University of Manitoba

ANNUAL FINANCIAL REPORT 2018

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

MISSION:

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

VISION:

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

VALUES:

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

To the Minister of Education and Training, Manitoba

In compliance with Section 22(1) of *The University of Manitoba Act,* the Annual Report on the financial affairs of the University for the year ended March 31, 2018 is herewith submitted to the Minister of Education and Training. In this report, we set forth in detail –

a) the receipts and expenditures for the next preceding fiscal year,

b) the investments as they stood at the end of the year, and

c) other particulars which may be of interest to the Minister of Education and Training.

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

RECEIPTS AND EXPENDITURES: SUMMARY OF GENERAL OPERATING FUND RESULTS
(in thousands of dollars)

	Year Ended March 31	
	2018	**2017**
Revenues and Other Additions	$ 658,982	$ 650,667
Expenditures and Other Deductions	554,440	548,371
Net Revenues	104,542	102,296
Net Appropriated To Specific Provisions	(30,589)	(36,137)
Inter-Fund Transfers	(73,951)	(66,141)
Net Increase to Fund Balance from Operating Activities	2	18
Remeasurement Gains (Losses)	84	142
Net Increase to Fund Balances	**$ 86**	**$ 160**

Additions exceeded deductions by $104.5 million for the current fiscal year. Net appropriations of $30.6 million were made to specific provisions and an amount of $73.9 million was transferred to other funds. The resulting net surplus of $0.1 million has been added to the general operating balance in the General Operating Fund, increasing it to a balance of $2.5 million as at March 31, 2018.

INVESTMENTS: INVESTMENT HOLDINGS AT MARCH 31, 2018 WERE AS FOLLOWS:
(in thousands of dollars)

Canadian Bonds and Other Fixed Income	$ 195,085
Canadian Equities	210,952
U.S. Equities	225,597
International Equities	115,956
Preferred Shares	46,211
Pooled Real Estate	119,940
Bankers Acceptances, Guaranteed Investment Certificates and Cash	13,222
Other	2,288
	$ 929,251

REPORT OF THE BOARD OF GOVERNORS

MEMBERS OF THE BOARD OF GOVERNORS:

At March 31, 2018 the members of the Board of Governors were as follows:

Chair

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

Vice-Chair

Rafi Mohammed, B.R.S.

Chancellor

Harvey Secter, B.Comm, LL.B., LL.M., LL.D.

President and Vice-Chancellor

David T. Barnard, B.Sc., M.Sc., Ph.D (Toronto), Dip.C.S. (UBC), LL.M. (York)

Members of the Board of Governors

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

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

Sarah Bonner-Proulx

Steve Demmings, M.C.P

Laurel Hyde, B.S.A.

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

Hillary Kroeker

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

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

Judith Linden, B.N.

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

Heather Maxted, B. Comm. (Hons.)

Rafi Mohammed, B.R.S.

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

Maryam Moshiri, B.Sc. (C.E.), M.Sc. (C.E.), Ph.D. Candidate

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

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

Jakob Sanderson

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

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

University Secretary

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

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

Original signed by

Jeff Lieberman, Chair.

THE UNIVERSITY OF MANITOBA: INSPIRED AND ENGAGED

The University of Manitoba is taking its place among leading Canadian universities through a commitment to transformative research and scholarship, and to innovative teaching and learning – uniquely strengthened by Indigenous knowledge and perspectives. In 2017-18, the University celebrated its 141st year as the largest and only research-intensive post-secondary educational institution in Manitoba. Established in 1877 and recognized as the oldest university in western Canada, the University continued its long history of inspiring and engaging our students, our community, and our country.

The fall term saw the enrolment of 29,498[1] students who represented over 100 countries. International student enrolment increased by 3.8%, which brought the international student component to 17.9% of the total student population. The 2017-18 academic year saw the highest enrolment of Indigenous[2] students in our history, who now comprise 8.3% of the total student population.

The University is pleased to have retained its status as one of Manitoba's Top 25 Employers for 2018. The University employs 4,858 full-time equivalent staff comprised of 2,287 faculty, 2,406 administrative staff and 165 staff in Ancillary Services. People drive the success of the University of Manitoba, as faculty and staff are dedicated to providing students with the exceptional education that they expect and deserve.

Thanks to our generous benefactors, the University's Endowment Fund is now one of the largest Canadian university endowment funds of its kind. In 2017-18, the University Investment Trust grew to a market value of $709.8 million – its largest value to date.

Despite our achievements, the University was not without challenge in 2017-18: no increase in our operating funding from the provincial government, a provincially-imposed 15% reduction of managerial staff, and reduced provincial funding for the renewal of our aging infrastructure all had a significant impact on the University. As a consequence, the University continued to take measures to control its costs and conserve resources in order to support future operations, initiatives and infrastructure. In fiscal 2017-18, the University's Net Revenue from Operating Activities was $155.0 million, which reflected contributions by our benefactors to our Endowment Fund, funding earmarked for future capital projects and research endeavors, and funding that has been set aside to support our ongoing operations and future initiatives. The following table summarizes the operating results of the University for the year ended March 31, 2018.

SUMMARY OF OPERATING RESULTS
(in thousands)

	General Funds	Restricted Funds	Endowment Fund	2018 Total Funds	2017 Total Funds
Revenue	$ 658,982	$ 418,995	$ 10,467	$ 1,088,444	$ 934,854
Expenses	554,440	379,034		933,474	800,783
Net Revenue from Operating Activities	104,542	39,961	10,467	154,970	134,071
Inter-Fund Transfers	(72,812)	72,231	581		
Net Increase to Fund Balance from Operating Activities	31,730	112,192	11,048	154,970	134,071
Net Remeasurement Gains (Losses) for the Year	84	(5,066)	(5,941)	(10,923)	61,563
Net Increase to Fund Balance	**$ 31,814**	**$ 107,126**	**$ 5,107**	**$ 144,047**	**$ 195,634**

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

1 As at November 1, 2017. Includes B.Sc.(Dentistry), B.Sc.(Medicine), and Joint Master's Program students based on workload calculations.
2 Indigenous identity is a voluntary self-declaration made on admission forms.

TAKING OUR PLACE

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

Every year since the approval of *Taking Our Place*, the University has allocated budget to fund faculty and unit driven initiatives and activities that support its strategic goals. The 2017 Provincial Budget provided the University with no increase to its operating grant, but permitted tuition and course related fee increases by up to the inflation rate of 1.3%. Despite this, the University's operating budget for 2017-18, approved by the Board of Governors, allowed the University to invest $8.0 million of ongoing funding and $25.4 million of one-time funding in the *Taking Our Place* priorities as follows:

Inspiring Minds through innovative and quality teaching

- $5.2 million of ongoing funding in support of graduate student financial support; critical faculty renewal; academic infrastructure support; the Centre for the Advancement of Teaching and Learning; and Libraries.
- $5.1 million of one-time funding for international student academic and other support; international student financial support; academic infrastructure support; service teaching; and Libraries.

Driving Discovery and Insight through excellence in research, scholarly work and other creative activities

- $1.4 million of ongoing funding for graduate enhancement of Tri-Council stipends (GETS) and research support programs.
- $4.5 million of one-time funding for the National Centre for Truth and Reconciliation (NCTR), Mosaic Journal, research initiatives, GETS and research support programs.

Creating Pathways to Indigenous achievement

- $0.8 million of ongoing funding for the Indigenous Scholars Fund and other Indigenous supports.
- $0.7 million of one-time funding for the Indigenous Initiatives Fund and other Indigenous supports.

Building Community that creates an outstanding learning and working environment

- $0.6 million of ongoing funding for software system renewal; other information system technology projects; budget model redesign and budget system development; oversight of international research projects; and in support of the Office of the University Secretary.
- $14.9 million for one-time funding for infrastructure renewal and preventative maintenance; software system renewal; network switch replacement; space optimization, relocation and renovation projects; other information system technology projects; life safety system inspection; and budget model redesign and budget system development.

Forging Connections to foster high impact community engagement

- $0.2 million of one-time funding for faculty outreach initiatives.

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

FINANCIAL OVERVIEW

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

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

General Funds consist of the:

General Operating Fund

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

Specific Provisions Fund

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

Expenses Funded from Future Revenues Fund

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

Restricted Funds consist of the:

Research and Special Fund

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

Capital Asset Fund

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

Staff Benefits Fund

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

Trust Fund

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

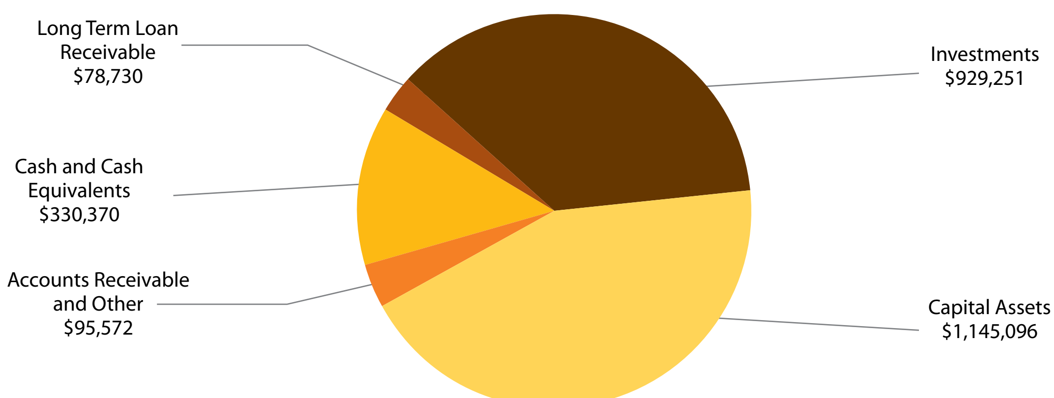
The **Endowment Fund** houses resources that have been gifted or bequeathed to the University under the condition that they be held in perpetuity to support the future of the University. These donations are recorded as revenue in the Endowment Fund. However, the income earned from investing these gifts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

Assets and Liabilities

Assets

The University's total assets at March 31, 2018 were $2.6 billion. Capital assets and investments held in the Trust and Endowment Funds accounted for $2.1 billion or 80.4% of total assets. Details of the University's assets at March 31, 2018 are depicted below.

TOTAL ASSETS
March 31, 2018
(in thousands)

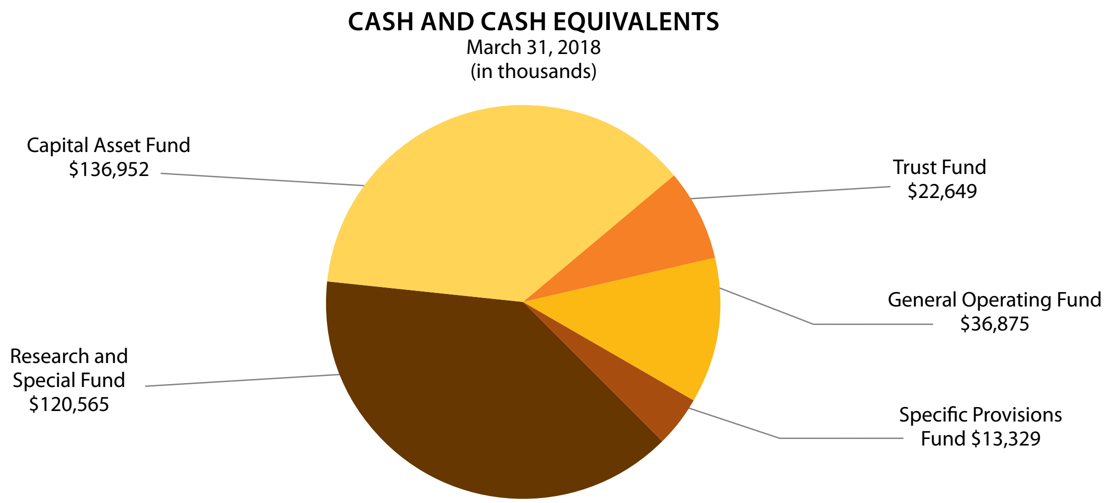


Capital assets and investments are discussed later in this report, and are further detailed in Notes 9 and 7 respectively.

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

At March 31, 2018, the University had a Cash and Cash Equivalents balance of $330.4 million, comprised of $47.9 million of cash in bank and cash equivalents of $282.5 million. Cash Equivalents consisted of Guaranteed Investment Certificates (GICs), all with staggered maturities of one year or less.

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



The majority of Cash and Cash Equivalents are held in the Capital Asset Fund and the Research and Special Fund. Within the Capital Asset Fund are resources that have been earmarked by our donors, funders, faculties, units and central administration for major capital projects and equipment purchases. Funding is often set aside over multiple years in anticipation of future capital projects, or received at project onset then spent over the life of a project which may span multiple fiscal years. At March 31, 2018, the Capital Asset Fund had a Cash and Cash Equivalents balance of $137.0 million. This included, among other funding: $29.9 million set aside for Provincial debt repayment; $16.5 million for a concert hall; $15.8 million from Ancillary Services intended for the construction of a new residence on the Fort Garry campus; $13.9 million from the Federal government and other sources for the construction of the Churchill Marine Observatory; and $3.6 million of funding from donors and other sources for learning space renewal. Details on the University's capital projects are found later in this report.

The Research and Special Fund's Cash and Cash Equivalents balance at March 31, 2018 represented funding received from the University's external sponsors of research. These resources were provided to the University specifically to conduct research, and any Cash and Cash Equivalents balance remaining at the end of a fiscal year represents the portion of this funding that has not yet been spent. Often funding received is for research projects that span multiple fiscal years, resulting in a Cash and Cash Equivalents balance at March 31 each year. Details on research-related revenues and expenses are found later in this report.

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

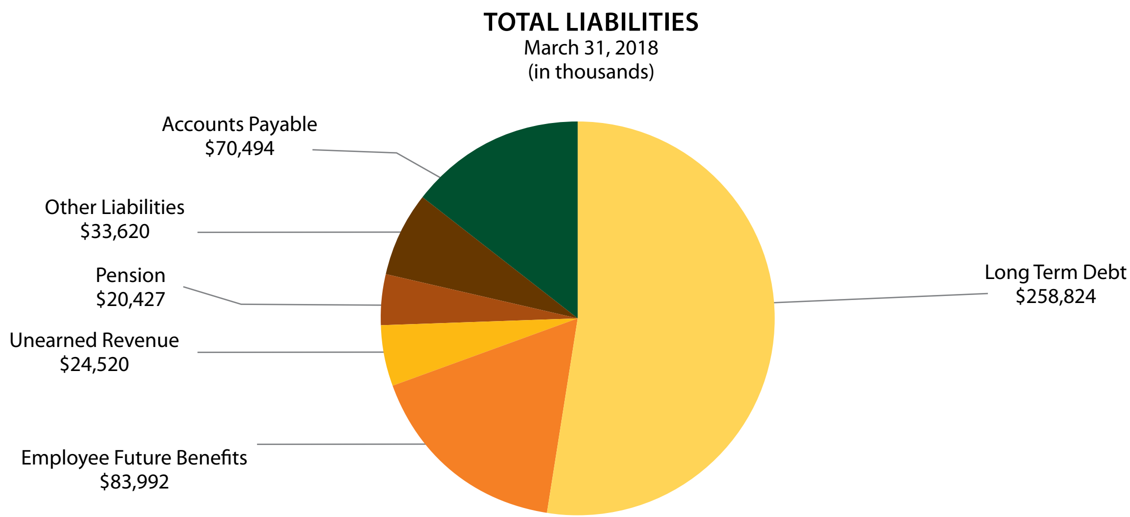
The Trust Fund's Cash and Cash Equivalents balance of $27.6 million represented donations held as cash equivalents in the Specific Trusts ($17.3 million), and cash held with the Trust Fund investment managers ($10.3 million).

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

At March 31, 2018, the Staff Benefits Fund and the Endowment Fund had no Cash and Cash Equivalents balance as the resources held in these Funds were fully invested. Due to its nature, the Expenses Funded from Future Revenues Fund also had no Cash and Cash Equivalents balance.

Liabilities

The University's total liabilities at March 31, 2018 were $491.9 million. Details of the University's liabilities at March 31, 2018 are depicted below.



Long Term Debt includes loans made to the University for such initiatives as the construction of student residences and other buildings. Also included in Long Term Debt is a loan payable to the Province of Manitoba, which is offset by a Loan Receivable from Triple B Stadium Inc. (Triple B) for the construction of Investors Group Field. The construction of Investors Group Field at the Fort Garry campus was initially financed by a $160 million loan that was provided by the Province of Manitoba to Triple B. The loan was structured to flow through the University of Manitoba. The initial $160 million was divided into Phase One for $85 million and Phase Two for $75 million (Note 6). The loan agreement stipulated that the Phase One loan was to be repaid by taxes (municipal and provincial) collected on the former stadium site up to 2038, and the Phase Two loan was to be repaid by Triple B from funds it received from the Winnipeg Football Club.

At the end of 2016-17, the Phase One loan had grown to $117 million including accrued interest of both Phase One and Phase Two. The balance of the Phase Two loan was $82 million.

In 2017, the Province of Manitoba recorded a loan allowance of $56.0 million which represented the full amount of the outstanding Phase One loan as reflected in the Province's financial statements. The allowance was deemed necessary as the taxes being generated from the former stadium site were falling short of the initial cash flow projections needed to repay the Phase One loan by 2038. The Provincial portion of the loan that was to be repaid using the provincial taxes on the former stadium site was previously written down as well due to accounting standards which precluded the Province from reporting a loan receivable being repaid using provincial revenues.

In consultation with the Province, the University deemed it necessary to reflect the allowance on the loan receivable in the University's financial statements. This resulted in the University recording an allowance of $118.7 million in 2017-18, which represented the full amount of the Phase One loan, including accrued interest on Phase One and Phase Two, as at March 31, 2018.

Further, since the University had an equal loan payable to the Province of Manitoba, and since the University is only required to pay the Province what it collects from Triple B, the University established an allowance against the loan payable for an equal amount. As the University acts as a flow-through between Triple B and the Province, establishing an allowance reflects the fact that the arrangement poses no financial risk to the University.

No allowance was made against the Phase Two loan. The University, along with the Province, will continue to assess the need to do so.

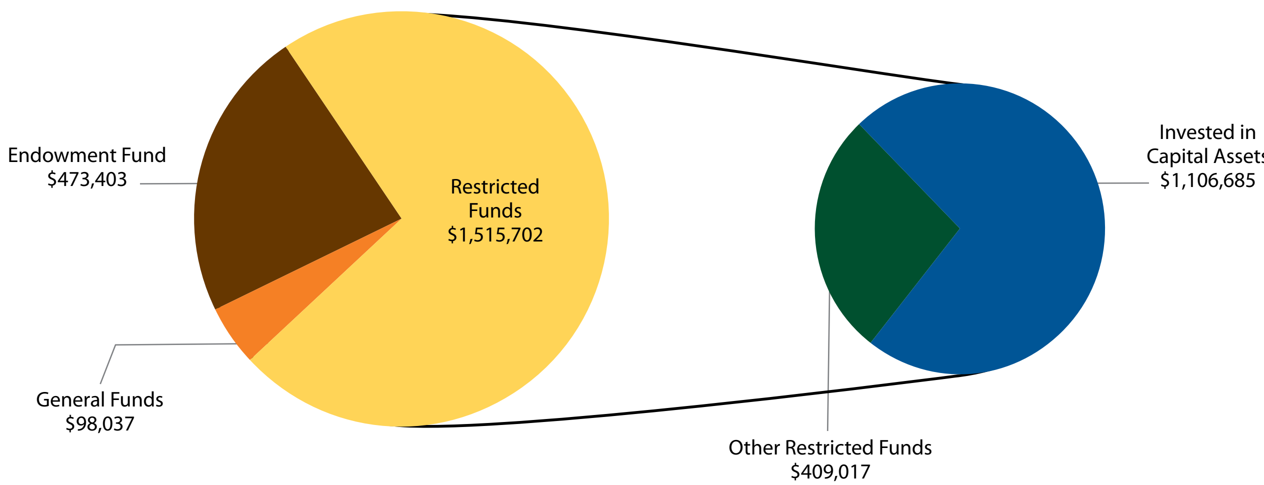
Further details on the University's liabilities at March 31, 2018 are found in Notes 10, 11, 12, 13 and 16.

Fund Balances

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

At March 31, 2018, the University of Manitoba had a fund balance of $2.1 billion across all funds. This was an increase of $144.0 million from the previous year. The following diagram illustrates the distribution of the fund balance across the three categories of Funds – General Funds, Restricted Funds, and the Endowment Fund.

FUND BALANCES
March 31, 2018
(in thousands)



At March 31, 2018, the General Funds fund balance of $98.0 million was composed of a balance of $2.5 million in the General Operating Fund and $162.6 million in the Specific Provisions Fund, offset by a negative fund balance in the Expenses Funded from Future Revenues Fund of $67.0 million. As a not-for-profit organization, the University's General Operating Fund is monitored and controlled to prevent overspending. Any remaining balances are set aside in either the Specific Provisions Fund or the Capital Asset Fund to support future operations, initiatives and projects. The Expenses Funded from Future Revenues Fund is always in a negative balance, as it only includes expenses that the University may be obligated to pay in the future.

At March 31, 2018, the University's Restricted Funds balance totaled $1.5 billion, of which $1.1 billion had been invested in capital assets or earmarked for major capital projects, and the balance attributed to the Trust Fund ($233.7 million), the Research and Special Fund ($164.4 million), and the Staff Benefits Fund ($10.8 million). This funding was either provided to the University for a specific purpose, or was set aside in order to meet certain legal and contractual obligations. It included restricted donations held in the Trust Fund, funding held in the Research and Special Fund that must be used to conduct research, and contributions made to fund employee benefit plans. Because of these factors, this fund balance cannot be used to support our general operations.

The Endowment Fund accounted for $473.4 million of the University's overall fund balance at March 31, 2018. As the resources in this Fund consisted of donations that have been directed by our benefactors to be held in perpetuity for the benefit of our future generations, we also could not use this fund balance to support our general operations.

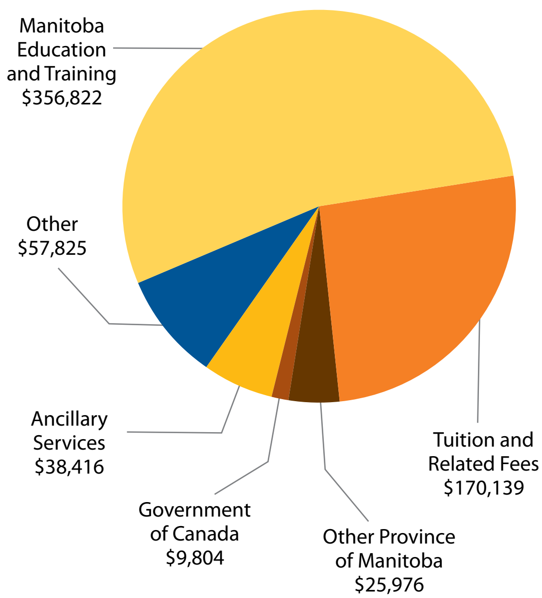
Further to the classification of the University's fund balances into the General, Restricted and Endowment Fund categories for accounting purposes, fund balances are also categorized as unrestricted, internally restricted and externally restricted. Details on these restrictions are found in Notes 24 and 25.

Revenue

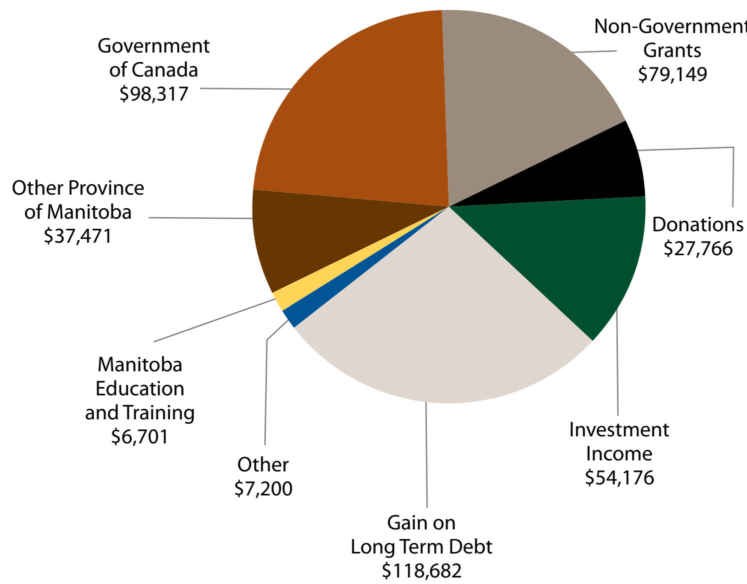
The University of Manitoba earns revenue from a variety of sources. Revenue earned in our General Fund is our operating revenue, which is used to keep the University in operation. Revenue earned in our Restricted Funds can only be used for specific purposes, such as to conduct research, to build or purchase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

In 2017-18, the University of Manitoba recorded $1.1 billion of total revenue across all Funds, an increase of $153.6 million from the previous year, of which $118.7 million was a Gain on Long Term Debt. Total revenues received in 2017-18 were recorded in each Fund as follows:

GENERAL FUNDS REVENUE
2017-18
(in thousands)



RESTRICTED AND ENDOWMENT FUNDS REVENUE
2017-18
(in thousands)



Details on the categorization of revenue in each of the individual Funds are found in Notes 21 and 22.

The University's most significant funder is the Province of Manitoba. In 2017-18, revenues from provincial departments and agencies totaled $427.0 million or 39.2% of total revenues. Province of Manitoba revenue increased by $3.7 million from the prior year primarily due to an increase in operating and research-related revenue from Manitoba Health of $2.4 million and the receipt of $1.4 million from Manitoba Agriculture in support of the revitalization of the Glenlea Research Station, offset by a decrease of $0.3 million in deferred maintenance support from Manitoba Education and Training. The operating grant from Manitoba Education and Training was unchanged from the prior year.

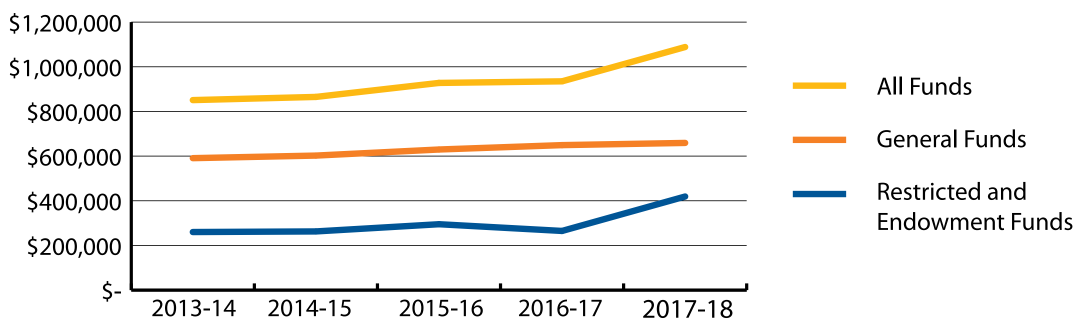
The University's second largest source of income is Tuition and Related Fees, which in 2017-18 totaled $170.1 million and was 15.6% of the University's total revenue. This was an increase of $6.6 million from the prior year. The increase in Tuition and Related Fee revenue was attributed to a tuition and course-related fee increase of 1.3% as allowed by the Province of Manitoba, and to incremental international differential fees associated with an increase in enrolment of international students.

As previously described, the University recognized a Gain on Long Term Debt of $118.7 million, equal to the Phase One loan payable to the Province of Manitoba plus accrued interested on Phase One and Phase Two, related to the construction of the Investors Group Field (Note 6). An equal and offsetting allowance on the corresponding loan receivable from Triple B was recognized as an expense during the year resulting in no impact to net revenues.

In 2017-18, support from the Government of Canada resulted in the University receiving $108.1 million in federal funding, which was 9.9% of the University's total revenue. This was an increase of $23.7 million from the prior year, which was attributed to support received for the undertakings of the National Centre for Truth and Reconciliation ($10.9 million), the construction of the Engineering Innovation Centre and SmartPark Innovation Hub buildings ($8.8 million), and for the construction of the Churchill Marine Observatory ($4.0 million).

The following graph shows revenue growth over the last five years. Restricted and Endowment Funds revenue increased acutely in 2017-18 due to the Gain on Long Term Debt of $118.7 million.

TOTAL REVENUE
2013-14 to 2017-18
(in thousands)



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

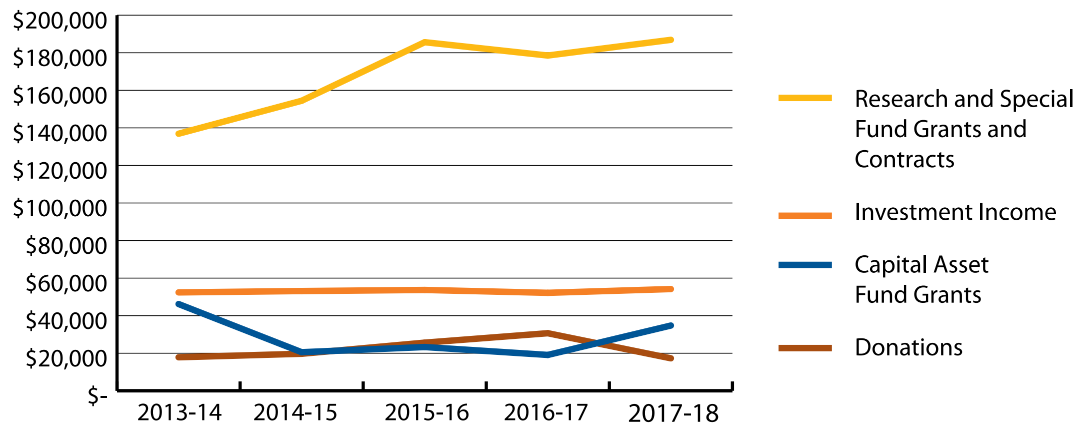
Until 2016-17, increases to our operating grant from the Province of Manitoba had also driven the University's revenue growth in the General Funds. As the University's operating grant from Manitoba Education and Training remained at the same level as received in 2016-17, it did not contribute to revenue growth in 2017-18. Because we rely so heavily on our operating grant from Manitoba Education and Training, any change in our operating grant significantly impacts our ability to fund operations.

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

Further contributing to revenue growth in the Restricted and Endowment Funds is the continued generosity of our benefactors. Donation revenue received by the University enables us to provide increased financial assistance to students; enhances the support of our staff and operations; helps us to improve our campus facilities for our students, faculty and staff; and provides increased financial security to our future generations of students.

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

RESTRICTED AND ENDOWMENT FUNDS
SELECT REVENUES
2013-14 to 2017-18
(in thousands)



Most notable in the above graph is the significant increase in research-related funding from grants and contracts since fiscal 2013-14. As the University strives to achieve its strategic priority of Driving Discovery and Insight, our researchers have expanded our global reach and attracted international attention from agencies dedicated to quality research and innovation. For instance, over the past five years the Bill and Melinda Gates Foundation has contributed $128.8 million to the University's research projects and public health programs in India, Kenya and elsewhere. This funding has been instrumental to the growth of Research and Special Fund revenue. Research-related revenues are discussed in further detail later in this report.

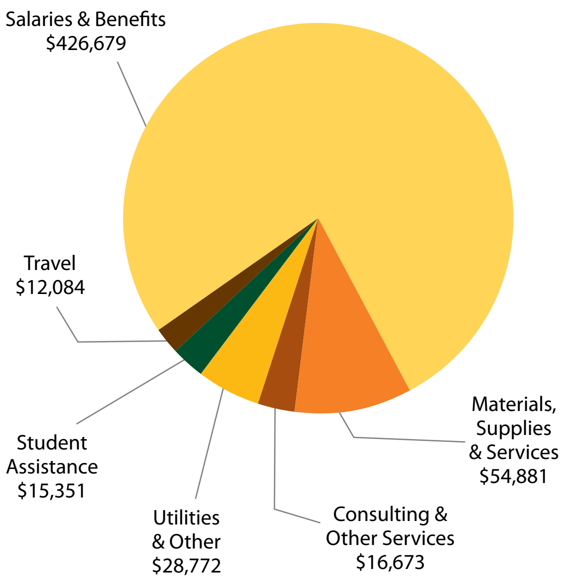
Variations in Investment Income can be muted due to the accounting standard requiring separate measurement of unrealized gains and losses on investments, as explained later in this report. While Investment Income and Donation revenue have remained relatively consistent over the past five years, capital-related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

Expenses

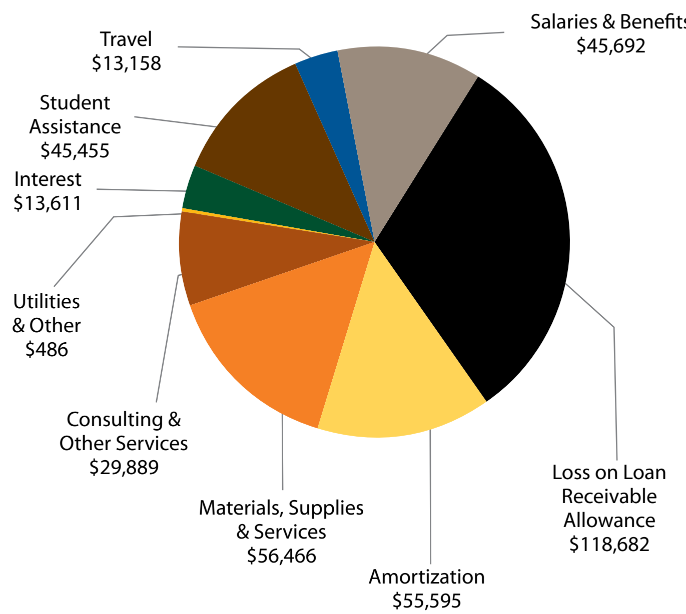
Like revenue, expenses are recorded in the various Fund categories according to their purpose. Expenses incurred to keep the University in operation are recorded in the General Funds, and expenses incurred to, for example, conduct research, manage investments in the Trust and Endowment Funds, and to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

In 2017-18, the University recorded $933.5 million of expenses across all Funds. This was an increase of $132.7 million from the previous year, of which $118.7 million was a Loss on Loan Receivable Allowance. The General Funds incurred expenses of $554.4 million, and the Restricted Funds incurred expenses of $379.0 million. The types of expenses incurred in each Fund in 2017-18 are illustrated below.

GENERAL FUNDS EXPENSES
2017-18
(in thousands)



RESTRICTED FUNDS EXPENSES
2017-18
(in thousands)



Details on the categorization of expenses in each of the individual Funds are found in Notes 21 and 22.

Compensation

By far, the University's most significant expense is faculty and staff compensation. In 2017-18, the University incurred Salaries and Benefits of $472.4 million, which was 50.6% of total expenses. The University's compensation-related expenses are largely governed by collective bargaining agreements which can be subject to provincial government mandates. In 2017-18, the University experienced an increase in Salaries expense of $8.9 million that was offset by a decrease in Staff Benefits and Pay Levy expense of $10.5 million. The decrease in Staff Benefits expense was attributed to a net change in the actuarially-determined pension and employee benefit valuations.

Other Expenses

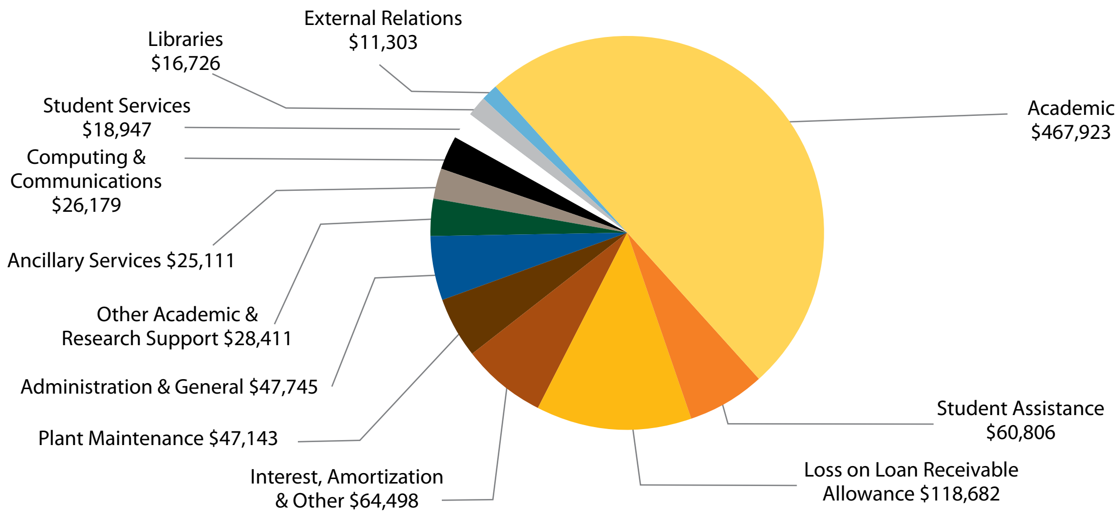
Other significant expenses incurred in 2017-18 included a Loss on Loan Receivable Allowance of $118.7 million (Note 6) as previously described, which represented 12.7% of total expenses.

The University incurred Materials, Supplies and Services expenses of $111.3 million, which represented 11.9% of total expenses. These expenses included the materials and supplies needed, for example, to deliver our education programs, conduct experiments and testing in labs for research and teaching purposes, and to stock our bookstores. In 2017-18, Materials, Supplies and Services expense increased by $10.3 million from the prior year as the University undertook new projects and initiatives across all faculties and units. Primarily contributing to this increase was increased affiliated personnel costs associated with research projects located in India and Kenya ($2.8 million), the accrual of a financial penalty imposed by the Manitoba Labour Board ($2.4 million), an increase in software maintenance costs associated with various information technology-related projects ($2.0 million), and an increase in the purchase of lab supplies for use in research projects ($1.0 million).

Student Assistance is also a major expenditure of the University, and is primarily incurred in the Restricted Funds. As investment income is earned in the Trust and Endowment Funds, some of it is redistributed to our students in the form of scholarships, prizes and bursaries in accordance with donor requests. The funding of Student Assistance is also derived from our research-related revenue, as students participating in our research projects are often eligible to receive financial assistance as part of their learning experience. Further, a significant portion of Tuition and Related Fees revenue is redistributed back to our students as financial assistance. In 2017-18, the University provided $60.8 million of Student Assistance, which comprised 6.5% of total expenses.

The following depicts where the University spent its funding in 2017-18. Further details on expenses by function can be found in Note 20.

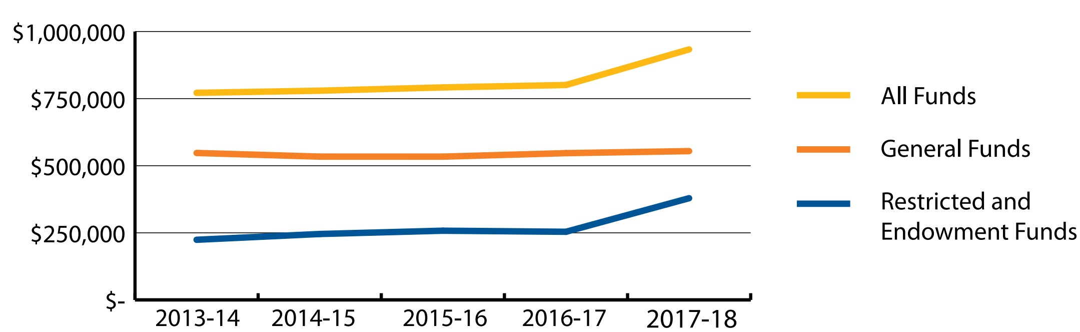
EXPENSES BY FUNCTION
2017-18
(in thousands)



Similar to compensation-related expenses, the majority of expenses incurred by the University are to directly carry out our primary mission of teaching our students and conducting research. Excluding the Loss on Loan Receivable Allowance incurred in 2017-18 ($118.7 million), which is offset by an equal amount of revenue, all other expenditures incurred are in support of these functions. Included in Administration and General expenses in 2017-18 is an accrual for a financial penalty imposed by the Manitoba Labour Board associated with an order to make certain payments to members of the University of Manitoba Faculty Association ($2.4 million).

The following illustration shows the growth of the University's total expenses across the major Fund categories over the last five years. Excluding the Loss on Loan Receivable Allowance incurred in 2017-18 ($118.7 million), expenses have remained relatively consistent from year to year.

TOTAL EXPENSES
2013-14 to 2017-18
(in thousands)



Inter-Fund Transfers

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

In 2017-18, a net $104.5 million of inter-fund transfers were made from the General Operating Fund. The following table is a summary of the net inter-fund transfers made between the University's Funds during 2017-18.

2017-18 INTER-FUND TRANSFERS
(in thousands)

Purpose	General Operating Fund	Specific Provisions Fund	Future Revenues Fund	Capital Asset Fund	Research and Special Fund	Staff Benefits Fund	Trust Fund	Endowment Fund
Capital Asset Funding	$ (61,337)	$ (412)	$	$ 67,237	$ (5,165)	$	$ (323)	$
Carryover and Other Specific Provisions	(33,353)	33,353						
Debt Repayment	(16,022)			16,022				
Student Support	(9,870)				(2)		9,812	60
Funding of Research Projects	(5,442)				6,869		(1,427)	
Pension Liability	(3,916)		3,916					
Other Net Transfers	5,086		(1,000)	(9)	(6,285)	1,137	550	521
Support of Operating Expenses	20,314	(4,129)		(2,664)	(2,911)		(10,610)	
Net Transfers	**$(104,540)**	**$ 28,812**	**$ 2,916**	**$ 80,586**	**$ (7,494)**	**$ 1,137**	**$ (1,998)**	**$ 581**

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

- The transfer of carryover of $75.5 million from the Specific Provisions Fund to the General Operating Fund at the beginning of the fiscal year, and the transfer of carryover of $87.1 million from the General Operating Fund to the Specific Provisions Fund at the end of the fiscal year;
- Transfers of $61.3 million from the General Operating Fund to the Capital Asset Fund were comprised of:
  - $21.2 million for the purchase of capital assets including equipment, furnishings and library acquisitions;
  - $20.2 million for strategic priorities, which included $8.0 million for critical infrastructure renewal such as asbestos remediation, sewer and water upgrades, building envelope repairs, and fire and safety upgrades; $6.0 million for various decanting projects; $2.8 million for the construction of the Engineering Innovation Centre; $1.5 million for the relocation of the Technology Transfer Office to SmartPark; $1.0 million for the renovation of level 3 of the Pathology building; $0.5 million for space optimization and relocation projects; $0.2 million for the replacement of the scoreboard in the Investors Group Athletic Centre; and $0.2 million for the expansion of the Campus Day Care;
  - $19.5 million for capital projects initiated by the faculties and units, which included, but was not exclusive to, $5.6 million from Ancillary Services for new residence construction and renovation; $1.9 million from the Rady Faculty of Health Sciences for the various classroom, lab and clinic upgrades and renovations; $1.4 million from the I.H Asper School of Business for space redevelopment, classroom upgrades, and washroom renovations; $1.3 million from the Rady Faculty of Health Science for the renovation of the Gross Anatomy Lab; $1.0 million from the Rady Faculty of Health Science for the renovation of level 3 of the Pathology building; $1.0 million from the Faculty of Science for various lab and planetarium renovations; $1.0 million from the Faculty of Kinesiology and Recreation Management for Max Bell Fieldhouse upgrades; and $0.9 million from the Faculty of Graduate Studies for general office renovations;

- Transfers of $21.8 million from the General Operating Fund to the Specific Provisions Fund were comprised of:
  - $12.6 million from central sources, which included support for 2018-19 strategic priorities ($3.5 million), funding set aside for legal contingency ($3.1 million), funding for future payments to be made under the Retirement Allowance Program for UMFA members ($3.0 million) (Note 12), and funding for Human Resources information system renewal ($3.0 million); and
  - $9.2 million from the faculties and units, for initiatives such as IST-related projects ($4.9 million), funding for future graduate student awards ($1.9 million), and funding for future Rady Faculty of Health Sciences recruitment and start-up funds ($1.1 million);
- Transfers of $16.0 million from the General Operating Fund to the Capital Asset Fund for the repayment of debt, which consisted primarily of $6.5 million for Ancillary Services and Active Living Centre debt, and $8.9 million for the repayment of Provincial debt;
- Transfers of $9.9 million from the General Operating Fund to the Trust Fund for the payment of scholarships and bursaries to students; and
- Transfers of $20.3 million to the General Operating Fund from all other Funds by the faculties and units in support of operating expenses, which included $4.1 million from the Specific Provisions Fund for various initiatives and $10.6 million from the Trust Fund for operating expenses as supported by the terms and conditions of the various trust funds.

Inter-fund transfers are detailed further in Note 23.

Specific Provisions

During 2017-18, net inter-fund transfers of $28.8 million were made to the Specific Provisions Fund, bringing the balance of the Specific Provisions Fund to $162.6 million at March 31, 2018 as depicted below.

SPECIFIC PROVISIONS FUND
(in thousands)

	March 31, 2018	March 31, 2017
Carryover	$ 87,448	$ 75,861
Special Projects – Centrally Funded	31,258	21,610
Special Projects – Faculty or Unit Funded	22,953	15,747
Pension	12,998	12,862
Other	7,925	7,689
Fund Balance	**$ 162,582**	**$ 133,769**

Carryover increased by $11.6 million from the prior year as faculties and units continued to limit their spending and allocate resources to future projects and initiatives in order to ensure fiscal stability in future years.

Funding for centrally-funded special projects was comprised of resources set aside for 2018-19 strategic allocations, systems renewal, future payments under the Retirement Allowance Program (Note 12), utilities stabilization, campus art acquisition and conservation, and various other University-wide initiatives.

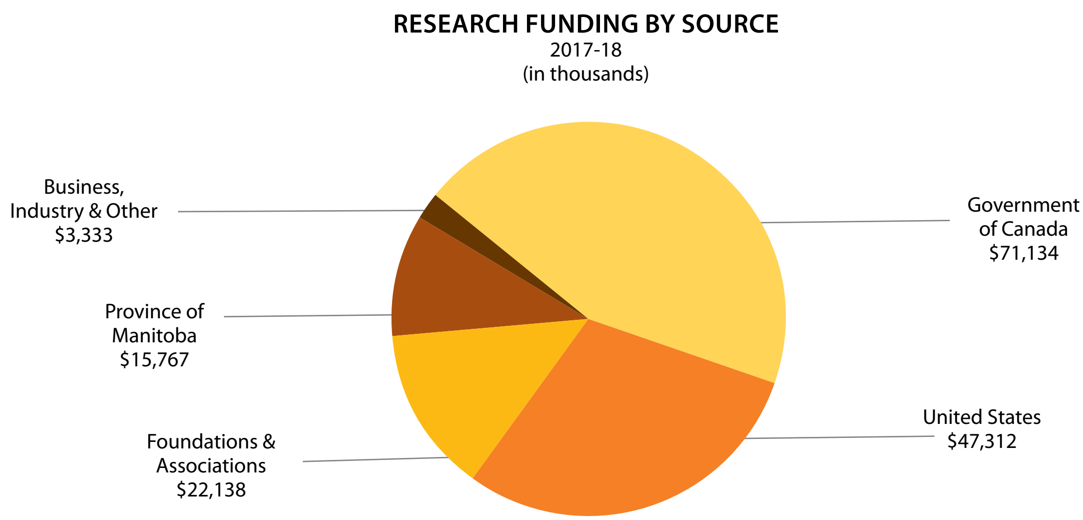
Remeasurement Gains and Losses

Remeasurement gains and losses primarily represent unrealized gains and losses on the investments held in the University Investment Trust, which is part of the Trust and Endowment Funds. During the year, the University recognized $10.9 million in net remeasurement losses, of which $15.9 million represented net unrealized losses experienced as security valuations decreased in most of the portfolios in the University Investment Trust, with Canadian and U.S. equities experiencing the largest losses, offset primarily by unrealized gains on derivatives and portfolio investments in the Capital Asset Fund ($1.4 million) and Staff Benefits Fund ($2.8 million) respectively.

RESEARCH

In 2017-18, research at the University of Manitoba continued its strength, with investment in a number of key areas. The University received $159.7 million in sponsored or assisted research support, which was an increase of $7.4 million from the previous year.

Funding of the University's research activities comes from a variety of sources. The following diagram illustrates the sources of the research-related funding received during 2017-18:



The University's largest funder of research was the Government of Canada, which in 2017-18 provided 44.5% of our research-related revenue through the issuance of grants and contracts. The majority of these grants and contracts were provided by the Tri-Agency, which is comprised of the Canadian Institutes of Health Research ($23.1 million), the Natural Sciences and Engineering Research Council of Canada ($19.1 million), and the Social Sciences and Humanities Research Council of Canada ($5.1 million). Other funding was provided from a variety of other federal government departments. Funding from the federal government increased $11.7 million or 19.7% from the previous year primarily due to the receipt of a $10.0 million contribution for the undertakings of the National Centre for Truth and Reconciliation.

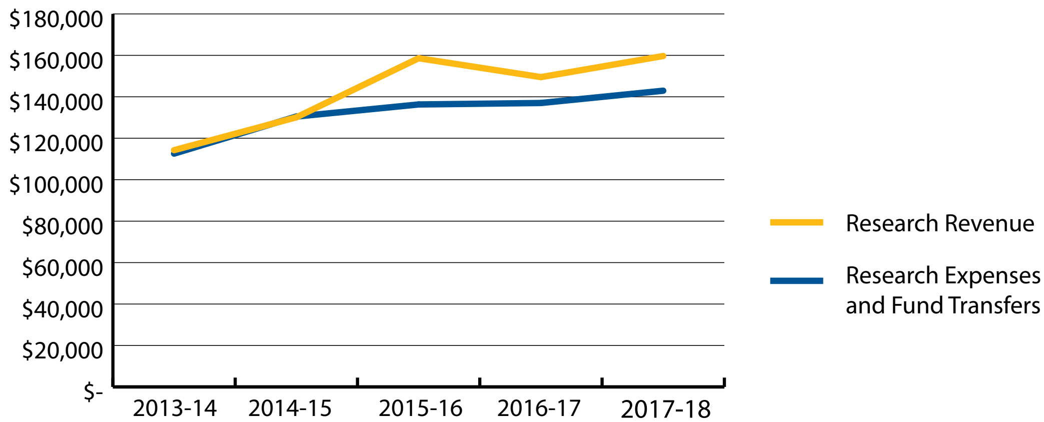
The University also received a significant portion of funding for research from sources in the United States, which provided $47.3 million or 29.6% of research-related revenues in 2017-18. Our largest funder of research from the United States is the Bill and Melinda Gates Foundation, which provided $30.7 million of funding in 2017-18. The funds were directed to our Centre for Global Public Health for ongoing projects primarily related to reproductive, maternal, neonatal and child health in India, Kenya and elsewhere.

The Province of Manitoba provided the University with $15.8 million in funding in 2017-18, or 9.9% of our research-related revenues. This amount decreased $1.3 million or 7.6% from the previous year. The decrease was attributable to several elements including a $1.0 million reduction in funding from Research Manitoba due to the completion of certain research projects during the fiscal year.

In addition to the external funding we receive for research, the University has also transferred $5.4 million from the General Operating Fund and $1.4 million from the Trust Fund to the Research Fund in order to support the establishment of research programs and to supplement ongoing research.

In 2017-18, research-related expenses were $135.4 million, which was an increase of $7.5 million over the prior year. The following diagram illustrates the correlation between research revenue and research expenses over the past five years.

RESEARCH REVENUE, EXPENSES AND FUND TRANSFERS
2013-14 to 2017-18
(in thousands)



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

Expenses incurred to conduct research include, but are not exclusive to: direct compensation costs; materials including lab equipment and supplies, and those required for animal care; travel to conferences specialized in the various fields of study; and for professional consulting fees. In 2017-18 research funding also provided $23.7 million in support of students who participate in our research activities, which amounted to 38.9% of all assistance provided to students by the University in 2017-18. This support enabled students to work with experienced researchers while they continued their studies and developed their own research activities. The Research Fund provided the University with $4.5 million in indirect cost funding which was used to support research and defray some of the indirect costs associated with research activities. The Research Fund also provided $3.7 million in funding for the acquisition or construction of capital assets, which included $2.9 million for scientific and research equipment.

Research investment was highest in the Rady Faculty of Health Sciences, at a level of $79.5 million in 2017-18. It was followed by the Faculty of Agricultural and Food Sciences at $17.7 million; the Faculty of Science at $10.8 million; the Faculty of Engineering at $8.5 million; and the Clayton H. Riddell Faculty of Environment, Earth and Resources at $7.9 million. In 2017-18, these five faculties accounted for 89.4% of the University's investment in research.

CAPITAL

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

Investment in Capital, Infrastructure and Technology

During 2017-18, the University invested $90.8 million in capital assets, an increase of $9.9 million from the previous year. This included $59.0 million for the construction of buildings, infrastructure renewal, parking lot upgrades and land improvements; $17.0 million for the acquisition of furniture, equipment and vehicles; $13.1 million for library acquisitions and works of art; and $2.9 million for computer equipment and other technological improvements.

In 2017-18, the University continued the construction of the SmartPark Innovation Hub and the Engineering Innovation Centre, supported by the Government of Canada's Post-Secondary Institutions Strategic Investment Fund, the Province of Manitoba and generous donors. The costs incurred in 2017-18 for these projects totaled $16.2 million. It is anticipated that the two projects will be completed by late fall 2018.

The project to build the Churchill Marine Observatory (CMO) commenced in 2015-16, and the University has incurred costs of $8.3 million to date with the completion of the conceptual design of the facility, purchase of construction materials and purchase of specialized equipment. The CMO will be a globally unique, highly innovative, multi-disciplinary research facility located in the Canadian Arctic on the shores of Hudson Bay. This unique facility will bring together researchers from the Universities of Manitoba, Calgary, Victoria, Laval, Dalhousie and Washington, and from Government of Canada departments. The project is funded by the Canada Foundation for Innovation (CFI) and the Provinces of Manitoba and Alberta. Because of the challenges associated with building such a facility in a remote location, the project has experienced significant delays in its progress. In 2017-18, flood-damaged rail lines to Churchill prevented the University from transporting construction materials and equipment to the site. As the rail lines have not been repaired, the University is working diligently with construction contractors and the Federal government to arrange for an alternate transportation method so that construction may continue.

Over the last five years, the University has allocated $25.2 million toward renewing its classrooms and labs. Upgrades have been ongoing since then, and in 2017-18 $8.2 million was spent on these projects. Allocations made by the University in prior years to fund learning space renewal, along with generous donations made by the Richardson Foundation, will continue to support these projects over the coming years.

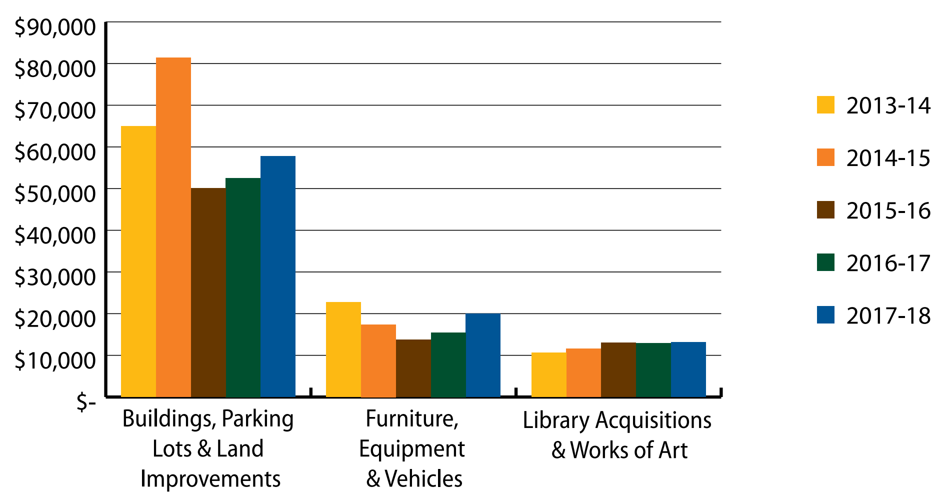
In 2017-18, the University commenced a project to expand and upgrade dairy facilities at its Glenlea Research Station. This project will see the expansion of the University's scientific research capacity and bring the dairy research facility up to industry standards through the repurposing of a swine barn, installation of a new automated milking system, free stall housing, and updated feeding systems. Funding for this project was received from the Government of Canada and the Province of Manitoba, who partnered to contribute $1.4 million, and from the Dairy Farmers of Manitoba who contributed $1.5 million towards the project. The project is expected to be completed in summer 2018.

In 2017-18, the University completed Phase II of the redevelopment of Tache Hall, with costs incurred in 2017-18 of $1.2 million. The next phase of the project is anticipated to commence in 2018-19 and will see the construction of a concert hall. This project is funded by generous donors and through other sources.

The University invested $7.7 million in infrastructure renewal projects in 2017-18. Investments in infrastructure included fire and safety upgrades ($2.0 million), building envelope repairs ($1.5 million), asbestos remediation ($1.4 million), sewer and water line upgrades ($1.1 million), and various other infrastructure projects ($1.7 million). Infrastructure projects were funded by the Province of Manitoba and other sources.

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

INVESTMENT IN CAPITAL ASSETS
2013-14 to 2017-18
(in thousands)



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

TRUST AND ENDOWMENT FUNDS

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

In 2017-18, the Trust and Endowment Funds received a combined $20.7 million in new gifts.

University Investment Trust

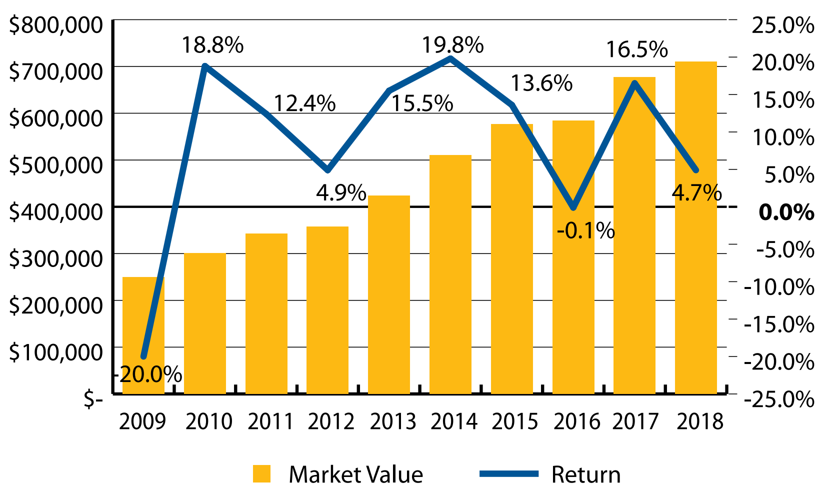
Although accounting standards require that the Trust Fund and the Endowment Fund be recorded separately, the resources in these Funds are combined and invested together. All of the Endowment Fund and most of the Trust Fund are together known as the University Investment Trust (UIT).

In 2017-18, the UIT surpassed $700.0 million for the first time in its history, ending the fiscal year with a market value of $709.8 million at March 31, 2018. This value was reached due to a combination of donations and a one-year investment return of 4.7%. In 2017-18, the asset mix of the UIT investment portfolio was 75% equities, 15% real estate, and 10% government bonds. The return was a combination of interest, dividends, capital gains on the sale of investments, partially offset by the decline in value of the portfolio due to changes in the market price of investments held. The investment income of the UIT was $34.6 million and the remeasurement losses related to the UIT were $15.7 million. The return of 4.7% lagged the UIT's benchmark rate of 6.6%, detracting 1.9% of relative value.

A long bull market run in equities in conjunction with the equity-oriented asset mix of the UIT resulted in favorable 5- and 10-year returns of 10.7% and 7.9% respectively. The Trust Investment Committee, responsible for providing governance and oversight of the UIT, reviews the asset mix of the UIT on a regular basis to evaluate how the UIT will perform over full market cycles, and to assess the likelihood of the UIT meeting its primary objective of achieving a real return that supports the spending payout to beneficiaries. As asset mix is the primary driver of the UIT's investment returns, the Committee periodically undertakes asset optimization studies as market conditions change to evaluate asset weightings and possible new asset classes.

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

MARKET VALUE AND ANNUAL RETURN OF UIT
2008-09 to 2017-18
(in thousands)



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

The UIT's spending policy is currently based on a 4.25% payout of the average market value of the UIT over a rolling 48-month period. This distribution rate balances the needs of current beneficiaries with those of future beneficiaries by ensuring the purchasing power of the UIT remains intact for future generations while providing for today's students. In order to achieve this, the UIT's long term returns have to exceed the spending payout, the investment management fees of the UIT, and the rate of inflation. The UIT has accomplished this over the past 10 years as the 10-year 7.9% annualized return meets this investment objective. The spending allocation in 2017-18 provided $26.0 million in support to students, faculty, research and other important activities, and over the past 5 years the spending payout to beneficiaries has totaled $105.5 million.

CONCLUSION

The University of Manitoba is a highly complex, decentralized organization with wide-ranging activities at multiple locations. We are proud of the many ways in which faculties, administrative units and our stakeholders partner together and engage with the broader community to advance our collective priorities. Without the engagement of our students, faculty, staff, benefactors and funders, we would not have achieved the success we have today at influencing our community and beyond. Despite uncertainty surrounding our future financial support, we will continue to seek investment in the University to increase our capacity to inspire and support the cultural, social and economic well-being of Manitoba, Canada and, indeed, our world. Through continued commitment to excellence in teaching, research, scholarly work and other innovative activities, the University promotes a sustainable community that will be of benefit for years to come.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada, including the standards for government not for profit organizations. The University believes the financial statements present fairly the University's financial position as at March 31, 2018 and the results of its operations for the year ending March 31, 2018.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the financial statements. The Board has delegated certain responsibilities to its Audit and Risk Management Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit and Risk Management Committee with or without the presence of management. The Board has approved the financial statements.

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

The financial statements for the year ended March 31, 2018 have been reported on by the Auditor General of Manitoba, the auditor appointed under *The University of Manitoba Act*. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the financial statements.

Original signed by

David T. Barnard, Ph.D.
President and Vice-Chancellor

Winnipeg, Manitoba
June 26, 2018

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 Governors of the University of Manitoba

We have audited the accompanying financial statements of the University of Manitoba, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Manitoba as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original document signed by
Norm Ricard

June 26, 2018
Winnipeg, Manitoba

Norm Ricard, CPA, CA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(in thousands of dollars)

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents *(Note 4)*	$ 330,370	$ 319,579
Accounts Receivable *(Note 5)*	86,354	68,599
Inventories	3,336	3,164
Prepaid Expenses	2,638	1,789
Current Portion of Loan Receivable *(Note 6)*	3,244	
	425,942	**393,131**
Long Term Assets		
Loan Receivable *(Note 6)*	78,730	198,971
Investments *(Note 7)*	929,251	834,911
Capital Assets, Net of Accumulated Amortization *(Note 9)*	1,145,096	1,109,930
	2,153,077	**2,143,812**
	$ 2,579,019	**$ 2,536,943**
Liabilities		
Current Liabilities		
Accounts Payable	$ 70,494	$ 53,819
Unearned Revenue *(Note 10)*	24,520	18,030
Vacation and Sick Leave Liability	16,323	15,597
Current Portion of Long Term Debt *(Note 11)*	9,917	6,337
	121,254	**93,783**
Long Term Liabilities		
Long Term Debt *(Note 11)*	258,824	385,738
Other Long Term Liabilities *(Note 12)*	7,380	8,931
Employee Future Benefits *(Note 13)*	83,992	81,053
Pension Liability *(Note 16)*	20,427	24,343
	370,623	**500,065**
Fund Balances		
Unrestricted *(Note 21)*	(64,544)	(67,546)
Internally Restricted *(Note 24)*	242,096	207,899
Externally Restricted *(Note 25)*	329,502	289,821
Invested in Capital Assets *(Note 25)*	1,106,685	1,044,625
Endowed *(Note 25)*	473,403	468,296
	2,087,142	**1,943,095**
	$ 2,579,019	**$ 2,536,943**

Contractual Obligations and Contingencies *(Note 27)*

Original signed by

Jeff Lieberman – Chair

Original signed by

Rafi Mohammed – Vice-Chair

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

UNIVERSITY OF MANITOBA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018
(in thousands of dollars)

	General Funds *(Note 2D)*	Restricted Funds *(Note 2E)*	Endowment Fund *(Note 2F)*	2018 Total Funds	2017 Total Funds
Revenue					
Tuition and Related Fees	$ 170,139	$	$	$ 170,139	$ 163,571
Donations	2,676	17,299	10,467	30,442	34,506
Non-Government Grants	5,116	79,149		84,265	83,984
Net Investment Income *(Note 17)*	7,047	54,176		61,223	56,939
Miscellaneous Income	8,111	6,742		14,853	15,009
Government Grants:					
Manitoba Education and Training	356,822	6,701		363,523	363,777
Other Province of Manitoba	25,976	37,471		63,447	59,462
Government of Canada	9,804	98,317		108,121	84,471
City of Winnipeg	151	30		181	51
Sales of Goods and Services	34,724	428		35,152	35,101
Ancillary Services	38,416			38,416	37,983
Gain on Long Term Debt *(Note 11)*		118,682		118,682	
	658,982	**418,995**	**10,467**	**1,088,444**	**934,854**
Expense					
Salaries	359,896	38,675		398,571	389,628
Staff Benefits and Pay Levy	66,783	7,017		73,800	84,284
Materials, Supplies and Services	54,881	56,466		111,347	101,054
Amortization of Capital Assets		55,595		55,595	54,645
Student Assistance	15,351	45,455		60,806	57,511
Professional Consulting and Externally Contracted Services	16,673	29,889		46,562	45,104
Travel and Conferences	12,084	13,158		25,242	23,024
Utilities, Municipal Taxes and Insurance	19,746	68		19,814	19,207
Interest		13,611		13,611	19,074
Maintenance and Repairs	9,026	418		9,444	6,252
Loss on Loan Receivable Allowance *(Note 6)*		118,682		118,682	
Loss on Disposal of Capital Assets					1,000
	554,440	**379,034**		**933,474**	**800,783**
Net Revenue from Operating Activities	104,542	39,961	10,467	154,970	134,071
Inter-Fund Transfers *(Note 23)*	(72,812)	72,231	581		
Net Increase to Fund Balances from Operating Activities	31,730	112,192	11,048	154,970	134,071
Fund Balances from Operating Activities Beginning of Year	66,220	1,404,412	324,739	1,795,371	1,661,300
Fund Balances from Operating Activities End of Year	97,950	1,516,604	335,787	1,950,341	1,795,371
Accumulated Remeasurement Gains (Losses) End of Year	87	(902)	137,616	136,801	147,724
Fund Balances End of Year	**$ 98,037**	**$ 1,515,702**	**$ 473,403**	**$ 2,087,142**	**$1,943,095**

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

UNIVERSITY OF MANITOBA
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2018

(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2018 Total Funds	2017 Total Funds
Accumulated Remeasurement Gains (Losses)					
Beginning of Year	**$ 3**	**$ 4,164**	**$ 143,557**	**$ 147,724**	**$ 86,161**
Unrealized Gains (Losses) Attributed to:					
Derivatives		1,441		1,441	1,239
Foreign Exchange	87	(3,074)		(2,987)	72
Portfolio Investments		5,419	3,295	8,714	52,121
Designated Fair Value Investments		23,128	(9,236)	13,892	36,371
Amounts Reclassified to the Statement of Operations and Changes in Fund Balances:					
Foreign Exchange	(3)	3,698		3,695	342
Portfolio Investments		(26,921)		(26,921)	(25,173)
Designated Fair Value Investments		(8,757)		(8,757)	(3,409)
Net Remeasurement Gains (Losses) for the Year	84	(5,066)	(5,941)	(10,923)	61,563
Accumulated Remeasurement Gains					
End of Year	**$ 87**	**$ (902)**	**$ 137,616**	**$ 136,801**	**$ 147,724**

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

UNIVERSITY OF MANITOBA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2018 Total Funds	2017 Total Funds
Operating Activities					
Net Revenue from Operating Activities	$ 104,542	$ 39,961	$ 10,467	$ 154,970	$ 134,071
Amortization of Capital Assets		55,595		55,595	54,645
	104,542	95,556	10,467	210,565	188,716
Net Change in Non-Cash Working Capital Items	6,199	(1,084)		5,115	8,167
Net Change in Other Long Term Liabilities	(110)	(1,441)		(1,551)	2,752
Net Change in Pension Obligation	(3,916)			(3,916)	3,771
Net Change in Employee Future Benefits	346	2,593		2,939	4,527
Loss on Disposal of Capital Assets					1,000
Gain on Long Term Debt		(118,682)		(118,682)	
Loss on Loan Receivable Allowance		118,682		118,682	
Net Cash generated through Operating Activities	107,061	95,624	10,467	213,152	208,933
Investing Activities					
Principal Repayment on Loan Receivable		2,118		2,118	1,338
Net Decrease (Increase) in Long Term Investments	(56,728)	(37,487)	(11,048)	(105,263)	(76,094)
Net Cash generated through (used in) Investing Activities	(56,728)	(35,369)	(11,048)	(103,145)	(74,756)
Capital Activities					
Purchase of Capital Assets		(90,761)		(90,761)	(80,870)
Net Cash used in Capital Activities		(90,761)		(90,761)	(80,870)
Financing Activities					
Principal Repayment on Long Term Debt		(8,455)		(8,455)	(7,352)
Net Cash generated through (used in) Financing Activities		(8,455)		(8,455)	(7,352)
Net Increase (Decrease) in Cash	50,333	(38,961)	(581)	10,791	45,955
Inter-Fund Transfers	(72,812)	72,231	581		
Cash and Cash Equivalents Beginning of Year	72,683	246,896		319,579	273,624
Cash and Cash Equivalents End of Year	**$ 50,204**	**$ 280,166**	**$**	**$ 330,370**	**$ 319,579**
Supplementary cash flow information:					
Interest Received *(Note 19)*	$ 6,634	$ 3,283	$	$ 9,917	$ 7,658
Interest Paid *(Note 19)*	$	$ 9,807	$	$ 9,807	$ 10,130

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

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

The University controls UM Properties GP Inc. (Note 18), UM Properties Holding Inc. (Note 18) and Partners for Health and Development in Africa (PHDA) (Note 19), but does not consolidate the accounts for the purposes of these financial statements.

The University has an 8.33% (2017, 8.33%) interest in TRIUMF (Note 18), a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

B. FUND ACCOUNTING

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Statement of Financial Position combines the assets and liabilities of all Funds. The University maintains its Funds under three fund categories: General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues Funds. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowed funds of the University.

C. ACCOUNTING ESTIMATES

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

D. GENERAL FUNDS

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment income, miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services, such as the telephone system in the units' expenses, and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences, Pharmacy/Post Office, and SmartPark are classified as Ancillary Services and are budgeted on a break even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:

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

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Statement of Operations and Changes in Fund Balances and in Note 23.

Expenses Funded From Future Revenues Fund:

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

E. RESTRICTED FUNDS

Capital Asset Fund:

The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets and government grants restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through Manitoba Education and Training (MET), are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from MET over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, which includes write-downs resulting from obsolescence.

Research and Special Fund:

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

Staff Benefits Fund:

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

Trust Fund:

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

F. ENDOWMENT FUND

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

G. REVENUE RECOGNITION

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

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

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

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

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

H. CONTRIBUTED MATERIALS AND SERVICES

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

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

I. CASH AND CASH EQUIVALENTS

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

J. PLEDGES RECEIVABLE

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

K. INVENTORIES

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

L. CAPITAL ASSETS

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

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

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

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

M. COLLECTIONS

The University holds a number of collections which include works of art, rare books and manuscripts, museum specimens and other archival material. The associated library, faculty or school assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections. The University policy is to use proceeds generated from deaccessioned works of art to augment the University art collection.

The University's policy with regard to its collections is to initially record them at fair value and to fund maintenance expenses from the General Operating Fund. The cost of maintenance is not tracked and is therefore not determinable.

N. PENSION COSTS

The University sponsors two pension plans for its employees and retirees: The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1986 Plan is a defined contribution plan and as a result the pension costs are based on contributions required by the plan.

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

The funded position of the 1993 plan is disclosed in Note 16.

O. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Changes in Fund Balances. Future recoveries of impaired assets are recorded in the Statement of Operations and Changes in Fund Balance when received. Interest is not recorded on financial assets that are deemed to be impaired. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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

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

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

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

P. OTHER EMPLOYEE FUTURE BENEFITS

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

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

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

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

Q. FOREIGN CURRENCY TRANSLATION

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

R. DERIVATIVE FINANCIAL INSTRUMENTS

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

3. CHANGES IN ACCOUNTING POLICY

Effective April 1, 2017 the University adopted five new accounting standards. Related Party Transactions (PS 2200), Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380) and Inter-Entity Transactions (PS 3420). The adoption of these standards has resulted in additional note disclosures where necessary.

4. CASH AND CASH EQUIVALENTS

	2018	2017
Cash	$ 47,882	$ 72,789
Guaranteed Investment Certificates	282,488	246,790
	$ 330,370	**$ 319,579**

5. ACCOUNTS RECEIVABLE

	2018	2017
Business, Industry and Foundations	$ 43,175	$ 30,605
Provincial Government	14,549	13,382
Federal Government	8,224	8,588
Investment Income and Interest	7,765	4,525
Advances	5,744	1,515
External Sales and Cost Recoveries	3,892	5,228
Students	2,958	4,705
Miscellaneous	47	51
	$ 86,354	**$ 68,599**

6. LOAN RECEIVABLE

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

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

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

FIRST PHASE:

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

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

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

SECOND PHASE:

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

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

INVESTORS GROUP FIELD LOAN:

	2018	2017
First Phase interest and principal outstanding	$ 118,682	$ 116,971
Second Phase principal outstanding	81,974	82,000
	200,656	198,971
Allowance For First Phase	(118,682)	
	81,974	198,971
Less Current Portion	(3,244)	
	$ 78,730	**$ 198,971**

The First and Second Phase loans have an equal long term debt loan payable to the Province of Manitoba (Note 11).

In consultation with the Province of Manitoba, the University has reviewed the projected cash flow from *The Community Revitalization Tax Increment Financing Act* and other sources. Given the current economic circumstances the University has concluded there will be insufficient amounts available to repay the First Phase receivable, including accrued interest. As a result, the University has established an allowance.

Since the long term debt can only be repaid when the University receives these payments from Triple B, the University has established an allowance for the First Phase loan payable in an equal amount (Note 11).

These allowances have been recorded in the Statement of Operations and Changes in Fund Balances as both revenue and expense.

7. INVESTMENTS

	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments Held at Fair Value:								
Cash and Money Market Funds	$ 10,301	$	$	$ 10,301	$ 5,937	$	$	$ 5,937
Canadian Equities	192,110			192,110	196,118			196,118
US Equities	218,922			218,922	202,568			202,568
	421,333			421,333	404,623			404,623
Investments Designated to Fair Value:								
Cash and Money Market Funds		2,921		2,921		2,677		2,677
Bonds and Other Fixed Income Securities		69,792		69,792		57,502		57,502
Pooled Bond Fund		13,984		13,984		12,727		12,727
Pooled Canadian Equities		18,842		18,842		18,703		18,703
Pooled US Equities		6,675		6,675		6,434		6,434
Pooled International Equities		115,956		115,956		117,034		117,034
Pooled Real Estate Fund		119,940		119,940		113,248		113,248
Pooled Mortgage Fund		8,267		8,267		7,548		7,548
		356,377		356,377		335,873		335,873
Investments Held at Amortized Cost:								
Corporate Bonds				103,042				55,505
Preferred Shares				46,211				36,936
				149,253				92,441
Investments Held at Modified Equity:								
TRIUMF				2,288				1,974
	$421,333	**$356,377**	**$**	**$ 929,251**	**$404,623**	**$335,873**	**$**	**$834,911**

The University's investment in real estate consists of units of a pooled real estate investment in the Great-West Life Assurance Company Canadian Real Estate Investment Fund No. 1.

The fair value of investments held at amortized cost is $146,469 (2017, $91,585). As at March 31, 2018 and March 31, 2017 there were no transfers of investments between levels 1, 2 or 3.

8. RISK EXPOSURE AND MANAGEMENT

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

OTHER PRICE RISK

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

INTEREST RATE RISK

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

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

INTEREST RATE EXPOSURE AS AT MARCH 31, 2018

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Cash Equivalents and Investments	37.2%	22.7%	7.7%	31.0%	1.4%	100%
Financial Derivatives		32.5%	17.1%	50.4%		100%

INTEREST RATE EXPOSURE AS AT MARCH 31, 2017

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

	March 31, 2018		March 31, 2017	
	Interest bearing instruments	Non-interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Cash Equivalents and Investments	$ 480,795	$ 730,944	$ 382,650	$ 699,051
Financial Derivatives	$ 3,500	$	$ 4,941	$

As at March 31, 2018, a 0.5% fluctuation in interest rates, with all other variables held constant, would have an estimated impact as follows:

	2018	2017
Fair Value of Fixed Income Instruments	$ 5,018	$ 3,439
Interest Rate Swaps	$ 775	$ 1,000
Net Investment Income	$ 2,579	$ 2,105

FOREIGN CURRENCY RISK

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

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

	2018		2017	
	$	%	$	%
Canadian Dollar	$ 893,008	70.9%	$ 807,998	70.0%
US Dollar	255,363	20.3%	235,008	20.4%
Euro	34,546	2.7%	34,351	3.0%
Japanese Yen	28,698	2.3%	27,834	2.4%
British Pound Sterling	18,901	1.5%	21,792	1.9%
Swiss Franc	14,077	1.1%	12,498	1.1%
Other	15,028	1.2%	15,009	1.2%
	$ 1,259,621	**100.0%**	**$ 1,154,490**	**100.0%**

As at March 31, 2018, an appreciation of 10% in the Canadian dollar versus foreign currencies exchange rates would increase investments and net remeasurement gains by approximately $36,661 (2017, $34,649), while a depreciation of 10% would decrease investments and net remeasurement gains by approximately $36,661 (2017, $34,649).

CREDIT RISK

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

% of Total Interest Bearing Investments

Investment Rating	**2018**		**2017**	
	$	%	$	%
R-1High	$ 197,604	41.1%	$ 161,090	42.1%
R-1Mid	28,112	5.8%	32,793	8.6%
R-1Low			498	0.1%
AAA	37,425	7.8%	25,589	6.7%
AA	123,042	25.6%	74,607	19.5%
A	28,712	6.0%	26,706	7.0%
BBB	5,702	1.2%	6,170	1.6%
CC	146			
Not Rated	60,052	12.5%	55,197	14.4%
	$ 480,795	**100.0%**	**$ 382,650**	**100.0%**

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

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

LIQUIDITY RISK

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

9. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 2,532	$ 2,532	$ 2,557	$ 2,557
Buildings and Major Renovations	1,257,048	335,892	1,162,234	310,252
Computer Hardware, Software and Electronics	101,856	95,421	100,178	93,007
Construction in Progress	41,222		78,497	
Furniture and Equipment	295,346	224,569	283,054	214,017
Land	29,777		29,739	
Library Books	228,904	170,596	221,512	165,698
Parking Lots	10,138	5,447	9,983	4,948
Rare Books and Manuscripts	7,414		7,312	
Vehicles	9,102	7,638	8,870	7,513
Works of Art	3,852		3,986	
	1,987,191	842,095	1,907,922	797,992
Less Accumulated Amortization	842,095		797,992	
Net Book Value	**$ 1,145,096**		**$ 1,109,930**	

10. UNEARNED REVENUE

	2018	2017
Unearned Revenue	$ 16,306	$ 12,482
Deferred Contributions:		
Balance, Beginning of Year	5,548	1,352
Contributions Received	5,000	5,000
Less Amounts Recognized as Revenue	(2,334)	(804)
Balance, End of Year	8,214	5,548
	$ 24,520	**$ 18,030**

Deferred contributions represent unspent externally restricted contributions received for operating purposes from Manitoba Health.

11. LONG TERM DEBT

	2018	2017
Stadium Long Term Debt:		
Province of Manitoba Loan, First Phase, 4.65% due June 1, 2038	$ 118,682	$ 116,971
Province of Manitoba Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	81,974	82,000
	200,656	198,971
Other Long Term Debt:		
Province of Manitoba:		
Promissory Note, 5.23% blended monthly payments $413 due March 1, 2035	55,767	57,752
Promissory Note, 5.55% blended monthly payments $428 due April 1, 2036	58,568	60,401
Promissory Note, 3.75% blended monthly payments $129 due September 30, 2039	22,742	23,417
Promissory Note, 5.35% blended monthly payments $173 due February 1, 2040	26,776	27,403
Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):		
Multi-Tenant Facility, due February 28, 2019	7,192	7,442
Multi-Tenant Facility, due November 30, 2022	5,492	5,780
Arthur V. Mauro Student Residence, due October 1, 2023	10,230	10,909
	186,767	193,104
Allowance for First Phase *(Note 6)*	(118,682)	
	268,741	392,075
Less Current Portion:		
Province of Manitoba, Stadium	(3,244)	
Province of Manitoba	(5,391)	(5,120)
Term Loans	(1,282)	(1,217)
	(9,917)	**(6,337)**
	$ 258,824	**$ 385,738**

The effective interest rate on each of the term loans is the fixed interest rate based on an interest rate swap agreement plus a stamping fee (Note 12).

Interest expense on long term debt was $13,611 (2017, $19,074).

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

Additional terms of repayment of the loan are as follows:

LOAN, FIRST PHASE:

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

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

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

LOAN, SECOND PHASE:

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

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

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

Principal and interest outstanding at March 31 are:

	2018	2017
Loan, First Phase	$ 75,000	$ 75,000
Loan, First Phase Accrued Interest	21,104	22,265
Loan, Second Phase Accrued Interest	22,578	19,706
	118,682	116,971
Loan, Second Phase	81,043	82,000
Loan, Second Phase Accrued Interest	931	
	200,656	198,971
Allowance for First Phase	(118,682)	
	$ 81,974	**$ 198,971**

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

	Province of Manitoba, Stadium	Province of Manitoba	Term Loans	Total
2019	$ 3,244	$ 5,391	$ 1,282	$ 9,917
2020	768	5,676	1,355	7,799
2021	804	5,976	1,429	8,209
2022	841	6,293	1,507	8,641
2023	880	6,627	1,592	9,099
Thereafter	75,437	133,890	15,749	225,076
	$ 81,974	**$ 163,853**	**$ 22,914**	**$ 268,741**

12. OTHER LONG TERM LIABILITIES

		2018		2017
Fair Value of Financial Derivatives:				
Student Residence	$	1,765	$	2,516
Multi-Tenant Facility 150 Innovation Drive		599		908
Multi-Tenant Facility 900 One Research Road		1,136		1,517
		3,500		**4,941**
Retirement Allowance		3,880		3,990
	$	**7,380**	**$**	**8,931**
Fair Value of Financial Derivatives Beginning of Year	$	4,941	$	6,180
Unrealized (Gain) Loss Reported in the Statement of Remeasurement Gains and Losses		(1,441)		(1,239)
Fair Value of Financial Derivatives End of Year	$	3,500	$	4,941

Financial Derivatives are classified as Level 3.

DERIVATIVE FINANCIAL LIABILITIES

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

- The interest rate swap agreement for the loan for the construction of the Arthur V. Mauro Student Residence has a fixed interest rate of 5.62% that is committed until September 1, 2028. The notional principal underlying this swap agreement was $10,230 as at March 31, 2018 (2017, $10,909).
- The interest rate swap agreement for the loan for the development of the multi-tenant facility at 150 Innovation Drive has a fixed interest rate of 4.07% that is committed until February 13, 2032. The notional principal underlying this swap agreement as at March 31, 2018 was $5,492 (2017, $5,780).
- The interest rate swap agreement for the loan for the addition to the multi-tenant facility at 900 – One Research Road has a fixed interest rate of 4.4% that is committed until August 5, 2035. The notional principal underlying this swap agreement was $7,192 as at March 31, 2018 (2017, $7,442).

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

RETIREMENT ALLOWANCE

In 2017, the University entered into a letter of understanding with the University of Manitoba Faculty Association (UMFA) to provide a retirement allowance to eligible UMFA members in exchange for their voluntarily and irrevocable agreement to retire. The allowance is dependent upon the UMFA member's age and the number of advance years of notice given to the University prior to retirement. To be eligible, the member must be at least fifty-five years of age and have at least fifteen years of service at the University on a date that they have chosen as their retirement date. UMFA members have up to three years to enroll in the program and must retire within three years of their enrolment. The University's policy is to record the estimated liability once members enroll. As at March 31, 2018, the estimated liability is $5,913 (2017, $4,849) with $2,033 (2017, $859) being a current liability included in accounts payable and $3,880 (2017, $3,990) representing a long term liability.

13. EMPLOYEE FUTURE BENEFITS

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

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

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

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

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. A firm of consulting actuaries prepared an actuarial valuation for the post-retirement adjustments plan as at March 31, 2018. They also prepared extrapolations to March 31, 2018 of the 2016 actuarial valuations for the non-pension benefit plans. The actuarial gains and losses are amortized over nine years commencing in the year following the year the respective annual actuarial gains or losses arise.

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

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

	Non-Pension Benefit Plans		**Post-Retirement Adjustments**		**Total**	**Total**
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Accrued Benefit Obligations	$ 75,552	$ 72,988	$ 1,845	$ 2,068	$ 77,397	$ 75,056
Unamortized Actuarial Gains	6,483	5,863	112	134	6,595	5,997
Employee Future Benefits Liability	**$ 82,035**	**$ 78,851**	**$ 1,957**	**$ 2,202**	**$ 83,992**	**$ 81,053**
Benefit Cost	$ 4,440	$ 4,486	$ 52	$ 67	$ 4,492	$ 4,553
Plan Assets	58,642	54,441	639	763	59,281	55,204
Employer Contribution	5,457	5,441	173	186	5,630	5,627
Employees' Contributions	3,466	3,428			3,466	3,428
Benefits Paid	8,158	8,093	346	372	8,504	8,465

Plan assets consist of:	**Non-Pension Benefit Plans**		**Post-Retirement Adjustments**	
	2018	**2017**	**2018**	**2017**
Money Market Funds and Cash	4.4%	4.4%	4.4%	4.4%
Equities	51.6%	52.4%	51.6%	52.4%
Fixed Income	21.5%	21.1%	21.5%	21.1%
Pooled Real Estate	9.8%	9.6%	9.8%	9.6%
Mortgage Fund	12.7%	12.5%	12.7%	12.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2018	2017	2018	2017
Significant Long-term Actuarial Assumptions:				
Discount Rate	5.4%	5.5%	5.4%	5.5%
Benefit Cost for Year Ended March 31:				
Discount Rate	5.5%	5.6%	5.5%	5.6%
Expected Rate of Return on Assets	5.5%	5.6%	5.5%	5.6%
Health Care Cost Trend Rates at March 31:				
Initial Rate	7.5%	7.5%		
Ultimate Rate	5.0%	5.0%		
Year Ultimate Rate Reached	2027	2027		
Dental Care Cost Trend Rates at March 31:	5.0% to 2018, 4.5% thereafter	5.0% to 2018, 4.5% thereafter		

14. INTER-FUND ADVANCES AND LOANS

As at March 31, 2018, the Restricted Funds owed the General Funds $4,106. At March 31, 2017, the General Funds owed the Restricted Funds $3,703.

15. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $353 (2017, $979).

16. PENSION PLANS

The University is the sponsor of two pension plans, The University of Manitoba GFT Pension Plan (1986), and The University of Manitoba Pension Plan (1993). During the year the 1970 Plan was merged with the 1993 Plan.

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

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

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

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

1993 PLAN

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

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

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

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

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

At the December 31, 2016 valuation of the Plan, there were 5,209 active member accounts with an average salary weighted age of 52.0 for academic staff and 46.8 for support staff, and 1,314 annuitants and other recipients.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2016 and extrapolated to December 31, 2017.

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

	2017	**2016**
Accrued Benefit Obligations		
Actuarial present value of accrued pension benefits, beginning of year	$ 1,199,887	$ 1,173,668
Interest accrued on defined benefits	23,815	24,924
Interest accrued on member accounts	68,097	61,725
Benefits accrued	58,014	57,093
Benefits paid	(96,661)	(102,617)
Actuarial gains (losses)	(8,332)	(8,839)
Plan amendment	377	
Change in actuarial assumptions	(3,565)	(6,067)
Actuarial present value of accrued pension benefits, end of year	1,241,632	1,199,887
Plan Assets		
Fair value, beginning of year	1,156,502	1,099,448
Actual return on plan assets	108,807	99,919
Employer contributions calendar year	34,693	34,092
Employee contributions	26,288	25,462
Transfer from other plans	2,761	198
Benefits paid	(96,661)	(102,617)
Fair value, end of year	1,232,390	1,156,502
Plan deficit	9,242	43,385
Contributions during fiscal year in excess of calendar year	(8,996)	(8,994)
Adjusted plan deficit	246	34,391
Unamortized net actuarial gains (losses)	20,181	(10,048)
Pension Liability	**$ 20,427**	**$ 24,343**

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Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 31,366	$ 31,433
Interest costs at discount rate	62,966	62,383
Expected return on plan assets	(62,645)	(60,369)
Prior period cost	(2,024)	
Amortization of net actuarial losses	1,116	5,030
Net benefit plan expense	$ 30,779	$ 38,477
Reconciliation of Unamortized Gains (Losses)		
Expected average remaining service life	9.00	9.00
Net unamortized gain (loss), beginning of year	$ (10,048)	$ (45,268)
New net gain (loss) for current year	29,113	30,190
Amortization for current year	1,116	5,030
Net unamortized gain (loss), end of year	$ 20,181	$ (10,048)
Plan Assets Measured at Fair Value Consist of:		
Cash and Other	$ 28,784	$ 20,867
Bonds and Debentures	145,843	143,834
Canadian Equities	257,194	255,768
Mortgages	167,969	163,076
Real Estate	125,100	99,061
Foreign Equities	507,500	473,896
	$ 1,232,390	$ 1,156,502
Significant Long-Term Actuarial Assumptions		
Discount rate	5.50%	5.50%
Expected rate of return on assets	5.50%	5.50%
Rate of general salary increase	0% 2018, 0.75% 2019, 1% 2020, 1.5% 2021, 2.5% thereafter	1.5% to 2022, 2.5% thereafter
Interest assumption for converting member accumulations to annuities	3.75%	3.75%
Mortality	Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B.	Canadian Pensioners' Mortality 2014 Public Sector Table, with age-related adjustments. Projected generationally from 2014 using Scale CPM-B.

Pension Plan Assets are valued at market values. The expected rate of return on plan assets net of expenses is 5.5% (2016, 5.5%). The actual return on pension fund assets was 9.5% (2016, 9.3%).

In 2009, the Manitoba Pension Commission advised that the University was required to begin to make additional payments with respect to current service costs in excess of matching contributions of active members and the University. The additional annual current service cost payments required are based on a percentage (changes annually) of employee contributions. This total payment for fiscal 2018 was $4.6 million (2017, $3.5 million).

The unamortized net actuarial gains (losses) shown above, which were determined on the basis of the 2016 actuarial valuation and the 2017 extrapolation for accounting purposes, are being amortized over a period of nine years (expected average remaining service life) starting in the year following the year the respective annual actuarial gains or losses arise. However, cash funding for the pension plan is based on the going concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, is being funded under *The Pension Benefits Act* over the maximum of fifteen years. The payments are $4.0 million annually until the going concern deficit is eliminated, based on the December 2016 funding valuation. This total payment for fiscal 2018 was $3.7 million (2017, $5.1 million).

In 2009, as permitted under the University Pension Plans Exemption Regulation, the University filed an election for an exemption to the solvency deficiency funding requirements under *The Pension Benefits Act* for the 1993 Plan. However, the Plan will continue to be subject to the going concern funding provisions of *The Pension Benefits Act* and the funding deficit payments are being paid by the University over the maximum of fifteen years as indicated above.

1986 PLAN

For the 1986 Plan, which is a money purchase plan for active members, the University recorded contributions of $2,089 (2017, $1,976) and this is included in the Statement of Operations and Changes in Fund Balances as an expense.

17. NET INVESTMENT INCOME

	General Funds	Restricted Funds	Total 2018	Total 2017
Non Portfolio Investments:				
Interest	$ 3,228	$ 5,366	$ 8,594	$ 13,183
Net Gains	413		413	
	3,641	5,366	9,007	13,183
Portfolio Investments:				
Interest	3,406	1,720	5,126	3,420
Dividends		11,412	11,412	11,754
Net Gains on Sale of Investments		35,678	35,678	28,582
	3,406	48,810	52,216	43,756
	$ 7,047	**$ 54,176**	**$ 61,223**	**$ 56,939**

18. INTEREST IN RELATED ENTITIES

UM PROPERTIES LIMITED PARTNERSHIP

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

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

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

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

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

There was minimal financial activity in 2017-18.

THE UNIVERSITY OF MANITOBA FOUNDATION U.S.A. INC.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. (the Foundation) which is an Illinois not-for-profit corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Subsection 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University. The University of Manitoba however, is one of many entities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University from time to time. The gifts received in fiscal 2018 were $2,067 (2017, $1,406).

TRIUMF

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

Available financial information in respect of TRIUMF is disclosed below:

	March 31, 2017	U of M's Proportionate Share	March 31, 2016	U of M's Proportionate Share
Statement of Financial Position:				
Assets	$ 47,730	$ 3,976	$ 32,020	$ 2,667
Liabilities	20,262	1,688	8,322	693
Net Assets	**$ 27,468**	**$ 2,288**	**$ 23,698**	**$ 1,974**
Statement of Operations:				
Revenue	$ 74,694	$ 6,222	$ 71,873	$ 5,987
Expenses	70,925	5,908	68,286	5,688
Surplus for the Year	**$ 3,769**	**$ 314**	**$ 3,587**	**$ 299**
Statement of Cash Flows:				
Cash Provided by (Used in):				
Operating Activities	$ 15,597	$ 1,299	$ 5,364	$ 447
Investing Activities	(148)	(12)	(7,171)	(597)
Increase (Decrease) in Cash	**$ 15,449**	**$ 1,287**	**$ (1,807)**	**$ (150)**

TRIUMF's financial statements have been prepared in accordance with section 11B of the TRIUMF joint venture agreement. TRIUMF has adopted Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF and related decommissioning costs (if any) are expensed in the period in which the costs are incurred. The financial statements for the year ended March 31, 2018 are not available.

TRIUMF follows the restricted fund method of accounting for contributions.

19. OTHER RELATED PARTY TRANSACTIONS

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

As at March 31, 2018 and for the year then ended, the related party transactions pertaining to Investors Group Field, with Triple B and the Province of Manitoba were as follows:

		2018		2017
Loans Receivable, including accrued interest	$	81,974	$	198,971
Loans Payable, including accrued interest	$	81,974	$	198,971
Revenue and Expenses:				
Investment Income	$	3,803	$	8,945
Gain on Long Term Debt	$	118,682		
Interest Expense	$	3,803	$	8,945
Loss on Loan Receivable Allowance	$	118,682		

The investment income from Triple B and related interest expense of $3,803 (2017, $8,945) has been included in the Statement of Operations and Changes in Fund Balances. However, these amounts have not been included in Statement of Cash Flow supplementary information as the interest was neither received nor paid during the year. Any related payments received for the loan receivable and payments made on the related debt were applied against the outstanding principal.

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

The University funds the operations of PHDA by the transfer of research grants. PHDA is not permitted under local government restrictions to transfer any assets back to the University. Available financial information in respect of PHDA is disclosed below. The financial statements for the year ended March 31, 2018 are not available. PHDA operates in Kenyan Schillings and the amounts below have been converted to Canadian dollars.

		March 31, 2017		March 31, 2016
Statement of Financial Position:				
Assets	$	510	$	800
Liabilities		379		354
Net Assets	**$**	**131**	**$**	**446**
Statement of Operations:				
Revenue	$	5,140	$	6,026
Expenses		5,454		5,687
Surplus (Loss) for the Year	**$**	**(314)**	**$**	**339**
Cash Provided by (Used in):				
Operating Activities	$	(172)	$	353
Investing Activities		(9)		(60)
Increase (Decrease) in Cash	**$**	**(181)**	**$**	**293**

Total transfers in 2017 to PHDA were $4,494 (2016, $5,633).

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

20. EXPENSE BY FUNCTION

	General Funds	Restricted Funds	2018 Total Funds	2017 Total Funds
Expense				
Academic	$ 341,093	$ 126,830	$ 467,923	$ 455,692
Amortization		55,595	55,595	54,645
Student Assistance	15,351	45,455	60,806	57,511
Plant Maintenance	47,130	13	47,143	43,335
Administration and General	33,057	14,688	47,745	39,766
Ancillary Services	25,111		25,111	25,699
Computing and Communications	26,179		26,179	24,044
Other Academic and Research Support	24,252	4,159	28,411	26,522
Student Services	18,947		18,947	18,793
Interest		13,611	13,611	19,074
Libraries	16,725	1	16,726	16,991
External Relations	11,303		11,303	11,174
Actuarially Determined Employee Future Benefits	2,939		2,939	4,527
Change in Pension Liability	(3,916)		(3,916)	3,771
Staff Benefits Contra	(3,731)		(3,731)	(1,761)
Loss on Loan Receivable Allowance		118,682	118,682	
Loss on Disposal of Capital Assets				1,000
Total	**$ 554,440**	**$ 379,034**	**$ 933,474**	**$ 800,783**

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

	General Operating Fund	Specific Provisions Fund	Expenses Funded From Future Revenues Fund	2018 Total General Funds	2017 Total General Funds
Revenue					
Tuition and Related Fees	$ 170,139	$	$	$ 170,139	$ 163,571
Donations	2,676			2,676	3,849
Non-Government Grants	5,116			5,116	4,845
Net Investment Income *(Note 17)*	7,047			7,047	4,765
Miscellaneous Income	8,111			8,111	7,309
Government Grants:					
Manitoba Education and Training	356,822			356,822	356,762
Other Province of Manitoba	25,976			25,976	24,601
Government of Canada	9,804			9,804	10,836
City of Winnipeg	151			151	51
Sales of Goods and Services	34,724			34,724	34,595
Ancillary Services	38,416			38,416	37,983
	658,982			**658,982**	**649,167**
Expenses					
Salaries	359,896			359,896	350,262
Staff Benefits and Pay Levy	66,783			66,783	76,961
Materials, Supplies and Services	54,881			54,881	48,728
Student Assistance	15,351			15,351	15,437
Professional Consulting and Externally Contracted Services	16,673			16,673	19,220
Travel and Conferences	12,084			12,084	11,209
Utilities, Municipal Taxes and Insurance	19,746			19,746	19,174
Maintenance and Repairs	9,026			9,026	5,880
	554,440			**554,440**	**546,871**
Net Revenue from Operating Activities	104,542			104,542	102,296
Inter-Fund Transfers *(Note 23)*	(104,540)	28,812	2,916	(72,812)	(70,765)
Net Increase (Decrease) to Fund Balances from Operating Activities	2	28,812	2,916	31,730	31,531
Fund Balances from Operating Activities Beginning of Year	2,384	133,769	(69,933)	66,220	34,689
Fund Balances from Operating Activities End of Year	2,386	162,581	(67,017)	97,950	66,220
Accumulated Remeasurements Gains (Losses) End of Year	87			87	3
Fund Balances End of Year	**$ 2,473**	**$ 162,581**	**$ (67,017)**	**$ 98,037**	**$ 66,223**
Unrestricted Funds	$ 2,473	$	$ (67,017)	$ (64,544)	$ (67,546)
Internally Restricted Funds *(Note 24)*		162,581		162,581	133,769
	$ 2,473	**$ 162,581**	**$ (67,017)**	**$ 98,037**	**$ 66,223**

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

	Capital Asset Fund	Research and Special Fund	Staff Benefits Fund	Trust Fund	2018 Total Restricted Funds	2017 Total Restricted Funds
Revenue						
Donations	$ 7,051	$ 37	$	$ 10,211	$ 17,299	$ 9,824
Non-Government Grants	1,098	78,051			79,149	79,139
Net Investment Income *(Note 17)*	4,648	465	1,020	48,043	54,176	52,174
Miscellaneous Income	2,727	314	3,701		6,742	7,700
Government Grants:						
Manitoba Education and Training	6,701				6,701	7,015
Other Province of Manitoba	5,635	31,836			37,471	34,861
Government of Canada	21,322	76,995			98,317	73,635
City of Winnipeg	30				30	
Sales of Goods and Services	27	401			428	506
Gain on Long Term Debt *(Note 11)*	118,682				118,682	
	167,921	**188,099**	**4,721**	**58,254**	**418,995**	**264,854**
Expenses						
Salaries		38,675			38,675	39,366
Staff Benefits and Pay Levy		7,017			7,017	7,323
Materials, Supplies and Services		49,504	6,434	528	56,466	52,326
Amortization of Capital Assets	55,595				55,595	54,645
Student Assistance		24,203		21,252	45,455	42,074
Professional Consulting and Externally Contracted Services		25,953	141	3,795	29,889	25,884
Travel and Conferences		13,158			13,158	11,815
Utilities, Municipal Taxes and Insurance		68			68	33
Interest	13,611				13,611	19,074
Maintenance and Repairs		418			418	372
Loss on Loan Receivable Allowance *(Note 6)*	118,682				118,682	
Loss on Disposal of Capital Assets						1,000
	187,888	**158,996**	**6,575**	**25,575**	**379,034**	**253,912**
Net Revenue (Loss) from Operating Activities	(19,967)	29,103	(1,854)	32,679	39,961	10,942
Inter-Fund Transfers *(Note 23)*	80,586	(7,494)	1,137	(1,998)	72,231	64,870
Net Increase (Decrease) to Fund Balances from Operating Activities	60,619	21,609	(717)	30,681	112,192	75,812
Fund Balances from Operating Activities Beginning of Year	1,044,055	142,122	(11)	218,246	1,404,412	1,328,600
Fund Balances from Operating Activities End of Year	1,104,674	163,731	(728)	248,927	1,516,604	1,404,412
Accumulated Remeasurements Gains (Losses) End of Year	2,011	694	11,577	(15,184)	(902)	4,164
Fund Balances End of Year	**$ 1,106,685**	**$ 164,425**	**$ 10,849**	**$ 233,743**	**$ 1,515,702**	**$ 1,408,576**
Internally Restricted Funds *(Note 24)*	$	$ 8,715	$ 3,059	$ 67,741	$ 79,515	$ 74,130

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Externally Restricted Funds *(Note 25)*		155,710	7,790	166,002	329,502	289,821
Invested in Capital Assets *(Note 25)*	1,106,685				1,106,685	1,044,625
	$ 1,106,685	**$ 164,425**	**$ 10,849**	**$ 233,743**	**$ 1,515,702**	**$ 1,408,576**

23. INTER-FUND TRANSFERS

	General Operating Fund	Specific Provisions Fund	Expenses Funded From Future Revenues Fund	Total General Funds	Total Restricted Funds	Endowment Fund
Funding of Capital Asset Additions:						
Current Year Acquisitions	$ (21,620)	$	$	$ (21,620)	$ 21,620	$
Centrally Funded Projects	(20,190)			(20,190)	20,190	
Faculty and Unit Funded Projects	(19,527)	(412)		(19,939)	19,939	
Total Funding of Capital Asset Additions	**(61,337)**	**(412)**		**(61,749)**	**61,749**	
Debt Funding:						
Ancillary Services	(4,978)			(4,978)	4,978	
Faculties	(1,542)			(1,542)	1,542	
Unit Capital Development Assessment	(5,358)			(5,358)	5,358	
Student Contributions for Technology	(3,589)			(3,589)	3,589	
Other	(555)			(555)	555	
Total Debt Funding	**(16,022)**			**(16,022)**	**16,022**	
Scholarships, Bursaries and Prizes:						
Faculty and Unit Funded	(2,354)			(2,354)	2,352	2
Centrally Funded	(7,516)			(7,516)	7,458	58
Total Scholarships, Bursaries and Prizes	**(9,870)**			**(9,870)**	**9,810**	**60**
Transfers to Provisions for Specific Projects:						
Faculty and Unit Funded	(9,159)	9,159				
Centrally Funded	(12,607)	12,607				
Total Transfers to Provisions for Specific Projects	**(21,766)**	**21,766**				
Benefit Premiums Net of Employer Contributions for Staff Benefits	(3,731)			(3,731)	3,731	
Student Contribution to University Development Fund	(1,041)			(1,041)	210	831
Overhead Recoveries	6,265			6,265	(6,265)	
Funding of General Operating Expenses	20,314	(4,129)		16,185	(16,185)	
Net Change in Unit Carryover	(11,587)	11,587				
Funding of Research Projects	(5,442)			(5,442)	5,442	
Employee Future Benefits	2,939		(346)	2,593	(2,593)	
Pension Liability	(3,916)		3,916			
Vacation and Sick Leave Liability	654		(654)			
Other Net Transfers					310	(310)
March 31, 2018	**$ (104,540)**	**$ 28,812**	**$ 2,916**	**$ (72,812)**	**$ 72,231**	**$ 581**
March 31, 2017	$ (102,278)	$ 36,101	$ (4,588)	$ (70,765)	$ 64,870	$ 5,895

24. INTERNALLY RESTRICTED FUND BALANCES

Internally restricted fund balances represent amounts set aside by the University for specific purposes. Within the Specific Provisions Fund is $110,401 (2017, $91,609) that is set aside at the request of faculties and units while $52,180 (2017, $42,160) has been set aside at the discretion of senior administration. Included in the $110,401 is faculty and unit carryover of $87,448 (2017, $75,861). Although the entire provision balance of $162,581 (2017, $133,769) is deemed internally restricted, senior administration is not able to repurpose the $110,401 (2017, $91,609) as it is bound by certain restrictions including collective agreements.

	2018	2017
General Funds		
Specific Provisions	$ 162,581	$ 133,769
Restricted Funds		
Research and Special	8,715	7,296
Staff Benefits	3,059	2,729
Trust	67,741	64,105
	79,515	74,130
Total Internally Restricted Fund Balances	**$ 242,096**	**$ 207,899**

25. EXTERNALLY RESTRICTED FUND BALANCES

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

	2018	2017
Endowed	**$ 473,403**	**$ 468,296**
Invested in Capital Assets	**$ 1,106,685**	**$ 1,044,625**
Externally Restricted		
Research and Special	$ 155,710	$ 134,896
Staff Benefits	7,790	6,037
Trust	166,002	148,888
Externally Restricted	**$ 329,502**	**$ 289,821**
	$ 1,909,590	**$ 1,802,742**

26. CONTRACTUAL RIGHTS

As part of its operations, the University enters into agreements with varying expiry dates for which it is entitled to receive revenues in the form of rental agreements. Total amounts outstanding from these agreements are as follows:

2019	$ 2,984
2020	2,042
2021	822
2022	483
2023	483
Thereafter	7,759
	$ 14,573

27. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

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

Contractual obligations relating to Construction in Progress amounted to $57,420 (2017, $39,950). The contractual obligations relating to service contracts was $21,461 (2017, $27,912).

In 2017, the University of Manitoba Faculty Association (UMFA) filed an application for remedy for unfair labour practice against the University. UMFA brought forward these allegations with The Manitoba Labour Board and alleged that the University failed to bargain collectively in good faith under *The Labour Relations Act*. UMFA was seeking both financial and non-financial remedies.

On January 28, 2018, the Manitoba Labour Board issued its decision and ordered the University to:

- Pay up to $2 to UMFA
- Pay up to $2 to each UMFA member
- Apologize in writing to UMFA

On May 11, 2018 the University issued an apology to UMFA members and agreed to pay the maximum penalty of $2,402 which has been accrued.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $60,700 as of March 31, 2017, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at March 31, 2017 is estimated at $4,100 (2016, $2,800). The March 31, 2018 figures are not available. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

The University is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Management has concluded that none of the claims meet the criteria for recognizing a liability.

28. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2017 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2018.

University of Manitoba

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