

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2013

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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 adoption of PSAS for GNFPOs resulted in adjustments to the previously reported liabilities and excess (deficiency) of revenue over expenses of the University.

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 Auditor General of Manitoba on matters relating to the financial reporting to its Audit Committee. The Auditor General of Manitoba has full access to the Audit 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, the Auditor General of Manitoba, is responsible for auditing these annual consolidated financial statements and for issuing a report thereon. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation.

On Behalf of Management

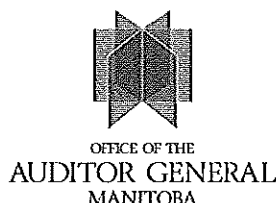
(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Associate Vice-President Finance & Operations

Winnipeg, Manitoba
June 25, 2013



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
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, 2013, March 31, 2012, and April 1, 2011 and the consolidated statements of operations, change in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditor's Responsibility

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

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

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

Opinion

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

Basis of Presentation

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describes that the University of Winnipeg adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements.

June 25, 2013
Winnipeg, Manitoba

Original document signed by
Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in Thousands

Statement I

ASSETS

	As at March 31, 2013	As at March 31, 2012 (note 3)	As at April 1, 2011 (note 3)
Current Assets:			
Cash and Cash Equivalents (Notes 4, 11)	\$16,094	\$18,352	\$30,051
Short Term Investments (Note 4)	190	295	900
Accounts Receivable (Note 17)	7,918	5,482	5,346
Current Portion of Long Term Receivables (Note 6)	33	38	37
Due from Related Parties (Note 23)	781	343	503
Prepaid Expenses and other assets	1,869	1,380	1,123
	<u>26,885</u>	<u>25,890</u>	<u>37,960</u>
Long Term Investments (Note 5)	2,239	2,019	1,953
Long Term Receivables (Note 6)	4,587	3,845	3,880
Capital Assets (Note 7)	175,657	173,481	165,864
Intangible Assets (Note 8)	827	946	877
	<u>\$210,195</u>	<u>\$206,181</u>	<u>\$210,534</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$9,239	\$8,110	\$15,145
Deferred Revenue	4,989	5,632	6,262
Deferred Contributions (Note 9)	10,106	8,937	8,105
Accrued Vacation Pay	1,941	1,806	1,740
Current Portion of Obligations Under Capital Leases (Note 12)	200	242	294
Current Portion of Long Term Debt (Note 13)	1,741	1,729	1,458
Due to Related Parties (Note 23)	548	957	621
	<u>28,764</u>	<u>27,413</u>	<u>33,625</u>
Obligations under Capital Leases (Note 12)	236	436	628
Long Term Liabilities (Note 13)	48,272	46,536	43,856
Deferred Capital Contributions (Note 14)	119,241	116,897	115,581
Obligations for Compensated Absences (Note 10)	429	340	333
Pension Obligation (Note 18)	11,911	11,226	11,330
	<u>208,853</u>	<u>202,848</u>	<u>205,353</u>
Net Assets:			
Unrestricted Net Deficiency	(25,506)	(23,661)	(18,938)
Internally Restricted (Note 15)	1,638	1,655	1,761
Externally Restricted (Note 16)	3,359	3,172	2,628
Investment in Capital Assets	21,851	22,167	19,730
	<u>1,342</u>	<u>3,333</u>	<u>5,181</u>
	<u>\$210,195</u>	<u>\$206,181</u>	<u>\$210,534</u>

Special Purpose and Trust Assets (Notes 4, 15)
Contractual Obligations (Notes 12, 19, 20, 21)
Contingencies (Note 22)

Approved by the Board of Regents

(Original signed by Brenda Keyser)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
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, 2013
Amounts in Thousands

Statement II

	2013	2012 (note 3)
REVENUE		
Government Grants:		
Council on Post-Secondary Education	\$60,704	\$57,343
Province of Manitoba, other	3,522	3,463
Government of Canada	4,455	4,462
Student Academic Fees	37,097	35,922
Gifts, Grants and Bequests	4,141	4,637
Interest Income	600	671
Sales of Services and Products	1,570	1,290
Other Revenues	9,004	9,216
Amortization of Deferred Capital Contributions (Note 14)	3,830	3,509
	<u>124,923</u>	<u>120,513</u>
EXPENSES		
Salaries and Benefits	82,668	77,778
Supplies, Services and Other Expenses	19,062	19,719
Cost of Sales	311	331
Building, Utilities and Related Expenses	10,572	10,912
Interest	2,414	2,255
Provincial and Municipal Taxes	1,645	1,564
Scholarships and Awards	3,905	3,883
Gifts to Related Party (Note 23)	599	965
Amortization of Capital Assets	5,925	5,498
	<u>127,101</u>	<u>122,905</u>
Excess (Deficiency) of Revenue over Expenses from Operations	<u>(\$2,178)</u>	<u>(\$2,392)</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, 2013
Amounts in Thousands

Statement III

	2013				Total
	Unrestricted Net Deficiency	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Investment in Capital Assets	
BALANCE, BEGINNING OF YEAR	<u>(\$23,661)</u>	<u>\$1,655</u>	<u>\$3,172</u>	<u>\$22,167</u>	<u>\$3,333</u>
Excess (Deficiency) of Revenue Over Expenses	(2,178)				(2,178)
Endowment Contributions			200		200
Endowment custodial/management fees			(13)		(13)
Transfers:					
Internally Funded:					
Capital Asset Additions	(1,582)			1,582	0
Amortization of Deferred Capital Contributions	(3,830)			3,830	0
Amortization of Capital Assets	5,925			(5,925)	0
Disposal of Capital Assets	17			(17)	0
Repayment of Long Term Debt	(214)			214	0
Internally Restricted Net Assets	(146)	146			0
Strategic Provisions -- Reductions (Note 15)	327	(327)			0
Strategic Provisions -- Additions (Note 15)	(164)	164			0
NET CHANGE FOR THE YEAR	<u>(1,845)</u>	<u>(17)</u>	<u>187</u>	<u>(316)</u>	<u>(1,991)</u>
BALANCE, END OF YEAR	<u>(\$25,506)</u>	<u>\$1,638</u>	<u>\$3,359</u>	<u>\$21,851</u>	<u>\$1,342</u>

	2012				Total
	Unrestricted Net Deficiency	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Investment in Capital Assets	
BALANCE, BEGINNING OF YEAR	<u>(18,938)</u>	<u>1,761</u>	<u>2,628</u>	<u>19,730</u>	<u>5,181</u>
Excess (Deficiency) of Revenue Over Expenses	(2,392)				(2,392)
Endowment Contributions			570		570
Endowment custodial/management fees			(26)		(26)
Transfers:					
Internally Funded:					
Capital Asset Additions	(4,237)			4,237	0
Amortization of Deferred Capital Contributions	(3,509)			3,509	0
Amortization of Capital Assets	5,498			(5,498)	0
Disposal of Capital Assets	19			(19)	0
Repayment of Long Term Debt	(208)			208	0
Internally Restricted Net Assets	(208)	208			0
Strategic Provisions -- Reductions (Note 15)	330	(330)			0
Strategic Provisions -- Additions (Note 15)	(16)	16			0
NET CHANGE FOR THE YEAR	<u>(4,723)</u>	<u>(106)</u>	<u>544</u>	<u>2,437</u>	<u>(1,848)</u>
BALANCE, END OF YEAR	<u>(\$23,661)</u>	<u>\$1,655</u>	<u>\$3,172</u>	<u>\$22,167</u>	<u>\$3,333</u>

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, 2013
Amounts in Thousands

Statement IV

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	\$67,862	\$64,368
Student Academic Fees	37,023	37,171
Gifts, Grants and Bequests	4,015	4,905
Interest Income	532	553
Sales of Services and Products	1,547	1,272
Other Revenues	8,959	9,438
Cash Paid for:		
Salaries and Benefits	(81,721)	(80,275)
Supplies, Services and Other Expenses	(17,193)	(21,318)
Cost of Sales	(311)	(317)
Building, Utilities and Related Expenses	(10,442)	(14,298)
Interest Paid	(2,397)	(2,255)
Provincial and Municipal Taxes	(1,638)	(1,565)
Scholarships and Awards	(3,905)	(3,883)
Gifts to Related Party	(1,021)	(586)
	<u>1,310</u>	<u>(6,790)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Cash used to acquire Tangible Capital Assets	<u>(9,590)</u>	<u>(12,799)</u>
	(9,590)	(12,799)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances from (to) 460 Portage Avenue Joint Venture	(947)	0
Purchase of Long Term Investments	(408)	(370)
Proceeds on Maturity of Long Term Investments	188	295
Collections of Long Term Receivables	205	35
	<u>(962)</u>	<u>(40)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment and Retirement of Long Term Debt	(3,094)	(1,495)
Long Term Debt Proceeds	4,842	4,250
Deferred Capital Contributions	4,931	4,000
Contributions Received for Endowment	200	570
	<u>6,879</u>	<u>7,325</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	<u>(2,363)</u>	<u>(12,304)</u>
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	<u>18,647</u>	<u>30,951</u>
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	<u><u>\$16,284</u></u>	<u><u>\$18,647</u></u>
Cash and Short Term Investments consists of:		
Cash and Cash Equivalents	16,094	18,352
Short Term Investments	190	295
	<u>\$16,284</u>	<u>\$18,647</u>

Excluded from Investing and Financing Activities are equipment acquired under Capital Leases and the related obligations under Capital Leases totalling \$0 (2012 - \$62).

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 and research in Arts, Sciences and Education. 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 24) a government partnership, which is accounted for using the proportional consolidation method. The University of Winnipeg Foundation (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 financial results are included in the notes to the consolidated financial statements (Notes 20 and 21 respectively).

B) Revenue Recognition

The University follows the deferral method of accounting for contributions such that 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 received.

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 the Council on Post-Secondary Education (COPSE) 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 COPSE 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 rate 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
Computer equipment	5 years
Vehicles	5 years
Equipment under capital lease	Term of lease

F) Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over their useful lives as follows:

Major system computer software	10 years
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G) Accrued Vacation Pay

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

H) 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.

I) Financial Instruments

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

J) Trusteed Pension Plan

The University contributes to the University of Winnipeg Trusteed 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 member mortality. Consistent with PSAS Handbook section 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.

K) 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 indemnified the University for a share of the guarantee on the basis of their ownership (75%) in the Property.

L) Use of Judgement

The preparation of the University's financial statements in conformity with PSAS for GNFPs requires management to make judgements, 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 judgements 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.

M) 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 and intangible assets, allowance for doubtful accounts, and the actuarial estimation of compensated absences liabilities and pension obligation. Actual results could differ from these estimates.

3. First Time Adoption of Public Sector Accounting Standards

In previous years, the University's consolidated financial statements were presented in accordance with Canadian generally accepted accounting principles for not-for-profit entities. The Public Sector Accounting Board issued new standards for government public sector not-for-profit entities for years beginning on or after January 1, 2012. Effective April 1, 2012, the University adopted Canadian PSAS including the 4200 series of accounting standards applicable for GNFPs. These are the University's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards and the preparation of an opening PSAS for GNFP statement of financial position at the date of transition (April 1, 2011).

The adoption of PSAS for GNFPs resulted in adjustments to the previously reported assets, liabilities, net assets, and excess of revenue over expenses of the University. An explanation of how the transition from pre-changeover Canadian GAAP to PSAS for GNFPs has affected the amounts reported in prior periods is as follows:

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2013
Amounts in Thousands

a) Statement of Financial Position as at April 1, 2011 – Transition Date

	April 1, 2011 balance (previously reported)	PSAS Transitional adjustments	April 1, 2011 balance PSAS
Accounts receivable	\$7,555	(\$2,209)	\$5,346
Accounts payable & accrued liabilities	15,245	(100)	15,145
Deferred revenue	8,205	(1,943)	6,262
Obligation for compensated absences	0	333	333
Pension obligation	1,784	9,546	11,330
Deferred capital contributions	121,694	(6,113)	115,581
Unrestricted net deficiency	(8,893)	(10,045)	(18,938)
Investment in capital assets	13,617	6,113	19,730

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

PSAS standards require that compensated absences that do not vest or accumulate beyond twelve months after the current reporting period be accounted for as an accrued liability. The reported amount (2012 - \$139, 2011 - \$166) represents an accrual for maternity and paternity leaves and short-term employee benefits.

ACCOUNTS RECEIVABLE/DEFERRED REVENUE/ACCOUNTS PAYABLE

During transition to PSAS, the University determined that Accounts Receivable and Deferred Revenue included amounts identified as future due. These amounts relate to student activity for academic terms commencing after March 31. As these amounts are not actually due at March 31 and the revenue not actually earned at March 31, elimination of the amounts was deemed more appropriate. The amounts eliminated in Accounts Receivable (2012 - \$2,462, 2011 - \$2,209) are offset by an equal elimination in Deferred Revenue (2012 - \$2,371, 2011 - \$1,943) and in Accounts Payable (2012 - \$91, 2011 - \$266).

DEFERRED CAPITAL CONTRIBUTIONS

During transition to PSAS the University determined that Deferred Capital Contributions included restricted contributions for the purchase of two parcels of land with a combined value of \$6,113. As land is a capital asset that will not be amortized, the contributions should have been recorded as a direct increase in net assets rather than being deferred. As a result, Deferred Capital Contributions were overstated by \$6,113 and Net Assets (Investment in Capital Assets) was understated by the same amount.

OBLIGATIONS FOR COMPENSATED ABSENCES

Prior to PSAS transition the University recognized the expense for compensated absences as incurred. PSAS standards require that compensated absences that are accumulating or vesting are to be estimated and recorded as a liability. The University has actuarially determined the liability for health and pension benefits to employees receiving long term disability benefits (2012 - \$340, 2011 - \$333).

PENSION OBLIGATION

Prior to PSAS transition the University amortized the excess of the unamortized net gains or losses over 10% of the greater of the defined benefit obligation or defined benefit plan assets as at the beginning of the year, over the expected average remaining service life of active employees. This resulted in a liability of \$1,784 at April 1, 2011.

The University has elected to make use of an optional exemption in PSAS Handbook section 2125 which allows the recognition of all cumulative actuarial gains and losses as at the date of transition to PSAS directly in unrestricted net assets. Actuaries determined that the accrued benefit liability at the date of transition was \$11,330 resulting in an increase in the liability and unrestricted net deficiency of \$9,546.

b) Statement of Financial Position for the year-ended March 31, 2012

	March 31, 2012 balance (previously reported)	PSAS Transitional adjustments	March 31, 2012 balance PSAS
Accounts receivable	\$7,944	(\$2,462)	\$5,482
Accounts payable & accrued liabilities	8,062	48	8,110
Deferred revenue	8,003	(2,371)	5,632
Obligation for compensated absences	0	340	340
Pension obligation	0	11,226	11,226
Deferred capital contributions	123,010	(6,113)	116,897
Unrestricted net deficiency	(11,956)	(11,705)	(23,661)
Investment in capital assets	16,054	6,113	22,167

The effect of the adjustment to deferred capital contributions and obligation for compensated absences is carried forward in the year ended March 31, 2012.

Using provisions of Section 2125, actuaries determined that the net effect of pension expenses and University contributions for the year ended March 31, 2012 resulted in a decrease in the pension obligation of \$104. Using these same provisions, an additional pension expense of \$1,680 was reported in the year ended March 31, 2012.

c) Statement of Operations for the year-ended March 31, 2012

	March 31, 2012 balance (previously reported)	PSAS Transitional adjustments	March 31, 2012 balance PSAS
Expenses			
Salaries and benefits	\$76,118	\$1,660	\$77,778
Deficiency of revenue over expenses	(\$732)	(\$1,660)	(\$2,392)

The increase in the pension expense (\$1,680), the increase in obligations for compensated absences (\$7) and the reduction in the short-term employee benefits liability (\$27) are components of Salaries & Benefits. The net effect of the above three items is an increase in the deficiency of revenue over expenses from \$(732) to \$(2,392).

d) Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSAS for GNFPs had no impact on cash from operating activities and financing activities on the statement of cash flows. The transition to PSAS for GNFPs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAS for GNFPs.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2013
Amounts in Thousands

4. Cash and Cash Equivalents

	2013	2012
Operating Funds	\$3,845	\$7,823
Sponsored Research and Designated Funds	4,970	4,164
	<u>\$8,815</u>	<u>\$11,987</u>
Trust Funds:		
Deferred Contributions	\$4,317	\$3,763
Endowments	932	859
Special Purpose:		
Internally Restricted Net Assets	1,060	913
Due to Operating	1,183	67
Due to (from) Related Party	(213)	763
	<u>\$7,279</u>	<u>\$6,365</u>
	<u>\$16,094</u>	<u>\$18,352</u>

Short term investments - \$190 (2012 - \$295) consist of fixed income investments.

5. Long Term Investments

	2013	2012
Fixed Income Instruments	\$1,515	\$1,295
Equity investment in properties	724	724
	<u>\$2,239</u>	<u>\$2,019</u>

6. Long Term Receivables

	2013	2012
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave.	\$8,582	\$8,646
Interest Rate 5.6%, due December 31, 2050		
460 Portage Ave.	0	349
Interest Rate 7.00%, due March 1, 2018		
460 Portage Ave.	2,829	0
Interest Rate 3.8%, due October 31, 2052		
	<u>11,411</u>	<u>8,995</u>
Less: University of Winnipeg component (Note 23)	<u>(7,607)</u>	<u>(5,997)</u>
	3,804	2,998
Receivable from Plug-In ICA		
460 Portage Ave.	816	885
Interest Rate 4.65%, due December 31, 2020		
	<u>4,620</u>	<u>3,883</u>
Less: Current Portion	<u>(33)</u>	<u>(38)</u>
	<u>\$4,587</u>	<u>\$3,845</u>

Annual principal payments receivable on the notes during the next five years and thereafter are: 2014 - \$33, 2015 - \$35, 2016 - \$37, 2017 - \$39, 2018 - \$41, thereafter - \$4,435.

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

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7. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$10,574	\$0	\$9,054	\$0
Buildings, Additions and Improvements	174,358	28,960	174,951	26,701
Library Acquisitions	13,511	12,051	13,704	12,098
Furnishings and Equipment	38,151	27,146	36,677	25,021
Collections	1,527	0	1,517	0
Buildings Under Construction	5,260	0	725	0
Equipment Under Capital Leases	1,861	1,428	1,861	1,188
	<u>245,242</u>	<u>\$69,585</u>	<u>238,489</u>	<u>\$65,008</u>
Less Accumulated Amortization	69,585		65,008	
Net Book Value	<u>\$175,657</u>		<u>\$173,481</u>	

Furnishings and Equipment include Vehicles and Computer Equipment.

8. Intangible Assets

	2013	2012
Major System Computer Software	\$3,204	\$3,149
Less Accumulated Amortization	<u>2,377</u>	<u>2,203</u>
Net Book Value	<u>\$ 827</u>	<u>\$ 946</u>

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.

	2013	2012
Balance, Beginning of Year	\$8,937	\$8,105
Contributions Received	13,744	13,261
Contributions Expended	(11,976)	(11,464)
Transferred to Foundation (Note 23)	(599)	(965)
Balance, End of Year	<u>\$10,106</u>	<u>\$8,937</u>
Balance Consists of:		
Sponsored Research and Designated Funds	\$5,500	\$4,913
Special Purpose Trust	4,317	3,763
Operating Funds	<u>289</u>	<u>261</u>
	<u>\$10,106</u>	<u>\$8,937</u>

10. 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 benefit 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 5.85% (2012 – 5.85%)
- 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 3.00% 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 18). 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.

11. 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, 2013 or March 31, 2012.

12. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between August 1, 2013 and March 31, 2016 together with the balances of the obligations under capital leases:

2013/14	\$218
2014/15	169
2015/16	73
Total minimum lease payments	460
Less amount representing interest at approximately 3.5%	(24)
Balance of Obligations under Capital Leases	\$ 436
Less: Current Portion of Obligations under Capital Leases	(200)
Obligations under Capital Leases	\$ 236

Interest expense for the current year on the lease obligations amounted to \$20 (2012 - \$22).

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13. Long Term Liabilities

	2013	2012
Promissory Notes	\$49,548	\$47,711
Mortgages Payable	0	38
Supplementary Pensions Payable	465	516
	<u>50,013</u>	<u>48,265</u>
Less: Current Portion of Long Term Liabilities	<u>(1,741)</u>	<u>(1,729)</u>
	<u>\$48,272</u>	<u>\$46,536</u>
	2013	2012
Province of Manitoba Promissory Notes Secured by:		
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	\$204	\$302
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,914	1,932
McFeetors Hall Interest rate 4.10%, due September 30, 2013	300	600
McFeetors Hall Interest rate 5.25%, due October 31, 2049	10,649	10,743
460 Portage Avenue Interest rate 4.65%, due December 31, 2020	2,238	2,472
460 Portage Avenue Interest rate 5.60%, due December 31, 2050	9,074	9,142
460 Portage Avenue Interest rate 2.625%, due October 31, 2016	1,584	2,000
460 Portage Avenue Interest rate 3.80%, due October 31, 2052	2,829	0
366 Spence Street & 336 Young Street Interest rate 4.95%, due March 31, 2051	688	694
Richardson College for the Environment & Science Complex – Parking Lot Interest rate 4.95%, due March 31, 2051	3,835	3,868
Richardson College for the Environment & Science Complex Interest rate 2.35%, due January 31, 2020	1,731	1,962
Richardson College for the Environment & Science Complex Variable interest rate per annum, equal to prime less 0.75% due, January 31, 2020	1,200	2,250
	<u>36,246</u>	<u>35,965</u>
Province of Manitoba Unsecured Notes:		
491 Portage Avenue – Annex Interest rate 5.40%, due July 31, 2050	2,743	2,765
Pension Settlement Interest rate 5.35%, due January 31, 2050	8,559	8,632
Pension Plan Special Payments Interest rate 4.15%, due May 31, 2053	2,000	0
	<u>13,302</u>	<u>11,397</u>
Other Promissory Notes:		
460 Portage Avenue – Deferred Land Lease Interest rate 7.00%, due March 1, 2018	0	349
	<u>\$49,548</u>	<u>\$47,711</u>

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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 4.85% to 5.95%. The notes are repayable over a term of 40 years, due between February 2047 and November 2050. 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, 2013 is \$53,940 (2012 - \$53,784).

Annual principal payments on the notes during the next five years and thereafter are: 2014 - \$1,689; 2015 - \$1,438; 2016 - \$1,399; 2017 - \$1,250; 2018 - \$1,025; thereafter - \$42,747.

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 2013 is \$51.

Interest expense during the year on long term liabilities totalled \$2,354 (2012 - \$2,303) of which nil (2012 - \$48) was capitalized during the year.

14. Deferred Capital Contributions

	2013	2012
Balance, Beginning of Year	\$116,897	\$115,581
Contributions Received	4,315	3,602
Contributions from University of Winnipeg Foundation	1,859	1,223
Amortization of Deferred Capital Contributions	(3,830)	(3,509)
Balance, End of Year	<u>\$119,241</u>	<u>\$116,897</u>

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of \$118,952 (2012 - \$116,240) and funds held for future capital project expenditures in the amount of \$123 (2012 - \$657). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

15. Internally Restricted Net Assets

	March 31, 2012	Reductions	Additions	March 31, 2013
Unrestricted Trust Income	\$913	\$0	\$146	\$1,059
Strategic Provisions:				
Infrastructure				
Capital Reserve	\$350			\$ 350
Strategic Development				
Internal Research Grants	0			0
Project Development	392	(327)	164	229
	<u>742</u>	<u>(327)</u>	<u>164</u>	<u>579</u>
	<u>\$1,655</u>	<u>(\$ 327)</u>	<u>\$ 310</u>	<u>\$1,638</u>

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The cumulative net unrestricted trust income is available to fund Board of Regents Scholarships.

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).

16. Externally Restricted Net Assets (Endowments)

	2013	2012
Cash & Short Term Investments	\$1,120	\$1,153
Long Term Investments	2,239	2,019
	<u>\$3,359</u>	<u>\$3,172</u>

Endowments of \$2,309 (2012 - \$2,322) are held in trust in accordance with the terms of a designated bequest. In 2013, the University has a 10% share in the income distribution from this trust (2012 - 10% share). The majority of the University's Endowment Fund was transferred to the University of Winnipeg Foundation in 2004 (Note 23).

17. 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.

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 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 underlining 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.

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

	2013	2012
Accounts Receivable, gross		
Current	\$5,112	\$4,582
Past Due	3,119	1,206
	<u>8,231</u>	<u>5,788</u>
Less: Allowance for Doubtful Accounts	(313)	(306)
Accounts Receivable, net	<u>\$7,918</u>	<u>\$5,482</u>

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 rate 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.

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.

18. 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 of Winnipeg, 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 6.0% (6.2% effective January 1, 2013) of salary up to the Canada Pension Plan Year's Basic Exemption (YBE), 5.2% (6.2% effective January 1, 2013) between the YBE and the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 6.0% (6.2% effective January 1, 2013) in excess of the YMPE. Members contribute only on salary not in excess of \$105,111 plus 30% of the YMPE. The University contributions match member contributions.

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

	December 31 2012	December 31 2011
Balance, Beginning of Year	\$27,310	\$26,350
Contributions	4,066	3,297
Benefits and Refunds Paid	(633)	(1,948)
Net Investment Return	2,254	(389)
Balance, End of Year	<u>\$32,997</u>	<u>\$27,310</u>
Expense recognized for the period ending December 31	\$2,034	\$1,621

Defined Benefit Obligation

Pensions are provided on the basis of final average earnings and service. The maximum pension per year of service is \$1,722.22. 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, 2011 valuation of the defined benefit segment of the Plan, there were 209 active members with an average age of 56.7. There were 52 former employees entitled to deferred pension benefits and 240 retirees and survivors receiving pension benefits.

Members contribute 7.0% (8.0% effective January 1, 2013) of salary up to the YBE, 5.2% (6.2% effective January 1, 2013) between the YBE and YMPE and 7.0% (8.0% effective January 1, 2013) in excess of the YMPE. Members contribute only on salary not in excess of \$86,111 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, 2011, and the results were extrapolated to December 31, 2012. 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 (8.4 years).

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, 2012, the expected future inflation rate is 2.0%. Salaries are assumed to increase 3.0% per year, plus a promotion and merit increase for academic members only. Pensions are assumed to increase by 0.5% per year. The discount rate used to determine the accrued benefit obligation and current service cost is 5.85% (5.85% 2012).

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.85%. The actual return on pension fund assets in 2012 was 7.77%.

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**Change in Accrued Benefit Obligation
Calendar Year Ending December 31**

	2012	2011
Accrued Benefit Obligation, Beginning of Year	\$139,591	\$124,807
Current Service Cost	2,438	2,050
Interest Cost	7,999	7,276
Benefits and Refunds Paid	(8,133)	(9,142)
Plan Amendment	0	3,289
Actuarial gain (loss)	(1,281)	11,311
Accrued Benefit Obligation, End of Year	<u>\$140,614</u>	<u>\$139,591</u>

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

	2012	2011
Market Value of Plan Assets, Beginning of Year	\$107,876	\$113,072
University Contributions	5,161	4,501
Member Contributions	874	785
Benefit Payments	(8,133)	(9,142)
Actual Return on Plan Assets	8,294	(1,340)
Plan expenses	(250)	0
Market Value of Plan Assets, End of Year	<u>113,822</u>	<u>107,876</u>
Expected market value of assets at end of year	<u>111,770</u>	<u>115,885</u>
Gain (loss) on plan assets	<u>\$2,052</u>	<u>(\$8,009)</u>

The plan assets for the Calendar Year Ending December 31, 2012 consist of:

	2012	2011
Domestic fixed income	\$50,872	\$52,882
Canadian equity	37,091	34,388
U.S. equity	8,843	8,723
International equity	10,261	9,378
Cash and cash equivalents	6,816	2,547
Net accruals	(61)	(42)
	<u>\$113,822</u>	<u>\$107,876</u>

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

**Reconciliation of Unamortized Gains/(Losses)
Fiscal Year Ending Mar 31**

	2013	2012
Expected average remaining service life	8.4	9.5
Net unamortized gain (loss) at beginning of year	(\$19,320)	\$0
New net gain (loss) for current year	3,333	(19,320)
Amortization for current year	2,300	0
Net unamortized gain (loss) at end of year	<u>(\$13,687)</u>	<u>(\$19,320)</u>

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Pension Expense
Fiscal Year Ending Mar 31

	2013	2012
University Service Cost	\$1,564	\$1,265
Interest Cost	7,999	7,276
Expected Return on Plan Assets	(6,242)	(6,669)
Amortization of net actuarial gains/(losses)	2,300	0
Cost of plan amendments incurred during the period	0	3,289
Plan expenses	250	0
Amortization of transitional asset/(liability)	0	0
Increase in Valuation Allowance	0	0
Net Pension Expense	<u>\$5,871</u>	<u>\$5,161</u>

Reconciliation of Surplus/(deficit) to Accrued Liability at End of Fiscal Year

	2013	2012
Surplus (deficit) at end of year	(\$26,792)	(\$31,715)
University contributions after the measurement date	1,194	1,169
Net unamortized amounts	13,687	19,320
Accrued Benefit Asset (Liability) at end of year	<u>(11,911)</u>	<u>(11,226)</u>
Valuation Allowance at end of year	<u>0</u>	<u>0</u>
Accrued Benefit Asset (Liability), net of Valuation Allowance at end of year	<u>(\$11,911)</u>	<u>(\$11,226)</u>

Significant actuarial assumptions used in the determination of the pension expense are:

Discount Rate		5.85%	6.00%
Post-retirement indexing		0.50%	0.25%
Rate of salary increase	2009	3.00%	2.50%
	Thereafter	4.00%	4.00%
Expected rate of return on plan assets		5.85%	6.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation December 31 are:

Discount Rate	5.85%	5.85%
Post-retirement indexing	0.50%	0.50%
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, 2011 confirms that the defined benefit segment of the Plan has a solvency deficiency of \$46,775 and a solvency ratio of 0.635 (2010 – 0.752).

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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, 2011 was \$30,419 and the annual deficiency funding payments are \$3,259, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2011, the University is also required to make an additional contributions in 2012 of \$607 (2011 - \$894) in order to fully fund the cost of accruing benefits and administration expenses.

The Board of Trustees amended the Plan in 2012 to increase Member and University contributions rates as outlined previously in this note. Prior to January 1, 2012 Member rates for both the defined benefit and defined contribution segments were 6.2% on salary up to the YBE, 4.2% between the YBE and the YMPE and 6.2% between the YMPE and the Year's Maximum Contributory Earnings (YMCE). University contributions to the defined benefit segment were 7.2% on salary up to the YBE, 5.2% between the YBE and the YMPE and 7.2% between the YMPE and the YMCE. University contributions to the defined contribution segment matched Member contributions.

19. 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 March 1, 2030. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above obligations require annual payments over the next five years and thereafter as follows:

	Lease	Contractual Obligations	Total
2013/14	\$3,944	29,667	\$33,611
2014/15	2,949		2,949
2015/16	2,190		2,190
2016/17	1,690		1,690
2017/18	1,119		1,119
Thereafter	12,934		12,934
	<u>\$24,826</u>	<u>\$29,667</u>	<u>\$54,493</u>

20. 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 23.

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

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Financial Position:

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 is summarized as follows:

	March 31, 2013	March 31, 2012 Restated	April 1, 2011
Statement of Financial Position			
Assets	<u>\$46,158</u>	<u>\$41,206</u>	<u>\$40,010</u>
Liabilities	<u>1,562</u>	<u>316</u>	<u>541</u>
Fund Balances:			
Operating Fund	333	397	209
Unrestricted Fund	0	8	2
Investment in Capital Assets	13	4	25
Building and Program Fund	573	598	674
Funds Held Pending Terms of Reference	78	195	79
Internally Restricted	250	0	0
Endowment Fund	41,259	39,688	38,480
Accumulated Remeasurement Gains	<u>2,090</u>	<u>0</u>	<u>0</u>
	<u>44,596</u>	<u>40,890</u>	<u>39,469</u>
	<u>\$46,158</u>	<u>\$41,206</u>	<u>\$40,010</u>

Statement of Operations

Sources of Funds:

Transfer from University of Winnipeg	\$599	\$283
Investment Income	1,765	1,277
Unrealized Gain (Loss) on Investments	0	(762)
University of Winnipeg Support Funding	473	651
Endowment Administration Fee	794	775
Loss on Disposal of Assets	0	(11)
Annual Donations	<u>5,626</u>	<u>6,767</u>
	<u>9,257</u>	<u>8,980</u>

Uses of Funds:

Endowment - Gifts to the University	1,265	1,174
Gifts to Other Charities	333	0
Endowment - Administration Fee	794	775
Endowment - Administration Expenses	122	119
Operations	1,219	1,541
Donations Gifted to the University of Winnipeg	<u>3,908</u>	<u>3,950</u>
	<u>7,641</u>	<u>7,559</u>
Increase in Funds	<u>\$1,616</u>	<u>\$1,421</u>

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Statement of Cash Flows

Operating Activities:		
Increase in funds	\$1,616	\$1,421
Items not involving a current outlay of cash	(736)	782
Change in non-cash working capital balances	395	(24)
Increase in funds from operations	1,275	2,179
Capital Activities	(12)	0
Investing Activities	(1,552)	(1,973)
Financing Activities	978	(581)
(Decrease) Increase in cash	689	(375)
Cash, beginning of year	905	1,280
Cash, end of year	\$1,594	\$ 905

21. 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. The corporation 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 23.

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

UWCRC holds a 25% investment in the land and building situated 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 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, 2013 is \$13,476 (2012 - \$13,584). The mortgage and advance are secured by an \$18,000 debenture registered against the title to the property, share pledge agreements, and 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.

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

	March 31, 2013	March 31, 2012 (Restated)	April 1, 2011
Statement of Financial Position:			
Assets			
Cash	\$373	\$214	\$179
Accounts Receivable	313	265	154
Due from University of Winnipeg (Note 23)	6	0	12
Capital Assets	610	620	787
Investments, at Equity	4,918	4,790	4,788
	<u>\$6,220</u>	<u>\$5,889</u>	<u>\$5,920</u>
Liabilities and Net Assets			
Accounts Payable and Accrued Liabilities	\$72	\$23	\$73
Current Portion of Long Term Debt	27	26	29
Due to University of Winnipeg	0	96	0
Long Term Debt	141	167	248
Deferred Capital Contributions	308	315	411
Net Assets	5,672	5,262	5,159
	<u>\$6,220</u>	<u>\$5,889</u>	<u>\$5,920</u>
Statement of Operations & Changes in Net Assets			
Revenue			
Share of Equity Income	\$178	\$102	
Consulting	1,482	706	
Other	68	264	
	<u>1,728</u>	<u>1,072</u>	
Expenses			
Salaries and Benefits	920	502	
Consulting and Professional Fees	98	119	
Supplies, Services and Other Expenses	300	348	
	<u>1,318</u>	<u>969</u>	
Excess of Revenue over Expenses	410	103	
Net Assets -- Beginning of Year	5,262	5,159	
Net Assets -- End of Year	<u>\$5,672</u>	<u>\$5,262</u>	
Statement of Cash Flows			
Increase (decrease) in funds from operations	\$289	(\$224)	
Investing activities	(2)	345	
Financing activities	(128)	(86)	
Increase in cash	<u>159</u>	<u>35</u>	
Cash, beginning of year	214	179	
Cash, end of year	<u>\$ 373</u>	<u>\$ 214</u>	

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, as of March 31, 2013.

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.

23. Related Party Transactions and Balances

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

The University charges benefit administration costs to the Trusteed Pension Plan. The charge for 2012-2013 was nil (2011-2012 - \$53). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	2013	2012
From the University to the Foundation:		
i) Operating grant	\$288	\$468
ii) Gifts of residuals for endowment	\$57	\$283
iii) Gifts of matching funds for endowment	\$542	\$682
iv) Occupancy & Support Agreement	\$185	\$183
From the Foundation to the University:		
i) Transfer of annual donations	\$3,908	\$3,950
ii) Income allocation	\$1,265	\$1,174
iii) Occupancy & Support Agreement	\$185	\$183
From the University to UWCRC		
i) Consulting fees (excluding GST)	\$1,276	\$634
From UWCRC to the University		
i) Management fees	\$214	\$190
From the University to the Joint Venture		
i) Lease expense	\$760	\$691
ii) Capital contribution	\$0	\$127
From the Joint Venture to the University		
i) Service fees	\$88	\$88
From the University to Diversity		
i) Food Services	\$871	\$793
From Diversity to the University		
i) Rental revenue	\$103	\$129

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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 have been eliminated upon consolidation of the Joint Venture.

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

	2013	2012
Due from Related Party		
Foundation	\$759	\$159
UWCRC	0	134
460 Portage Avenue Joint Venture	22	50
	<u>781</u>	<u>343</u>
Due from 460 Portage Avenue Joint Venture		
Notes Receivable (Note 6)	<u>11,411</u>	<u>8,995</u>
Due to Related Parties		
Foundation	542	919
UWCRC	6	38
	<u>\$ 548</u>	<u>\$ 957</u>

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.

24. 460 Portage Avenue Joint Venture

The University of Winnipeg entered into an unincorporated Joint Venture Agreement with the Plug-In Institute of Contemporary Art (Plug-In ICA) 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. Details of resulting amounts are shown in the Related Parties Note 23.

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 years ended March 31. There are no significant differences in accounting policies from those followed by the University.

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	2013	2012
Statement of Financial Position		
Assets:		
Accounts Receivable and Prepaid Expenses	334	20
Capital Assets	8,159	6,910
Intangible Asset	1,258	1,291
	<u>9,751</u>	<u>8,221</u>
Liabilities and Venturers' Equity		
Accounts Payable and Accrued Liabilities	6	6
Due to the University of Winnipeg	7,651	6,097
Deferred Capital Contributions	416	399
Venturers' Equity	1,678	1,719
	<u>9,751</u>	<u>8,221</u>
Statement of Operations		
Revenues		
Rental Revenue	115	75
Amortization of Deferred Capital Contribution	7	5
Expense Recovery from Venturers	621	571
	<u>743</u>	<u>651</u>
Expenses		
Building Operating	271	271
Interest	361	342
Amortization	118	117
Amortization of Intangible Asset	33	33
	<u>783</u>	<u>763</u>
Net Loss	<u>(40)</u>	<u>(112)</u>
Statement of Cash Flows		
Cash Receipts from Tenants & Venturers	742	637
Cash Paid to Suppliers	(273)	(275)
Interest Paid	(361)	(342)
Cash Flows used by Operating Activities	<u>108</u>	<u>20</u>
Proceeds from Long Term Financing	1,894	0
Capital Contributions Received	24	85
Repayment of Long Term Debt	(602)	0
Other Financing Activities	(56)	(20)
Cash Flows from Financing Activities	<u>1,260</u>	<u>65</u>
Cash Flows used in Investing Activities – Purchase of Capital Assets	<u>(1,368)</u>	<u>(85)</u>
Net Change in Cash Position	<u>0</u>	<u>0</u>

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 was eliminated in the University's accounts on consolidation.

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; however the Joint Venture is negotiating with the design team for the building and expects to be able to recover some of these costs. The result of these negotiations is unknown, but may result in costs between \$0 and \$225 being recovered by the Joint Venture. The University's share of these costs would be two thirds or \$0 to \$150.

25. Reclassification of Comparative Figures

Certain 2011 and 2012 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2013.