
**MANITOBA
DEVELOPMENT
CORPORATION**

Annual Report

March 31, 2022





**DEPUTY PREMIER
MINISTER OF ECONOMIC DEVELOPMENT,
INVESTMENT AND TRADE**

Room 358
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Her Honour The Honourable Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 2022.

Respectfully submitted,

A handwritten signature in black ink that reads "Cliff Cullen".

Cliff Cullen
Deputy Premier
Minister of Economic Development, Investment and Trade



Economic Development, Investment and Trade
Office of the Deputy Minister
Room 352
Legislative Building
Winnipeg MB R3C 0V8

Honourable Cliff Cullen
Minister of Economic Development, Investment and Trade
Room 358 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Cullen:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2022 as required by Section 8 of The Manitoba Development Corporation Act.

Respectfully submitted,

Kathryn Gerrard
Deputy Minister of Economic Development, Investment and Trade

MANITOBA DEVELOPMENT CORPORATION
CORPORATE REPORT
for the fiscal year ending March 31, 2022

CORPORATE PROFILE

Minister Responsible: The Honourable Cliff Cullen

Board of Directors:

Deputy Minister of Economic Development, Investment and Trade (Chair) – Kathryn Gerrard
Deputy Minister of Education – Dana Rudy
Assistant Deputy Minister of Finance and Corporate Services of Economic Development,
Investment and Trade – Melissa Ballantyne
General Manager - Amy Jordan

Head office:

1040-259 Portage Avenue
Winnipeg, Manitoba R3B 3P4
Telephone: 204-945-2770

PROFILE

The Manitoba Development Corporation (MDC) administers programs, provides loans, guarantees and investments under The Manitoba Development Corporation Act. The objectives of MDC are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are two active divisions administered by MDC: Business Support, and the Business Investor Stream of the Manitoba Provincial Nominee Program (MPNP).

Business Support administers the Manitoba Industrial Opportunities Program (MIOP) and the Third Party Investment Funds Program. MPNP includes the funds associated with Manitoba's business stream for international entrepreneurs who wish to establish a business in Manitoba.

MDC requires approval of the Province to provide loans, guarantees, or equity investments and must comply with all Provincial directives.

BUSINESS SUPPORT:

MIOP provided financial support to assist businesses expanding their operations in Manitoba. The financial support is in the form of repayable, secured loans with repayment terms that can be somewhat flexible for businesses that undertake significant investment in fixed assets and/or create new jobs. The loans were usually in excess of \$500,000. Most loan repayment terms are

60 to 84 months. Loan interest rates are charged at the crown rate or at the crown rate plus a premium.

All loans received Treasury Board approval and an Order in Council authorizing the loan.

Program Objectives:

To secure significant business project investment which would not occur in Manitoba without the provision of some level of government assistance.

In certain cases, MIOP supports projects that increase the number of jobs created in Manitoba; in other cases, MIOP supports projects that increase the number of jobs maintained in Manitoba.

Program Performance and Trends:

From March 31, 2000 to March 31, 2016, MIOP approved 53 business expansion loans totaling \$276 million, which is projected to lever \$640 million in additional capital, for a total Manitoba investment of \$916 million, supporting approximately 11,297 Manitoba jobs.

As at March 31, 2022, the program has six active loans to six companies totaling \$25.4 million under management, with 690 Manitoba fulltime equivalent jobs required per the loan agreements and 684 Manitoba full-time equivalent jobs maintained.

MIOP loans made under authority of The Manitoba Development Corporation Act are as follows:

Business Support	MDC Loan Balance March 31/22
Glacier LP	2,093,407
HD Petroleum	2,556,485
Magellan Aerospace	4,500,000
Sightline Innovation	2,000,000
True North Foods	1,610,000
Winnipeg Airports Authority	<u>12,615,912</u>
Subtotal	\$ 25,375,804
New Accrued Capitalized Interest	<u>322,031</u>
TOTAL	<u>\$ 25,697,835</u>

Program Performance and Trends:

From its inception in 1996 to March 31, 2022, the Third Party Investment Funds Program has advanced \$23.6 million in six limited partnerships.

The Manitoba Science and Technology Fund was dissolved during fiscal year 2021/22. As a result, the remaining Third Party Investment Funds Program equity investments, net of repayments, as at March 31, 2022 is:

CentreStone Ventures Limited Partnership	\$ 3,408,522
Manitoba Science and Technology Fund	-
	<u>3,408,522</u>

From its inception in 1996 to March 31, 2022, in aggregate, the limited partnerships in the Third Party Investment Funds Program have invested approximately \$174.3 million into 78 business entities, of which 67 were Manitoba companies.

MANITOBA PROVINCIAL NOMINEE PROGRAM

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Manitoba Provincial Nominee Program (MPNP). The MPNP allows Manitoba to recruit and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish, purchase a business, or become partners in an existing business. The Province of Manitoba is committed to help new immigrants settle successfully, identify business opportunities and establish businesses or farms in the province.

Program Objectives:

- Recruit immigrants who will contribute to the province's economy by living in Manitoba and investing in and operating a business in Manitoba.
- Recruit farmers through the Farm Investor Pathway to rural Manitoba to strengthen Manitoba's key agricultural sector.

Program Performance and Trends:

In November 2017, the MPNP announced changes to its Business Entrepreneur Pathway (BEP) under the Business Investor Stream (BIS). The BEP allows Manitoba to recruit and nominate qualified business investors and entrepreneurs who have the intent and ability to start or purchase businesses in Manitoba within the first 24 months of arrival in Canada on a temporary work permit. Applicants no longer submit a deposit of \$100,000. Instead, applicants sign a Business Performance Agreement, which details the obligations candidates must fulfill in order to be nominated for permanent residence in Canada. Once those conditions are met, candidates receive a nomination that allows them to apply for Permanent Resident status to Immigration, Refugees and Citizenship Canada. The new criteria and process was launched in May 2018.

The MPNP has been successful in recruiting 143 farm business immigrants who have invested over \$143 million in Manitoba. This represents only the initial investment and does not account for additional investments made after the farm business is started. The Farm Investor Pathway (FIP) remains a Direct Nomination immigration model. The Direct Nomination model requires an approved applicant to sign a Deposit Agreement and submit a \$75,000 cash deposit prior to receiving nomination. Once the deposit and deposit agreement has been received, the applicant is nominated and can apply for Permanent Residence. Upon establishing the farm business, the applicant can apply to the MPNP for a deposit refund.

The MPNP office monitors initial business investments by business immigrants under the program. In 2021/22, the program measured 11 initial business investments totaling \$5.2 million by applicants that created or maintained 19 jobs. Since inception in 2001, 1,088 business investments have been made with investment in excess of \$371 million.

Financial Statements of

**MANITOBA DEVELOPMENT
CORPORATION**

Year ended March 31, 2022

MANITOBA DEVELOPMENT CORPORATION

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Year ended March 31, 2022

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Development Corporation are the responsibility of the management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 29, 2022.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Development Corporation are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Development Corporation



Ms. Amy Jordan, General Manager

June 29, 2022



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1900 - 360 Main Street
Winnipeg MB
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

Opinion

We have audited the financial statements of Manitoba Development Corporation (the "Entity"), which comprise the statement of financial position as at March 31, 2022, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 29, 2022

MANITOBA DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	PNP-B	Business support	MTI	2022 Total	2021 Total
Assets					
Cash and cash equivalents	\$ 88,766,491	\$ 6,005,243	\$ 474,726	\$ 95,246,460	\$ 86,050,757
Accounts receivable (note 3)	53,166	3,516	2,481	59,163	18,507
Other receivable (note 10)	–	731,425	–	731,425	–
Loans receivable (note 4)	–	18,771,664	–	18,771,664	32,064,357
Portfolio investments (note 5)	–	–	504,958	504,958	503,950
Restricted funds (note 8)	23,161,134	–	–	23,161,134	38,684,247
	\$ 111,980,791	\$ 25,511,848	\$ 982,165	\$ 138,474,804	\$ 157,321,818

Liabilities and Surplus

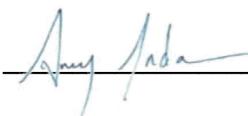
Liabilities:					
Accounts payable and accrued liabilities (note 12)	\$ 863	\$ 432,316	\$ 3,479	\$ 436,658	\$ 4,388,705
Deferred revenue (note 6)	–	13,946	–	13,946	316,146
Operating advance payable (note 7)	–	–	500,000	500,000	500,000
Provision for loan guarantees (note 10)	–	731,425	–	731,425	–
Funds provided by the Province of Manitoba	–	18,771,664	–	18,771,664	32,064,357
Deposits payable (note 8)	23,161,134	–	–	23,161,134	38,684,247
	23,161,997	19,949,351	503,479	43,614,827	75,953,455
Accumulated surplus (note 9)	88,818,794	5,562,497	478,686	94,859,977	81,368,363
Contingencies (note 10)					
Commitments (note 11)					
	\$ 111,980,791	\$ 25,511,848	\$ 982,165	\$ 138,474,804	\$ 157,321,818

The accompanying notes form an integral part of these financial statements.

On behalf of the Board:



Director



Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2022, with comparative information for 2021

	Budget	2022	2021
Income:			
Income from portfolio investments	\$ 5,000	\$ 1,008	\$ 3,950
Interest income	2,389,000	1,874,273	2,213,166
Deposit retentions (note 8)	13,000,000	14,097,543	13,406,618
Application processing fees (note 8)	–	64,874	107,139
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,106,000	(731,425)	(1,159,043)
Provision for loan guarantees (note 10)	–	731,425	–
	<u>16,500,000</u>	<u>16,037,698</u>	<u>14,571,830</u>
Expenses:			
Program administration (recovery) (note 8)	700,000	691,685	(66,729)
Payment of Business Support interest on loans receivable to the Province of Manitoba	2,000,000	1,564,399	1,775,521
Provision for (reversal of) doubtful loans receivable	1,106,000	(731,425)	(1,159,043)
Provision for loan guarantees (note 10)	–	731,425	–
	<u>3,806,000</u>	<u>2,256,084</u>	<u>549,749</u>
Transfers to the Department of Advanced Education, Skills and Immigration (note 12)	1,238,000	290,000	3,947,000
Annual surplus	11,456,000	13,491,614	10,075,081
Accumulated surplus, beginning of year		81,368,363	71,293,282
Accumulated surplus, end of year		<u>\$ 94,859,977</u>	<u>\$ 81,368,363</u>

The accompanying notes form an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 13,491,614	\$ 10,075,081
Net financial assets, beginning of year	81,368,363	71,293,282
Net financial assets, end of year	\$ 94,859,977	\$ 81,368,363

The accompanying notes form an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by:		
Operating activities:		
Annual surplus	\$ 13,491,614	\$ 10,075,081
Adjustments for:		
Reversal of doubtful loans receivable	(731,425)	(1,159,043)
Provision for loan guarantees	731,425	–
Deposit retentions	(14,097,543)	(13,406,618)
Capitalized interest	–	(237,038)
Recovery of business support expenses to the Province of Manitoba	–	1,159,043
Change in non-cash operating working capital:		
Restricted funds	15,523,113	15,432,105
Accounts receivable	(40,656)	310,068
Loan interest receivable	57,760	31,527
Accounts payable and accrued liabilities	(3,952,047)	(619,759)
Deferred revenue	(302,200)	–
Net change in deposits payable	(1,425,570)	(2,025,487)
Net cash provided by operating activities	9,254,471	9,559,879
Investing activities:		
Loans receivable principal repayments	14,925,309	5,765,095
Purchase of portfolio investments	(504,958)	(503,950)
Redemption of portfolio investments	503,950	500,000
Net cash provided by investing activities	14,924,301	5,761,145
Financing activities:		
Funds paid to the Province of Manitoba for Business Support	(14,983,069)	(5,559,584)
Increase in cash and cash equivalents	9,195,703	9,761,440
Cash and cash equivalents, beginning of year	86,050,757	76,289,317
Cash and cash equivalents, end of year	\$ 95,246,460	\$ 86,050,757
Cash and cash equivalents consist of the following:		
Cash	\$ 17,738,536	\$ 18,901,969
Cash equivalents	77,507,924	67,148,788
	\$ 95,246,460	\$ 86,050,757
Supplementary information:		
Cash paid for interest	\$ 1,564,399	\$ 1,775,521
Cash received for interest	1,834,625	2,527,184

The accompanying notes form an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

1. Nature of operations and economic dependence:

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under the *Manitoba Development Corporation Act*. The objectives of the Corporation are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are three divisions administered by the Corporation: Business Support, the Business Investor Stream of the Provincial Nominee Program (PNP-B) and Manitoba Trade and Investment (MTI). Business Support administers the Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program ("Investment Program") and other financial assistance ("Other Loans"). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for the financial assets due to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets. Losses are the responsibility of the Province and are charged directly against advances received from the Province.

The Corporation considers its capital to comprise its accumulated surplus (including share capital, restricted surplus and unrestricted surplus). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated retained earnings over its history, which is included in accumulated surplus in the statement of financial position. A portion of these funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted accumulated surplus for the year to be equal to three years' operating expenses of the PNP-B (based on the most recent year's actual expenses) plus 25 percent of the previous year's PNP-B deposit retentions. This is a reserve which is not available for distribution to the Province. Any excess beyond that amount, once it has been released by the Province, would then be transferred to unrestricted accumulated surplus. For the year ended March 31, 2022, the Corporation has complied with these restrictions.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies:

The Corporation's financial statements have been prepared by management in accordance with Canadian public sector accounting standards as defined by the Chartered Professional Accountants of Canada.

(a) Revenue recognition:

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Income from application processing fees is recognized as applications are processed. Interest income from portfolio investments and loans receivable is recognized on an accrual basis in the fiscal period in which it is earned.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with the Province of Manitoba and banks with maturities of three months or less.

(c) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

(d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

Provisions are established for individual loans for which the estimated realizable amount is less than the carrying value. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans receivable as an adjustment of the provision.

(e) Portfolio investments:

Portfolio investments consist of provincial bonds, term deposits, guaranteed investment certificates (GICs) and equity investments.

The Corporation's investments in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The Corporation's investments in GICs and term deposits are recorded at cost.

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investment in the CentreStone Ventures Limited Partnership and Manitoba Science and Technology Fund are accounted for using the cost method of accounting.

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of investments.

(f) Restricted funds:

Restricted funds are deposits held under the PNP-B (note 8) and consist of balances with banks, provincial bonds and term deposits with maturities of three months or less held with the Province of Manitoba. The provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. Term deposits are recorded at cost.

(g) Deferred revenue:

Deferred revenue represents funds received for specific projects for which expenditures will be incurred in future periods as well as fees received in advance of event days for specific trade projects.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(h) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Guarantees:

Manitoba Development Corporation in the normal course of business, may provide a guarantee to honour repayment of debt or loans of an organization.

Guarantees by Manitoba Development Corporation are made through specific agreements to repay promissory notes, banks loans, lines of credit, mortgages and other securities. The provision for losses on guaranteed loans is determined by a review of individual guarantees. A provision for losses on these guarantees is recorded when it is likely that a loss will occur. The amount of the loss provision represents management's best estimate of probable claims against the guarantees.

(j) Contributed services:

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the carrying amount of loans receivable and portfolio investments and provisions for losses on loan guarantees. Actual results could differ from those estimates.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Accounts receivable:

	2022	2021
Accrued interest:		
PNP-B	\$ 53,166	\$ 12,243
Business support	3,516	3,783
Accounts receivable	2,481	2,481
	<u>\$ 59,163</u>	<u>\$ 18,507</u>

4. Loans receivable managed for the Province of Manitoba:

	2022	2021
Business support:		
Manitoba Industrial Opportunities Program - repayable	\$ 26,678,279	\$ 39,721,188
Other loans receivable	2,717,015	3,698,224
	<u>29,395,294</u>	<u>43,419,412</u>
Provision for doubtful loans receivable	(10,623,630)	(11,355,055)
	<u>\$ 18,771,664</u>	<u>\$ 32,064,357</u>

The Manitoba Industrial Opportunities Program (MIOP) provides repayable, secured loans for businesses that undertake significant investment in fixed assets and/or create jobs. Loan principal is due as follows:

	2022
2023	\$ 4,968,086
2024	5,368,086
2025	2,690,284
2026	2,489,481
Subsequent to 2026	10,840,311
Accrued and capitalized interest	322,031
	<u>26,678,279</u>
Provision for doubtful loans receivable	(9,873,630)
	<u>\$ 16,804,649</u>

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Loans receivable managed for the Province of Manitoba (continued):

Interest rates charged for Manitoba Industrial Opportunities Program loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation, under the direction of the Province, may charge interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba, but this has not happened since 2003. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2022	2021
Greater than nil, less than 5%	\$ 17,299,763	\$ 21,022,334
5% or greater, less than 6%	9,056,485	18,297,570
Accrued and capitalized interest	322,031	401,284
	<u>26,678,279</u>	<u>39,721,188</u>
Provision for doubtful loans receivable	(9,873,630)	(10,605,055)
	<u>\$ 16,804,649</u>	<u>\$ 29,116,133</u>

When possible, the Corporation obtains various forms of security on the MIOP loans with priority ranking subject to any prior existing charges.

At March 31, 2022, other loans receivable include non-interest bearing loans in the amount of \$2,717,015 (2021 - non-interest bearing loans in the amount of \$3,698,224) and maturities ranging from no fixed terms of repayment to December 2022 (2021 - ranging from no fixed terms of repayment to December 2022). At March 31, 2022, the provision for doubtful loans receivable for these loans is \$750,000 (2021 - \$750,000).

Given the high degree of uncertainty caused by the COVID-19 outbreak (note 15), the estimates and judgments in the preparation of the provision for doubtful loans receivable for MIOP loans receivable and other loans receivable are subject to a high degree of estimation uncertainty. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and the consequential changes it will have on the Corporation's estimate of the provision for doubtful loans receivable.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Portfolio investments:

Portfolio investments are comprised of the following:

	2022	2021
Term deposits	\$ 504,958	\$ 503,950
Equity investments	–	–
	<u>\$ 504,958</u>	<u>\$ 503,950</u>

The term deposits, which are included in MTI bear interest at 2.04 percent (2021 - 0.2 percent) and mature March 2023 (2021 - March 2022). Fair values approximate cost. Interest earned on term deposits for the year ended March 31, 2022 totaled \$1,008 (2021 - \$3,950).

Equity investments managed for the Province of Manitoba included in Business Support consist of the following:

	2022	2021
CentreStone Ventures Limited Partnership	\$ 3,408,522	\$ 3,408,522
Manitoba Science and Technology Fund	–	1,832,233
	3,408,522	5,240,755
Provision for decline in value of investments	(3,408,522)	(5,240,755)
	<u>\$ –</u>	<u>\$ –</u>

During the year ended March 31, 2022, the Manitoba Science and Technology Fund was dissolved.

6. Deferred revenue:

	2022	2021
Business Support		
BFO funding (geothermal program)	\$ –	\$ 148,782
Electric vehicle initiative	–	143,691
Manitoba Hydro funding (shallow unconventional shale gas project)	4,241	13,968
Other unearned project receipts	9,705	9,705
Deferred revenue	<u>\$ 13,946</u>	<u>\$ 316,146</u>

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Operating advance payable:

The Corporation has a \$500,000 (2021 - \$500,000) non-interest-bearing working capital advance from the Province of Manitoba for MTI. The advance is payable on demand.

8. Restricted funds and deposits payable:

As at March 31, restricted funds held under the PNP-B and invested with a Schedule I chartered bank and the Province of Manitoba were as follows:

	2022	2021
Cash and cash equivalents with a chartered bank	\$ 4,975,022	\$ 6,466,915
Amounts invested with the Minister of Finance	18,186,112	32,217,332
	<u>\$ 23,161,134</u>	<u>\$ 38,684,247</u>

As at March 31, deposits payable under the PNP-B were as follows:

	2022	2021
Deposits payable	\$ 23,161,134	\$ 38,684,247

The Corporation, the Department of Economic Development and Jobs and the Department of Advanced Education, Skills and Immigration operate a program known as the Business Investor Stream of the Provincial Nominee Program (formerly the Provincial Nominee Program for Business) (PNP-B). The PNP-B offers individuals who wish to immigrate to Manitoba to establish and operate a business, the opportunity to obtain a provincial Nomination Certificate. During the 2003 fiscal year, the Corporation began entering into agreements with qualified individuals whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within a specified period of time after landing in Canada.

As evidence of their commitment, upon approval the immigrants were required to deposit \$100,000 (or \$75,000 under the Farm Strategic Recruitment Initiative) with the Corporation prior to receiving the Nomination Certificate. These deposits are held by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the deposit agreements. The final decision as to admission to Canada for Permanent Residence is made by the Government of Canada. In the event that a nominee is not granted a Permanent Resident visa by the Government of Canada, the Corporation refunds the deposit. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Restricted funds and deposits payable (continued):

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B.

Approved immigrants under the FSRI are required to deposit \$75,000 with the Corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application processing fees collected during the year were \$64,874 (2021 - \$107,139).

In November 2017, further changes were introduced to the PNP-B. Application processing fees will continue to be collected; however, they will not be administered by the Corporation. Also, the PNP-B now has two pathways:

- The Entrepreneur Pathway, for applicants seeking to open a business in Manitoba; and
- The Farm Investor Pathway, for those intending to operate a farm operation in rural Manitoba.

After November 2017, new business investors under the Entrepreneur Pathway are not required to submit a deposit or enter into an agreement with the Corporation. As of March 31, 2022, the PNP-B continues to process a backlog of applications submitted prior to November 2017; however, once this backlog is cleared, there will be no further application fees received and deposits will only be received from individuals under the Farm Investor Pathway (which replaced the FSRI).

During the year ended March 31, 2022, there was a reversal of \$75,020 of amounts previously retained (2021 - nil), this reversal is as a result of immigrant subsequently satisfying the conditions of the agreement.

During the year ended March 31, 2021, the Corporation incurred \$714,238 in program administration expenses related to the PNP-B. In addition, the Corporation recorded a recovery of \$799,083 for program administration expenses that related to previous fiscal years resulting in a net recovery of \$84,845 recorded in the year ended March 31, 2021.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Accumulated surplus:

Accumulated surplus is made up of the following:

				2022	2021
	PNP-B	Business support	MTI		
Unrestricted surplus	\$ 83,279,610	\$ 5,561,497	\$ 478,686	\$ 89,319,793	\$ 75,872,996
Restricted surplus	5,539,184	–	–	5,539,184	5,494,367
Share capital	–	1,000	–	1,000	1,000
	\$ 88,818,794	\$ 5,562,497	\$ 478,686	\$ 94,859,977	\$ 81,368,363

10. Contingencies:

Manitoba Development Corporation has guaranteed the repayment of debt, bank loans and lines of credit held by others. Debt guaranteed by MDC is guaranteed, as to principal and interest, until the debt is matured or redeemed.

The authorized limits and the outstanding guarantees are summarized as follows:

	Authorized Limit	2022	2021
Friends of the Canadian Museum for Human Rights	\$ 25,000,000	\$ 2,075,000	\$ 3,075,000
Other	2,000,000	731,425	835,914
	\$ 27,000,000	\$ 2,806,425	\$ 3,910,914

At March 31, 2022, a provision for future losses on guarantees in the amount of \$731,425 (2021 – nil) has been recognized in the statement of financial position and the statement of operations and accumulated surplus along with a recovery from the Province of Manitoba.

11. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

	2022	2021
Manitoba Industrial Opportunities Program	\$ 3,475,000	\$ 3,475,000
Manitoba Science & Technology Fund	–	667,767
CentreStone Ventures Limited Partnership	1,381,525	1,381,525
	\$ 4,856,525	\$ 5,524,292

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

12. Growing Through Immigration Strategy and Economic Development Support:

Funds transferred to support the Growing Through Immigration Strategy and Economic Development Support are made up of the following, as approved by Treasury Board:

	2022	2021
Department of Advanced Education, Skills and Immigration	\$ 290,000	\$ 3,947,000

At March 31, 2022, \$290,000 is included in accounts payable and accrued liabilities (March 31, 2021 - \$3,947,000).

13. Related party transactions:

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

14. Financial risks and concentration of risk:

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable and trust funds.

The maximum exposure of the Corporation to credit risk at March 31 is:

	2022	2021
Cash and cash equivalents	\$ 95,246,460	\$ 86,050,757
Accounts receivable	59,163	18,507
Other receivable	731,425	-
Loans receivable	18,771,664	32,064,357
Portfolio investments	504,958	503,950
Restricted funds	23,161,134	38,684,247
	\$ 138,474,804	\$ 157,321,818

Cash and cash equivalents and restricted funds: the Corporation is not exposed to significant credit risk as the cash and cash equivalents and restricted funds are primarily held by the Minister of Finance and with a Schedule 1 Canadian chartered bank.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Financial risks and concentration of risk (continued):

Accounts receivable, other receivable, loans receivable and portfolio investments: the Corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The provision for doubtful loans receivable is determined with reference to the Corporation's historical loss experience on similar loans and management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of estimates.

Management of credit risk is an integral part of the Corporation's activities with careful monitoring and appropriate remedial actions being taken.

Management has determined that the provision required for loans receivable as at March 31, 2022 is \$10,623,630 (2021 - \$11,355,055).

Management has determined that the provision required for portfolio investments as at March 31, 2022 is \$3,408,522 (2021 - \$5,240,755).

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance and a Schedule I Canadian chartered bank. The term deposits are interest bearing with short-terms to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.

(iii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due.

The Corporation manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations. Funds provided by the Province of Manitoba have a direct correlation to the loans receivable and equity investments as funds borrowed are used for these purposes. Funding is provided by the Province of Manitoba for the full amount of loans receivable and equity investments that are written off. Subsequently, the Corporation has minimal liquidity risk on its loans receivable and equity investments in respect of the funds provided by the Province of Manitoba.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Financial risks and concentration of risk (continued):

There have been no significant changes to the Corporation's exposure to financial risks, concentration of risk in how they arise nor how risks are managed since the previous period.

15. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus.

While the duration of the impact of COVID-19 remains uncertain, it has the potential to adversely affect the value of the Corporation's loans receivable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the Corporation is not known at this time.

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2022, with comparative information for 2021

	Budget	2022	2021
Income:			
Interest income	\$ 655,866	\$ 190,616	\$ 344,176
Deposit retentions	13,000,000	14,097,543	13,406,618
Application processing fees	–	64,874	107,139
	13,655,866	14,353,033	13,857,933
Expenses:			
Program administration (recovery) (note 8)	700,000	671,701	(84,845)
Transfers to the Department of Advanced Education, Skills and Immigration (note 12)	1,238,000	290,000	3,947,000
Annual surplus	11,717,866	13,391,332	9,995,778
Accumulated surplus, beginning of year		75,427,462	65,431,684
Accumulated surplus, end of year		\$ 88,818,794	\$ 75,427,462

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2022, with comparative information for 2021

	Budget	2022	2021
Income:			
Interest income	\$ 2,247,000	\$ 1,683,657	\$ 1,868,990
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,106,000	(731,425)	(1,159,042)
Provision for loan guarantees	–	731,425	–
	<u>3,353,000</u>	<u>1,683,657</u>	<u>709,948</u>
Expenses:			
Program administration	–	16,774	15,056
Payment of Business Support interest on loans receivable to the Province of Manitoba	2,000,000	1,564,399	1,775,521
Provision for (reversal of) doubtful loans receivable	1,106,000	(731,425)	(1,159,042)
Provision for loan guarantees	–	731,425	–
	<u>3,106,000</u>	<u>1,581,173</u>	<u>631,535</u>
Annual surplus	247,000	102,484	78,413
Accumulated surplus, beginning of year		5,460,013	5,381,600
Accumulated surplus, end of year		<u>\$ 5,562,497</u>	<u>\$ 5,460,013</u>

MANITOBA DEVELOPMENT CORPORATION

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2022, with comparative information for 2021

	Budget	2022	2021
Income:			
Income from portfolio investments	\$ 5,000	\$ 1,008	\$ 3,950
Expenses:			
Program administration	–	3,210	3,060
Annual surplus (deficit)	5,000	(2,202)	890
Accumulated surplus, beginning of year		480,888	479,998
Accumulated surplus, end of year		\$ 478,686	\$ 480,888

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2022

Under the *Manitoba Development Corporation Act*, there was no new assistance authorized in the current year.

KPMG LLP
Suite 1900 – 360 Main Street
Winnipeg R3C 3Z3

June 29, 2022

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Manitoba Development Corporation (“the Entity”) as at and for the year ended March 31, 2022.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 26, 2021, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
-

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 12) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

General standards of financial statement presentation:

- 13) Our assessment that the Entity will continue as a going concern has taken into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.
- 14) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative information.

Accounting policies:

- 15) The accounting policies selected and applied are appropriate for the Entity's business and consistent with accounting policies used in the Entity's industry.

Accounting changes:

- 16) There have been no changes in accounting policies that have not been disclosed to you and appropriately reflected in the financial statement.

Comparative Figures/Financial statements:

- 17) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

Measurement Uncertainty:

- 18) There are no material measurement uncertainties that require disclosure in the financial statements, either in nature or extent that are not appropriately disclosed in the financial statements.

Receivables and Loans Receivable:

- 19) We have reduced the carrying value of receivables and loans receivable to recognize any impairment loss.
- 20) Receivables and loans receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges or loans arising on or before the date of the statement of financial position.

- 21) We have assessed the economic impact of COVID-19 on the provision for doubtful loan receivables, including whether assumptions used in the estimate remain appropriate. Relevant changes, if any, to the measurement of the provision for doubtful loans have been appropriately recorded and disclosed in accordance with the relevant financial reporting framework.

Provisions:

- 22) Provision, when material, has been made for losses to be sustained as a result of other than temporary declines in the fair value of portfolio investments.

Revenues:

- 23) All revenue transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise).

Employee Future Benefits:

- 24) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.

Financial Instruments and Guarantees

- 25) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework.
- 26) The following information about financial instruments has been properly disclosed in the financial statements:
 - a) the exposures to risk and how they arise (for each significant risk arising from financial instruments and separately for derivatives)
 - b) any change in risk exposures from the previous period (for each significant risk arising from financial instruments and separately for derivatives)
 - c) concentrations of risk (for each type of risk arising from financial instruments)
 - d) extent, nature, and terms of financial instruments (including free-standing derivatives), both recognized and unrecognized.

Assets and Liabilities – General:

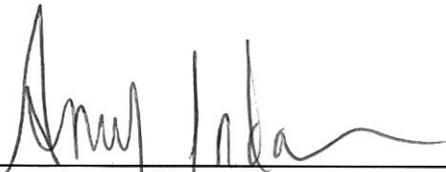
- 27) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 28) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in cash, negotiable instruments, etc.).

- 29) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.
- 30) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.
- 31) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
- 32) We have no knowledge of losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.

Other

- 33) The information regarding the budget to actual information presented in the financial statements has been prepared and presented in accordance with PS 1201. We have included all the budget information that is available with respect to the items presented in the financial statements.

Yours very truly,



Ms. Amy Jordan, General Manager



Mr. Adam Munia, Secretary Treasurer

cc: Board of Directors

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.