
Contributions from the Foundation	4,611	940
Less: Amortization of Deferred Capital Contributions	(3,872)	(4,089)
Balance, End of Year	<u>\$ 129,001</u>	<u>\$ 127,083</u>

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

12. Long Term Liabilities

	2017	2016
Promissory Notes	\$ 66,443	\$ 67,969
Supplementary Pensions Payable	342	380
	<u>66,785</u>	<u>68,349</u>
Less: Current Portion of Long Term Liabilities	(1,352)	(1,565)
	<u>\$ 65,433</u>	<u>\$ 66,784</u>

	2017	2016
Province of Manitoba Promissory Notes Secured by:		
Duckworth Expansion (Interest rate 5.55%, due October 31, 2047)	1,832	1,854
McFeetors Hall:		
Interest rate 5.25%, due October 31, 2049	10,221	10,336
460 Portage Avenue		
Interest rate 4.65%, due December 31, 2020	1,183	1,465
Interest rate 5.60%, due December 31, 2050	8,760	8,845
Interest rate 2.625%, due October 31, 2016	-	268
Interest rate 3.80%, due October 31, 2052	2,696	2,731
366 Spence & 336 Young (Interest rate 4.95%, due March 31, 2051)	661	668
Richardson College for the Environment & Science Complex		
Interest rate 4.95%, due March 31, 2051 (Parking Lot)	3,683	3,724
Interest rate 2.35%, due January 31, 2020	752	1,005
Variable interest rate of prime less 0.75%, due January 31, 2020	-	15
United RecPlex		
Interest rate 4.10%, due October 31, 2054	18,816	19,022
Interest rate 3.90%, due October 31, 2055	3,102	3,137
	<u>51,706</u>	<u>53,070</u>
Province of Manitoba Unsecured Notes:		
491 Portage Annex (Interest rate 5.40%, due July 31, 2050)	2,641	2,669
Pension Settlement (Interest rate 5.35%, due January 31, 2050)	8,228	8,317
Pension Plan Special Payments (Interest rate 4.15%, due May 31, 2053)	1,915	1,938
Pension Plan Special Payments (Interest rate 4.10%, due Dec. 1, 2054)	1,953	1,975
	<u>14,737</u>	<u>14,899</u>
	<u>\$ 66,443</u>	<u>\$ 67,969</u>

Annual principal payments on the notes during the next five years and thereafter are: 2018 - \$1,298; 2019 - \$1,353, 2020 - \$1,367; 2021 - \$1,109, 2022 - \$897, thereafter - \$60,419.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2017 is \$54 (2016 - \$52).

Interest expense during the year on long term liabilities totalled \$3,185 (2016 - \$3,195).

The University received capital funding from the Provincial Government as a contribution towards the Richardson College for the Environment and Science Complex building and deferred maintenance expenditures on campus. The funding was financed by promissory notes payable to the Province of Manitoba bearing interest at rates ranging from 3.75% to 5.95%. The notes are repayable over a term of 40 years, due between February 2047 and March 2057. Repayment is funded by dedicated grants from the Province of Manitoba. This funding has been treated as a restricted grant and recorded as deferred capital contributions where it paid for an asset which was capitalized, or recognized as revenue in the period expended, if the expenditure did not meet the definition of a capital asset. The loan payments, off-setting revenues and debt outstanding are not recorded in the University's financial statements. The balance of debt outstanding at March 31, 2017 is \$72,223 (2016 - \$71,992).

13. Internally Restricted Net Assets

	March 31, 2016 Restated	Reductions	Additions	March 31, 2017
Unrestricted Trust Income	\$ 1,609	\$ -	\$ 204	\$ 1,813
Internally Restricted	2,684	-	280	2,964
Strategic Provisions:				
Capital Reserve	304	-	-	304
Project Development	1,793	(800)	577	1,570
	2,097	(800)	577	1,874
	<u>\$ 6,390</u>	<u>\$ (800)</u>	<u>\$ 1,061</u>	<u>\$ 6,651</u>

The cumulative net unrestricted trust income is available to fund various internally created scholarships.

Internally Restricted represents internally funded research and designated activities as well as internally funded academic professional allowances. Actual funding and expenses related to Internally Restricted activities are charged to operations (see Statement III).

Strategic provisions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenses related to strategic provisions are charged to operations and are covered with a corresponding transfer of funds from internally restricted net assets (see Statement III).

14. Externally Restricted Net Assets (Endowments)

	2017	2016
Cash and Short Term Investments	\$ 1,904	\$ 1,396
Long Term Investments (Note 4)	1,767	2,194
	<u>\$ 3,671</u>	<u>\$ 3,590</u>

Endowments of \$3,021 (2016 - \$2,940) are held in trust in accordance with the terms of a designated bequest. In 2017, the University has a 10% share in the income distribution from this trust (2016 - 10% share). The majority of the University's Endowment Fund was transferred to the Foundation in 2004 (Note 18).

15. Financial Instrument Risk Management

The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Statement of Operations. The University manages its financial assets in accordance with the Board of Regents Financial Oversight and Budgeting Policy.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Credit Risk

Credit risk is the risk of financial loss to the University if a counterparty to a financial instrument fails to discharge an obligation.

Accounts receivable are due, for the most part, from various levels of government and students. The carrying amount of accounts receivable has been reduced through the use of an impairment allowance, set up based on the University's historical experience regarding collections.

The aging of accounts receivable at March 31 is as follows:

	2017	2016
Accounts Receivable, gross		
Current	\$ 1,625	\$ 2,912
Past Due	2,350	1,968
	<u>3,975</u>	<u>4,880</u>
Less: Allowance for Doubtful Accounts	(806)	(658)
Accounts Receivable, net	<u>\$ 3,169</u>	<u>\$ 4,222</u>

The credit risk on cash and cash equivalents and short and long term fixed income investments is considered low as the counterparties are highly rated financial institutions. The credit risk regarding the equity investment in properties is considered low as the underlying assets are quality commercial properties. The credit risk on long term receivables is considered low as the receivable is from an established not-for-profit organization and secured by the 460 Portage Avenue property therefore no allowance has been provided for.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The University is exposed to this risk through its cash equivalents and long-term liabilities. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates. Long-term liabilities are primarily at fixed interest rates and terms and are measured at amortized cost using the effective interest method; therefore have no exposure to risk associated with changes in interest rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the University will not be able to meet all cash outflow obligations as they come due. The University mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

Current liabilities include deferred revenue and accrued vacation pay which will not be settled directly with cash. The sum of remaining liabilities is less than the value of current assets as at March 31, 2017.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

16. University of Winnipeg Trusteed Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan effective September 1, 1972 and covers substantially all employees of the University, except those who are members of the United Church of Canada Pension Plan. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). The defined benefit segment of the Plan was closed to new members effective January 1, 2001. New plan members effective January 1, 2001 join the defined contribution segment of the Plan.

Prior to July 2008, the University was responsible for the administration of the Plan. An independent Board of Trustees is now responsible for the administration of the Plan and is the trustee of the pension fund. The pension fund assets are invested on the advice of professional investment managers and are held under a Trust Agreement by a trust company.

Contributions are made by the University based on the salary of each active member in accordance with the provisions of the Plan. Members do not contribute if they are in receipt of benefits from the University's LTD plan.

Defined Contribution Obligation

Members of the defined contribution segment contribute 6.2% of their salary not in excess of \$105.1 plus 30% of the Canada Pension Plans Year's Maximum Pensionable Earnings (YMPE) to the Plan. The University contributions match member contributions.

The activity in the defined contribution segment of the Plan in the period was:

	Dec. 31, 2016	Dec. 31, 2015
Balance, Beginning of Year	\$ 59,877	\$ 51,773
Contributions	6,273	6,240
Benefits and Refunds Paid	(2,811)	(1,509)
Net Investment Return	4,830	3,373
Balance, End of Year	<u>\$ 68,169</u>	<u>\$ 59,877</u>
Expense recognized for the period ending December 31	\$ 3,092	\$ 3,019

Defined Benefit Obligation

Pensions are provided on the basis of final average earnings and service. The maximum pension per year of service is \$1.722. Inflation protection is provided based on the four year average net investment earnings of the pension fund in excess of 6%, limited to the increase in the CPI. At the December 31, 2015 valuation of the defined benefit segment of the Plan, there were 151 active members with an average age of 58.7. There were 42 former employees entitled to deferred pension benefits and 270 retirees and survivors receiving pension benefits.

Members contribute 8.0% of salary up to the Canada Pension Plan Year's Basic Exemption (YBE), 6.2% between the YBE and YMPE and 8.0% in excess of the YMPE. Members contribute only on salary not in excess of \$86.1 plus 30% of the YMPE.

The University contribution formula rates are 100 basis points higher than the member contribution formula rates. The University also contributes any additional amounts required under the Pension Benefits Act.

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every three years. Valuations may be required more frequently depending on the financial position of the Plan. As the Plan is currently under 90% funded on a solvency basis, annual valuations are required.

Actuarial valuations are performed by Eckler Ltd. (Eckler) using the projected benefit method. The latest actuarial valuation of the Plan was prepared and filed with the Manitoba Pension Commission as at December 31, 2015, and the results were extrapolated to December 31, 2016. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service of the employee group (6.7 years).

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and mortality. The assumptions used reflect the University's best estimates. At December 31, 2016, the expected future inflation rate is 2.00%. Salaries are assumed to increase 3.00% per year, plus a promotion and merit increase for academic members only. Pensions are assumed to increase by 0.75% per year. The discount rate used to determine the accrued benefit obligation and current service cost is 5.95%.

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.95%. The actual return on pension fund assets in 2016 was 9.86%.

Change in Accrued Benefit Obligation - Calendar Year Ending December 31

	2016	2015
Accrued Benefit Obligation, Beginning of Year	\$ 144,515	\$ 142,734
Current Service Cost	1,830	2,005
Interest Cost	8,237	8,183
Benefits and Refunds Paid	(11,646)	(10,090)
Actuarial (gain) loss	(1,399)	1,683
Accrued Benefit Obligation, End of Year	<u>\$ 141,537</u>	<u>\$ 144,515</u>

Change in Market Value of Plan Assets - Calendar Year Ending December 31

	2016	2015
Market Value of Plan Assets, Beginning of Year	\$ 126,586	\$ 128,501
University Contributions	4,021	3,174
Member Contributions	760	831
Benefit Payments	(11,646)	(10,090)
Actual Return on Plan Assets	12,129	4,288
Plan Expenses	(163)	(118)
Market Value of Plan Assets, End of Year	<u>131,687</u>	<u>126,586</u>
Expected market value of assets at end of year	<u>126,819</u>	<u>129,697</u>
Gain (loss) on plan assets	<u>\$ 4,868</u>	<u>\$ (3,111)</u>

The plan assets for the Calendar Year Ending December 31 consist of:

	2016	2015
Domestic fixed income	\$ 29,622	\$ 43,751
Canadian equity	26,887	18,338
U.S. equity	19,980	18,478
International equity	38,587	30,036
Real Estate	14,044	14,525
Cash and cash equivalents	2,317	1,270
Net accruals	250	188
	<u>\$ 131,687</u>	<u>\$ 126,586</u>

Asset allocation is determined and monitored by the independent Board of Trustees.

Reconciliation of Unamortized Gains/(Losses) - Fiscal Year Ending March 31

	2017	2016
Expected average remaining service life	7.3	7.3
Net unamortized gain (loss), Beginning of year	\$ (5,887)	\$ (1,264)
New net gain (loss) for current year	6,267	(4,794)
Amortization for current year	806	171
Net unamortized gain (loss), End of year	<u>\$ 1,186</u>	<u>\$ (5,887)</u>

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Pension Expense - Fiscal Year Ending March 31

	2017	2016
University service cost	\$ 1,070	\$ 1,174
Interest cost	8,237	8,183
Expected return on Plan Assets	(7,261)	(7,399)
Amortization of net actuarial gains/(losses)	806	171
Plan expenses	163	118
Net pension expense	<u>\$ 3,015</u>	<u>\$ 2,247</u>

Reconciliation of Deficit to Accrued Liability, End of Fiscal Year

	2017	2016
Deficit, end of year	\$ (9,850)	\$ (17,929)
University contributions after the measurement date	949	739
Net unamortized amounts	(1,186)	5,887
Accrued benefit liability, end of year	(10,087)	(11,303)
Valuation allowance, end of year	-	-
Accrued benefit liability, net of valuation allowance, end of year	<u>\$ (10,087)</u>	<u>\$ (11,303)</u>

Significant Actuarial Assumptions used in the determination of the Pension Expense are:

	%	%
Discount rate	5.90	5.90
Post-retirement indexing	0.75	0.75
Rate of salary increases	3.00	3.00
Expected rate of return on plan assets	5.90	5.90

Significant Actuarial Assumptions used in the determination of the defined benefit obligation at December 31 are:

	%	%
Discount rate	5.95	5.90
Post-retirement indexing	0.75	0.75
Rate of salary increase	3.00	3.00

Funding Obligation

In the event that the actuarial valuation of the Plan for funding purposes determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2015 confirms that the defined benefit segment of the Plan has a solvency deficiency of \$49,461 and a solvency ratio of 0.671 (2014 - 0.697).

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's Exemption Regulation (Regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

The going-concern deficiency at December 31, 2015 was \$23,252 and the annual deficiency funding payments are \$2,672, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2015, the University was required to make an additional contribution in 2016 of \$417 (2015 - \$350) in order to fully fund the cost of accruing benefits and administration expenses.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

17. Contractual Obligations

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including August 31, 2029. The above obligations require annual payments over the next five years and thereafter as follows:

	Lease	Contracts	Total
2017/18	\$ 2,509	\$ 234	\$ 2,743
2018/19	1,734	-	1,734
2019/20	1,699	-	1,699
2020/21	1,765	-	1,765
2021/22	1,765	-	1,765
Thereafter	9,347	-	9,347
	<u>\$ 18,819</u>	<u>\$ 234</u>	<u>\$ 19,053</u>

18. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long term income stream. The Foundation is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation. Endowment Fund agreements formalize management of the Endowment Fund including the annual income allocation to the University from the Endowment Fund and payment of an administration fee from the Endowment Fund to the Foundation. The Coordination, Cooperation and Fund Agreement and the Occupancy and Support Agreement outline support services provided by the University to the Foundation and provide for an operating grant from the University to the Foundation. Details of resulting amounts are shown in the Related Parties Note 20.

As the Foundation is a controlled entity of the University, their financial statements have been prepared in accordance with PSAS for GNFPs, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31, which includes the University of Winnipeg Foundation USA Inc., a controlled entity, is summarized as follows:

	2017	2016
Statement of Financial Position		
Assets	<u>\$ 69,306</u>	<u>\$ 62,596</u>
Liabilities	<u>\$ 992</u>	<u>\$ 2,446</u>
Fund Balances:		
Operating Fund	930	842
Unrestricted Fund	236	27
Investment in Capital Assets	22	28
Building and Program Fund	1,342	1,123
Endowment Fund	58,655	54,139
Accumulated Remeasurement Gains	7,129	3,991
	<u>68,314</u>	<u>60,150</u>
	<u>\$ 69,306</u>	<u>\$ 62,596</u>

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Statement of Operations:

Source of Funds:

	2017	2016
Transfer from University of Winnipeg	\$ 1,758	\$ 2,367
Investment Income	4,681	5,317
University of Winnipeg support funding	220	300
Endowment administration fee	1,163	1,184
Annual donations	6,643	8,863
	<u>14,465</u>	<u>18,031</u>

Use of Funds:

Endowment - gifts to the University	1,904	1,770
Gifts to other charities	4	2,005
Endowment - administration fee	1,163	1,184
Endowment - administration expenses	276	227
Operations	1,411	1,333
Donations gifted to the University	4,681	5,231
	<u>9,439</u>	<u>11,750</u>
Increase in funds	\$ 5,026	\$ 6,281

Statement of Cash Flows:

Operating activities:

Increase in funds	\$ 5,026	\$ 6,281
Items not involving a current outlay of cash	7	6
Change in non-cash working capital balances	67	(18)
Increase in funds from operations	<u>5,100</u>	<u>6,269</u>
Capital activities	-	(5)
Investing activities	(4,787)	(5,020)
Financing activities	(1,649)	1,721
Increase in cash	<u>(1,336)</u>	<u>2,965</u>
Cash, beginning of year	4,085	1,120
Cash, end of year	<u>\$ 2,749</u>	<u>\$ 4,085</u>

19. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation (UWCRC) was incorporated on April 6, 2005 as a corporation without share capital. UWCRC is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*. UWCRC holds ownership interests in for-profit subsidiary entities that are taxable.

UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. UWCRC will manage, as part of its mandate, projects on behalf of the University. This will involve the development of a comprehensive Campus and Community Development Plan, assessment of particular development projects and the development of partnerships with community, private and public sector organizations. Details of resulting amounts are shown in the Related Parties Note 20.

As UWCRC is a controlled entity of the University, their financial statements have been prepared in accordance with PS 4200 series of standards, as issued by the Public Sector Accounting Board.

UWCRC holds a 25% investment in the land and building situation at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. The Property is a commercial complex comprising an office building, retail stores and a parkade adjacent to the University's main campus. The University is leasing office space in the Property.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

The Property is pledged as security for an \$18,000 mortgage bearing interest at 5.49% maturing March 2031 and an advance bearing interest of 7.039% maturing June 2029 with Manulife Financial Inc. The funds were advanced to the 491 Portage Avenue Joint Venture. The principal outstanding at March 31, 2017 is \$11,526 (2016 - \$12,055). The mortgage and advance are secured by an \$18,000 debenture registered against the title of the property, share pledge agreements, and the postponement of claims by the joint venturers to a total of \$3,000.

UWCRC records its 25% investment in the Property on a modified equity basis as a result of significant influence.

The financial position of UWCRC at March 31 is summarized as follows:

	2017	2016
Statement of Financial Position:		
Assets		
Cash	\$ 439	\$ 971
Accounts receivable	111	62
Due from related parties	16	91
Capital assets	594	596
Investments, at equity	5,694	5,451
	<u>\$ 6,854</u>	<u>\$ 7,171</u>
Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 116	\$ 59
Current portion of long term debt	30	29
Due to University of Winnipeg (Note 20)	518	516
Long term debt	741	772
Deferred capital contributions	282	289
Net assets	5,167	5,506
	<u>\$ 6,854</u>	<u>\$ 7,171</u>
Statement of Operations and Changes in Net Assets		
Revenue		
Share of equity income	\$ 130	\$ 80
Consulting	1,027	1,320
Other	104	110
	<u>1,261</u>	<u>1,510</u>
Expenses		
Salaries and benefits	1,088	995
Consulting and professional fees	230	125
Supplies, services and other expenses	282	758
	<u>1,600</u>	<u>1,878</u>
Deficiency of revenue over expenses	(339)	(368)
Net assets, beginning of year	5,506	5,874
Net assets, end of year	<u>\$ 5,167</u>	<u>\$ 5,506</u>
Statement of Cash Flows		
Decrease in funds from operations	\$ (467)	\$ (423)
Investing activities	(112)	(167)
Financing activities	47	564
Decrease in cash	<u>(532)</u>	<u>(26)</u>
Cash, beginning of year	971	997
Cash, end of year	<u>\$ 439</u>	<u>\$ 971</u>

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

20. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trustees Pension Plan, the 460 Portage Avenue Joint Venture and Diversity Food Services (Diversity) are also related parties. Diversity, an unincorporated joint venture, is related to the University by way of UWCRC owning 100% of the issued share capital of a numbered company which jointly controls Diversity.

During the year ending March 31, the University incurred transactions as follows:

	2017	2016
From the University to the Foundation:		
i) Operating grant	\$ 40	\$ 120
ii) Gifts of residuals for endowment	\$ -	\$ 913
iii) Gifts of matching funds for endowment	\$ 557	\$ 449
iv) Occupancy and Support Agreement	\$ 180	\$ 180
v) Transfer of endowment funds	\$ 1,201	\$ 1,000
From the Foundation to the University:		
i) Transfer of annual donations	\$ 4,681	\$ 5,231
ii) Income allocation	\$ 1,904	\$ 1,770
iii) Occupancy and Support Agreement	\$ 180	\$ 180
From the University to UWCRC:		
i) Consulting fees (excluding GST)	\$ 460	\$ 1,262
From UWCRC to the University:		
i) Management fees	\$ 30	\$ 197
From the University to the Joint Venture:		
i) Lease expense	\$ 764	\$ 726
From the Joint Venture to the University:		
i) Service fees	\$ 98	\$ 96
From the University to Diversity:		
i) Food services	\$ 920	\$ 878
From Diversity to the University:		
i) Rental revenue	\$ 70	\$ 70

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties. The University's share of the Joint Venture related party transactions has been eliminated upon consolidation of the Joint Venture.

At the end of the year, the amounts due to and from related parties are as follows:

	2017	2016
Due from related parties:		
Foundation	\$ 418	\$ 1,868
7049651 Manitoba Association Inc.	987	3,556
UWCRC	504	516
	<u>1,909</u>	<u>5,940</u>
Due from 460 Portage Avenue Joint Venture:		
Notes receivable (Note 5)	<u>10,981</u>	<u>11,097</u>
Due to related parties:		
Foundation	557	449
UWCRC	-	24
7049651 Manitoba Association Inc.	-	79
460 Portage Joint Venture	111	117
	<u>\$ 668</u>	<u>\$ 669</u>

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

In addition to those related transactions disclosed elsewhere in these financial statements, the University is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

21. 460 Portage Avenue Joint Venture

The University entered into an unincorporated Joint Venture Agreement with the Plug-In Institute of Contemporary Art (Plug-in) in July 2009. The purpose of the joint venture is to construct and operate a building primarily intended to provide space for the operations of the University and Plug-In on a break-even basis. The terms of the operation of the joint venture are defined in the Joint Venture Agreement. Both the University and Plug-In are registered charities, exempt from income taxes under the *Income Tax Act (Canada)*.

The joint venture consists of the bottom three floors of the building known as 460 Portage Avenue as well as the parking lot directly behind the building. Plug-In has one third ownership of the joint venture, with the University owning the remainder. The Joint Venture Agreement provides each party with a veto over significant decisions related to the building. The operations of the joint venture are managed by the University as a trustee of the joint venture. Operating expenses for the entire building are included in the joint venture. Recoveries for expenses related to the 4th floor which is entirely owned by the University are included as recoveries from the University (Note 20).

The joint venture financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The following is a summary of the University's proportionate share of the financial position, results of operations and cash flows of the joint venture included in the consolidated financial statements for the year ended March 31. There are no significant differences in accounting policies from those followed by the University.

Statement of Financial Position

	2017	2016
Assets:		
Accounts receivable and prepaid expenses	\$ 69	\$ 151
Capital assets	7,691	7,809
Intangible asset	1,125	1,158
	<u>8,885</u>	<u>9,118</u>
Liabilities and Venturer's Capital:		
Accounts payable and accrued liabilities	\$ 5	\$ 5
Due to Related Parties	7,100	7,244
Deferred capital contributions	387	394
Venturer's capital	1,308	1,395
Capital Reserve	85	80
	<u>\$ 8,885</u>	<u>\$ 9,118</u>

Statement of Operations

	2017	2016
Revenues:		
Rental revenue	\$ 97	\$ 109
Amortization of deferred capital contributions	7	7
Expense recovery from Venturers	601	593
	<u>705</u>	<u>709</u>
Expenses:		
Building operating	245	237
Interest	380	384
Amortization	118	118
Amortization of intangible asset	33	33
	<u>\$ 776</u>	<u>\$ 772</u>
Deficiency of revenues over expenses	<u>\$ (71)</u>	<u>\$ (63)</u>

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

Statement of Cash Flows

	2017	2016
Cash receipts from tenants and Venturers	\$ 698	\$ 728
Cash paid to suppliers and employees	(163)	(154)
Interest paid	(380)	(384)
Cash flows from operating activities	155	190
Repayment of long term debt	(77)	(73)
Other financing activities	(67)	(117)
Cash flows used in financing activities	(144)	(190)
Cash flows used in investing activities - purchase of capital assets	(11)	-
Net change in cash position	\$ -	\$ -

Some of these balances were netted against balances on the University's accounts on consolidation.

The intangible asset included in the joint venture represents the University's ability to obtain long-term financing and is valued at the amount agreed to in the Joint Venture Agreement. The University's portion of the intangible asset as well as certain other balances were eliminated in the University's accounts on consolidated.

Construction of the building resulted in a number of deficiencies which had to be rectified upon possession. The cost of remedial action is included in the cost of the building. The Joint Venture was able to recover some of these costs from the design team and the issue is now settled.

22. Contingencies

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

The University, acting as trustee for the 460 Portage Avenue Joint Venture has entered into an agreement with an unrelated third party to purchase the land known as 460 Portage Avenue. The agreement calls for a final payment equal to the difference between \$2,000 and the appraised value of the said land based on vacant unimproved land as at December 31, 2017. No provision has been made in the financial statements for this contingent future payment.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2017
Amounts in Thousands

23. Corrections and Restatements of Comparative Figures

During the implementation of a new financial system, a detailed analysis of restrictions on various accounts was undertaken. Certain amounts that were previously reported in current liabilities had internal restrictions on them which made it more appropriate to report these amounts as Internally Restricted Net Assets. The 2016 comparative figures have been retroactively restated as follows:

	March 31, 2016 (previously reported)	Adjustments	March 31, 2016 (restated)
Statement of Financial Position as at March 31, 2016			
Assets, Liabilities and Net Assets			
Current Assets	40,075	79	40,154
Accounts Payable and Accrued Liabilities	14,050	(1,526)	12,524
Deferred Revenue	7,834	(615)	7,219
Deferred Contributions	13,490	(1,581)	11,909
Unrestricted Net Deficiency	(30,008)	(110)	(30,118)
Internally Restricted	2,479	3,911	6,390
 Statement of Operations for the year ended March 31, 2016			
Excess of revenue over expenses as previously reported		\$	690
Adjustment to reflect change in treatment of amounts with internal restrictions			(92)
Excess of revenue over expenses as restated		\$	<u>598</u>

24. Reclassification of Comparative Figures

Certain 2016 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2017.