

**FOOD DEVELOPMENT CENTRE  
FINANCIAL STATEMENTS  
MARCH 31, 2020**

## **Management's Responsibility for Financial Reporting**

The accompanying financial statements are the responsibility of management of Food Development Centre 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 judgments regarding all necessary estimates and all other data available as at June 26, 2020.

Management maintains internal controls to properly safeguard the assets of Food Development Centre 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 financial statements of Food Development Centre have been audited by Magnus LLP, Chartered Professional Accountants, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Food Development Centre are fairly presented, in all material respects, in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

### **On behalf of Management of Food Development Centre**

Original Document Signed

**Robin Young**  
Chief Operating Officer

Original Document Signed

**Mike Lalla**  
Manager of Support Services

## INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority  
and Food Development Centre

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Food Development Centre (the "Centre"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net financial assets/debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2020, and the results of its operations 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Centre 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's 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 auditor's 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 these financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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 Centre'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 Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Centre 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.

We 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.

June 26, 2020  
Winnipeg, Canada



Chartered Professional Accountants

**FOOD DEVELOPMENT CENTRE  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Financial Position

(in thousands)

March 31, 2020

	2020 Actual	2019 Actual
<b>Financial assets</b>		
Cash and cash equivalents	\$ 947	\$ -
Accounts receivable (Note 5)	534	456
Portfolio investments	41	41
	1,522	497
<b>Liabilities</b>		
Cash and cash equivalents overdraft	-	523
Accounts payable and accrued liabilities (Note 6)	121	283
Deferred revenue	94	106
Accrued vacation and overtime entitlements	274	224
Employee future benefits (Note 7)	430	401
Borrowings from the Province of Manitoba (Note 8)	-	175
	919	1,712
<b>Net financial assets (debt)</b>	603	(1,215)
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	6,595	7,357
Prepaid expenses	35	34
	6,630	7,391
<b>Accumulated surplus</b>	\$ 7,233	\$ 6,176

Designated assets (Note 10)

See accompanying notes to financial statements.

**FOOD DEVELOPMENT CENTRE  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Operations

(in thousands)

Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Revenue:			
Grants and contributions:			
Province of Manitoba operating grant	\$ 2,020	\$ 2,020	\$ 2,020
Province of Manitoba - other grants	1,300	2,183	1,279
	3,320	4,203	3,299
Fee for service (Note 11)	864	748	493
Administration fees (Note 12)	424	362	584
Lease revenue	136	77	48
Other revenue and recoveries	1	2	60
Investment income	2	1	5
	4,747	5,393	4,489
Expenses:			
Salaries and benefits	2,172	2,097	2,543
Supplies and project expenses	200	170	124
Purchased services	165	170	37
Travel and transportation	50	32	41
Courier and freight	35	12	15
Marketing	38	24	34
Library publications	18	8	8
Occupancy expenses	359	396	409
Administrative expenses (Schedule 1)	914	657	761
	3,951	3,566	3,972
Net income before the following:	796	1,827	517
Amortization of tangible capital assets	796	770	844
Loss on disposal of tangible capital assets (Note 9)	-	-	20
	796	770	864
Net income (loss) for the year	-	1,057	(347)
Accumulated surplus, beginning of year	5,986	6,176	6,523
Accumulated surplus, end of year	\$ 5,986	\$ 7,233	\$ 6,176

See accompanying notes to financial statements.

**FOOD DEVELOPMENT CENTRE  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Change in Net (Debt) Financial Assets

(in thousands)

Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Net income (loss) for the year	\$ -	\$ 1,057	\$ (347)
Tangible capital assets:			
Acquisition of tangible capital assets	(905)	(8)	(359)
Disposals and write-downs of tangible capital assets	-	-	23
Amortization of tangible capital assets	796	770	844
Net acquisition of tangible capital assets	(109)	762	508
Other non-financial assets:			
(Increase) in prepaid expenses	-	(1)	(14)
Net acquisition of other non-financial assets	-	(1)	(14)
Increase in net (debt) financial assets	(109)	1,818	147
Net (debt) financial assets, beginning of year	(1,173)	(1,215)	(1,362)
Net (debt) financial assets, end of year	\$ (1,282)	\$ 603	\$ (1,215)

See accompanying notes to financial statements.

**FOOD DEVELOPMENT CENTRE  
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Statement of Cash Flows

(in thousands)

Year ended March 31, 2020

	2020 Actual	2019 Actual
Cash provided by (applied to)		
Operating activities:		
Net income (loss) for the year	\$ 1,057	\$ (347)
Adjustments for:		
Amortization of tangible capital assets	770	844
Loss on disposal of tangible capital assets	-	20
	1,827	517
Changes in the following:		
Accounts receivable	(78)	(257)
Accounts payable and accrued liabilities	(162)	37
Deferred revenue	(12)	43
Accrued vacation and overtime entitlements	50	(35)
Employee future benefits	29	20
Prepaid expenses	(1)	(14)
Cash provided by operating activities	1,653	311
Capital activities:		
Acquisition of tangible capital assets	(8)	(359)
Proceeds on disposal of tangible capital assets	-	2
Cash (applied to) capital activities	(8)	(357)
Financing activities:		
Repayment of borrowings from the Province of Manitoba	(175)	(916)
Cash (applied to) financing activities	(175)	(916)
Change in cash and cash equivalents	1,470	(962)
Cash and cash equivalents, beginning of year	(523)	439
Cash and cash equivalents, end of year	\$ 947	\$ (523)

See accompanying notes to financial statements.

**FOOD DEVELOPMENT CENTRE  
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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

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**1. Nature of organization**

Established in 1978, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services including food product development, research, testing and assistance with technology transfer to enable the industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under *The Special Operating Agencies Financing Authority Act* made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Centre's operations. The Financing Authority finances the Centre through repayable loans and working capital advances. This financial framework enables the Centre to operate in a business-like manner according to public policy expectations. A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Centre at that time, assigned responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is part of the Department of Manitoba Agriculture and Resource Development (previously Manitoba Agriculture) under the general direction of the Assistant Deputy Minister and a General Manager/Chief Operating Officer, and ultimately the policy direction of the Deputy Minister and Minister. The Centre remains bound by relevant legislation and regulations. An Advisory Board with representation from the agri-food industry, private sector businesses, academia and Government provides advice on policy and operating activities.

**2. Basis of accounting**

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

**3. Summary of significant accounting policies**

**(a) Revenue**

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

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(in thousands)

Year ended March 31, 2020

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**3. Summary of significant accounting policies (continued)**

**(a) Revenue (continued)**

Fee for service

Fee for service revenue is recognized when the services provided are complete or substantially complete and when collection is reasonably assured.

Lease revenue

Lease revenue is recognized on the accrual basis according to the terms of the underlying lease agreement(s).

Administration fees

Administration fees are recognized on the accrual basis in accordance with the terms and conditions of the underlying agreement(s) and/or based on approvals by the respective parties to the agreement(s).

Other revenue

Investment income and all other revenue is recognized on the accrual basis.

**(b) Expenses**

All expenses incurred for goods and services are recorded on the accrual basis when the related goods or services are received.

**(c) Financial assets**

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

**(d) Liabilities**

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

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**3. Summary of significant accounting policies (continued)**

**(e) Non-financial assets**

Non-financial assets do not normally provide resources to discharge existing liabilities of the Centre. These assets are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

	<u>Method</u>	<u>Rate</u>
Equipment - commercial and product development	Straight-line	10-15 years
Computer hardware and software	Straight-line	5 years
Building improvements	Straight-line	25 years

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefits in future periods. The prepaid amount is recognized as an expense in the period the goods or services are consumed.

**(f) Financial instruments - measurement**

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Centre records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Centre also records its financial liabilities at cost, which include accounts payable and accrued liabilities and borrowings.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

**(g) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

**4. Working capital advances**

The Special Operating Agencies Financing Authority has provided the Centre with an authorized line of working capital of \$1,000 of which \$106 was used at March 31, 2020 (2019 - \$876).

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

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**5. Accounts receivable**

	2020	2019
Trade accounts receivable	\$ 325	\$ 216
Other receivables	15	-
Due from Canadian Agricultural Partnership (Note 12)	237	272
Allowance for doubtful accounts (Note 13)	(43)	(32)
	<u>\$ 534</u>	<u>\$ 456</u>

**6. Accounts payable and accrued liabilities**

	2020	2019
Trade payables and accrued liabilities	\$ 106	\$ 261
Provincial sales and goods and services taxes payable	15	22
	<u>\$ 121</u>	<u>\$ 283</u>

**7. Employee future benefits**

	2020	2019
Severance benefits	\$ 395	\$ 370
Sick pay benefits	35	31
	<u>\$ 430</u>	<u>\$ 401</u>

**Pension benefits**

Employees of the Centre are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act (CSSA)*, administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Centre, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Centre transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Centre was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for the year ended March 31, 2020 was \$181 (2019 - \$211). Under this agreement, the Centre has no further pension liability.

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

**7. Employee future benefits (continued)**

**Severance benefits**

Effective April 1, 1998, the Centre began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as at March 31, 2017. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Centre's actuarially determined net liability for accounting purposes as at March 31, 2020 is \$395 (2019 - \$370), with the total net actuarial losses of \$47 (2019 - \$47) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2017 valuation, and in the determination of the March 31, 2020 present value of the accrued severance benefit liability, are:

Annual rate of return:		
Inflation component	2.00%	(2019 - 2.00%)
Real rate of return	1.80%	(2019 - 1.80%)
	3.80%	(2019 - 3.80%)
Assumed salary increase rates:		
Annual productivity increase	1.00%	(2019 - 1.00%)
Annual general salary increase	2.75%	(2019 - 2.75%)
	3.75%	(2019 - 3.75%)

The severance benefit liability at March 31 includes the following components:

	2020	2019
Accrued benefit liability, beginning of year	\$ 409	\$ 389
Current period service costs	21	25
Interest on accrued severance benefits	16	15
Severance benefits paid	(16)	(20)
Accrued benefit liability, end of year	430	409
Less: unamortized actuarial losses	(35)	(39)
Severance benefit liability, end of year	\$ 395	\$ 370

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

**7. Employee future benefits (continued)**

Total severance benefits paid during the year ended March 31, 2020 were \$16 (2019 - \$20). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2020	2019
Current period service costs	\$ 21	\$ 25
Interest on accrued severance benefits	16	15
Amortization of actuarial losses over EARSL	4	3
<b>Total expense related to severance benefits</b>	<b>\$ 41</b>	<b>\$ 43</b>

**Sick pay benefits**

The Centre provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% (2019 - 5.00%) annual return and a 1.50% (2019 - 1.50%) annual salary increase. The Centre's sick leave benefit liability at March 31, 2020 is \$35 (2019 - \$31). The increase in the sick leave benefit liability of \$4 (2019 - decrease of \$3) represents the total sick leave benefit expense (recovery) for the year.

**8. Borrowings from the Province of Manitoba**

By virtue of the Management Agreement between the Financing Authority and the Minister of Rural Development, now Manitoba Agriculture, the Centre is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed below on behalf of the Centre.

Borrowings obtained through the use of the available Loan Act Authority are repayable in annual instalments of principal and interest as follows:

	2020	2019
5.625% repayable in annual instalments of \$175 principal plus interest, maturing in May 2019	-	175

Interest is measured using the effective interest method. During the year ended March 31, 2020, the Centre made principal payments of \$175 (2019 - \$741) on the loan with no scheduled principal repayments.

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

**9. Tangible capital assets**

	2020			
	Opening Balance	Additions	Write-downs/ Disposals	Closing Balance
<b>Cost</b>				
Equipment - commercial and product development	\$ 6,108	\$ 8	\$ -	\$ 6,116
Computer hardware and software	96	-	-	96
Building improvements	14,108	-	-	14,108
	<b>\$ 20,312</b>	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ 20,320</b>
<b>Accumulated Amortization</b>				
Equipment - commercial and product development	\$ (4,657)	\$ (259)	\$ -	\$ (4,916)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(8,202)	(511)	-	(8,713)
	<b>\$ (12,955)</b>	<b>\$ (770)</b>	<b>\$ -</b>	<b>\$ (13,725)</b>
<b>Net book value</b>	<b>\$ 7,357</b>	<b>\$ (762)</b>	<b>\$ -</b>	<b>\$ 6,595</b>

As at March 31, 2020, the total net book value of tangible capital assets not subject to amortization is \$106 (2019 - \$324).

	2019			
	Opening Balance	Additions	Disposals	Closing Balance
<b>Cost</b>				
Equipment - commercial and product development	\$ 6,150	\$ 359	\$ (401)	\$ 6,108
Computer hardware and software	96	-	-	96
Building improvements	14,108	-	-	14,108
	<b>\$ 20,354</b>	<b>\$ 359</b>	<b>\$ (401)</b>	<b>\$ 20,312</b>
<b>Accumulated Amortization</b>				
Equipment - commercial and product development	\$ (4,702)	\$ (333)	\$ 378	\$ (4,657)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(7,691)	(511)	-	(8,202)
	<b>\$ (12,489)</b>	<b>\$ (844)</b>	<b>\$ 378</b>	<b>\$ (12,955)</b>
<b>Net book value</b>	<b>\$ 7,865</b>	<b>\$ (485)</b>	<b>\$ (23)</b>	<b>\$ 7,357</b>

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

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**10. Designated assets**

The Centre has allocated \$41 (2019 - \$41) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Centre prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

**11. Fee for service revenue**

Included in fee for service revenue for the year is \$190 (2019 - \$100) from the National Research Council of Canada for funding received pursuant to shared cost contribution agreements for research and other project activities which directly benefit the agri-food industry and private sector business.

**12. Administration fees**

The Centre has been authorized to administer the non-business risk management programs under the joint Canada-Manitoba Canadian Agricultural Partnership Framework Agreement (CAP) on behalf of the Federal Government and to collect an administration fee for these services. During the year ended March 31, 2020, the Centre recognized total administration fee revenue of \$362 from administering CAP. Total administration fees in the prior year of \$584 included \$201 from administering CAP and \$383 from administering the completion of the former Growing Forward 2 activities.

**(a) Canadian Agricultural Partnership (CAP)**

The Centre's administration of CAP runs from April 1, 2018 to March 31, 2023. The administration fee pursuant to CAP is based on a similar cost recovery model as the former Growing Forward 2 and includes specified percentages of certain salaries and administrative expenses incurred by the Centre and a recovery of certain direct expenses. The total administration fees for the year recognized by the Centre for administering CAP were \$362 (2019 - \$201). The total amount receivable as at March 31, 2020 relating to CAP activities, including administration fees and direct expenses is \$237 (2019 - \$272). These amounts are non-interest bearing with no formal terms of repayment.

Although CAP is administered by the Centre, control of the funds received by the Centre for CAP activities remains with the Government of Canada, Department of Agriculture and Agri-Food. Therefore, the financial statements of CAP have not been consolidated into the financial statements of the Centre. As at March 31, 2020, the total cash on hand relating to CAP funding received is \$4,397 (2019 - \$8,704). These funds are not included in the financial statements of the Centre.

A summary of the CAP activity for the year ended March 31, 2020 is as follows:

Total funding received/advanced during the year	\$	18,541
Total expenditures during the year (including accruals)		<u>18,202</u>
Excess (deficiency) of funding over expenditures	\$	<u>339</u>

These amounts are not included in the financial statements of the Centre.

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(in thousands)

Year ended March 31, 2020

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**12. Administration fees (continued)**

**(b) Growing Forward 2**

The Centre had been authorized to administer the non-business risk management programs under the joint Canada-Manitoba Growing Forward 2 Framework Agreement and to collect an administration fee for these services. The Centre's administration of Growing Forward 2 ran from April 1, 2013 to March 31, 2018. Although the Centre's administration of Growing Forward 2 formally ended on March 31, 2018, administration activities continued into the prior year resulting in the Centre recognizing revenue of \$383 relating to the formal completion of Growing Forward 2 during the year ended March 31, 2019 with no amounts recognized during the current year.

**13. Financial instruments and financial risk management**

The Centre does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Centre did not incur any remeasurement gains or losses during the year (2019 - \$nil).

**Financial risk management – overview**

The Centre has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

**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 which potentially subject the Centre to credit risk are cash and cash equivalents, accounts receivable and portfolio investments.

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

	2020	2019
Cash and cash equivalents	\$ 947	\$ -
Accounts receivable	534	456
Portfolio investments	41	41
	<u>\$ 1,522</u>	<u>\$ 497</u>

Cash and cash equivalents and portfolio investments: The Centre is not exposed to significant credit risk as these amounts are held by a reputable Canadian financial institution and by the Minister of Finance.

Accounts receivable: The Centre is not exposed to significant credit risk as the balance is due from a large client base or related entities and payment in full is typically collected when due. The Centre manages this credit risk through close monitoring of any overdue accounts.

The Centre establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on 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.

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**FOOD DEVELOPMENT CENTRE  
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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

**13. Financial instruments and financial risk management (continued)**

The balance in the allowance for doubtful accounts as at March 31, 2020 is \$43 (2019 - \$32) with changes to the allowance for doubtful accounts during the year as follows:

	2020	2019
Balance, beginning of the year	\$ 32	\$ 181
Provision for receivable impairment	11	5
Amounts written off during the year	-	(154)
Balance, end of the year	\$ 43	\$ 32

Bad debt expense for the year ended March 31, 2020 includes \$nil of recoveries relating to accounts receivable balances previously written off (2019 - \$nil) for total bad debt expense for the year of \$11 (2019 - \$5).

The aging of accounts receivable and the related allowance for doubtful accounts as at March 31, 2020 is as follows:

	Accounts Receivable	Allowance	Net
Current	\$ 281	\$ -	\$ 281
30-60 days past the billing date	131	-	131
61-90 days past the billing date	44	-	44
Over 90 days past the billing date	121	(43)	78
Balance, end of the year	\$ 577	\$ (43)	\$ 534

**Liquidity risk**

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

The Centre 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 its obligations.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Centre's net income (loss) or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Centre is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

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**14. COVID-19 implications**

During March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Centre is unknown. Management is of the opinion that financial implications, if any, will be temporary and will not have a significant long-term impact on the Centre's operations as at the date of approval of these financial statements.

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**FOOD DEVELOPMENT CENTRE  
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Schedule of Administrative Expenses

Schedule 1

(in thousands)

Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Accreditation and licensing fees	\$ 8	\$ 2	\$ 6
Advisory committee fees	3	1	-
Bad debt expense	20	11	5
Bank charges	5	8	3
Building repairs and maintenance	70	31	39
Computer expenses	130	103	158
Equipment rental and repairs	93	92	104
Insurance	80	65	56
Interest on borrowings	10	-	11
Memberships	4	4	4
Office supplies and telephone	60	26	46
Professional fees	45	18	36
Property taxes	300	285	282
Research and development	-	2	-
Training	86	9	11
	\$ 914	\$ 657	\$ 761