

**MANITOBA EDUCATION, RESEARCH
AND LEARNING INFORMATION
NETWORKS**
**An Agency of the Government of
Manitoba**

Financial Statements
For the year ended March 31, 2020

**MANITOBA EDUCATION, RESEARCH AND LEARNING
INFORMATION NETWORKS**
An Agency of the Government of Manitoba

Financial Statements
For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

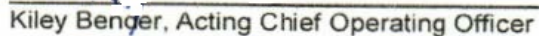
The accompanying financial statements are the responsibility of the management of the Manitoba Education, Research and Learning Information Networks (the "Agency") and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the date of the audit report.

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.

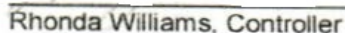
The responsibility of the external audit is to express an independent opinion on whether the financial statements of the Agency are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management of the Agency:

Original Document Signed


Kiley Bengert, Acting Chief Operating Officer

Original Document Signed


Rhonda Williams, Controller


Date



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Independent Auditor's Report

To the Special Operating Agencies Financing Authority

Opinion

We have audited the financial statements of **Manitoba Education, Research and Learning Information Networks, An Agency of the Government of Manitoba** (the "Agency"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net 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 Agency as at March 31, 2020, and its results of operations, its change in net debt 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 Agency 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 these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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.



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 expressing an opinion on the effectiveness of the Agency'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 Agency'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 Agency 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 14, 2020

**MANITOBA EDUCATION, RESEARCH AND LEARNING
INFORMATION NETWORKS**

**An Agency of the Government of Manitoba
Statement of Financial Position**

(In Thousands)

March 31	2020	2019
Financial Assets		
Cash and cash equivalents (Note 6)	\$ 1,008	\$ 1,101
Accounts receivable	568	567
Portfolio investments (Note 9)	47	47
	1,623	1,715
Liabilities		
Accounts payable and accruals	348	532
Unearned revenue	1,372	1,455
Employee future benefits (Note 7)	145	147
	1,865	2,134
Net debt	(242)	(419)
Non-financial Assets		
Prepaid expenses	594	787
Tangible capital assets (Note 8)	684	622
	1,278	1,409
Accumulated surplus	\$ 1,036	\$ 990

Commitments (Note 10)

**MANITOBA EDUCATION, RESEARCH AND LEARNING
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An Agency of the Government of Manitoba

Statement of Operations

(In Thousands)

For the year ended March 31	2020	2020	2019
	Budget	Actual	Actual
Revenue			
Fee for goods and services	\$ 5,439	\$ 5,344	\$ 5,501
Other	-	21	105
	<u>5,439</u>	<u>5,365</u>	<u>5,606</u>
Expense			
Advertising and promotion	16	18	13
Amortization of tangible capital assets	350	338	322
Audit and legal fees	14	13	11
Communication and bandwidth	264	221	190
Cost of purchases for resale	2,202	2,088	2,310
Course delivery	50	35	46
Equipment repair and maintenance	384	357	356
Manitoba Network connections	700	841	892
Occupancy	99	108	102
Office and miscellaneous	66	83	73
Professional development	20	3	21
Purchased services	-	43	54
Salaries and benefits	1,254	1,165	1,183
Travel	20	6	8
	<u>5,439</u>	<u>5,319</u>	<u>5,581</u>
Annual surplus	-	46	25
Accumulated surplus, beginning of year	<u>970</u>	<u>990</u>	<u>965</u>
Accumulated surplus, end of year	<u>\$ 970</u>	<u>\$ 1,036</u>	<u>\$ 990</u>

**MANITOBA EDUCATION, RESEARCH AND LEARNING
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**An Agency of the Government of Manitoba
Statement of Change in Net Debt**

(In Thousands)

For the year ended March 31	2020	2020	2019
	Budget	Actual	Actual
Annual surplus	\$ -	\$ 46	\$ 25
Tangible Capital Assets			
Acquisition of tangible capital assets	(400)	(400)	(306)
Amortization of tangible capital assets	350	338	322
Net acquisition of tangible capital assets	(50)	(62)	16
Other Non-financial Assets			
(Increase) decrease in prepaid expenses	-	193	(350)
Decrease in net debt	(50)	177	(309)
Net debt, beginning of year	(540)	(419)	(110)
Net debt, end of year	\$ (590)	\$ (242)	\$ (419)

**MANITOBA EDUCATION, RESEARCH AND LEARNING
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An Agency of the Government of Manitoba

Statement of Cash Flows

(In Thousands)

For the year ended March 31	2020	2019
Cash provided by (applied to):		
Operating Activities		
Annual surplus	\$ 46	\$ 25
Amortization of tangible capital assets	338	322
	<u>384</u>	<u>347</u>
Changes in:		
Accounts receivable	(1)	(41)
Accounts payable and accruals	(184)	62
Unearned revenue	(83)	(30)
Employee future benefits	(2)	(24)
Prepaid expenses	193	(350)
	<u>(77)</u>	<u>(36)</u>
Cash applied to operating activities		
	<u>(77)</u>	<u>(36)</u>
Capital Activities		
Acquisition of tangible capital assets	(400)	(306)
	<u>(400)</u>	<u>(306)</u>
Decrease in cash and cash equivalents	(93)	(342)
Cash and cash equivalents, beginning of year	1,101	1,443
	<u>1,101</u>	<u>1,443</u>
Cash and cash equivalents, end of year	\$ 1,008	\$ 1,101

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Notes to Financial Statements
(In Thousands)

For the year ended March 31, 2020

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2015, Agency operates as part of Finance under the general direction of the Assistant Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Finance assigns responsibility to the Agency to manage and account for Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Basis of Accounting

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

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(In Thousands)

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3. Significant Accounting Policies

a. Revenue

(i) 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.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

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3. Significant Accounting Policies (continued)

c. Financial Assets

(i) Portfolio Investments

Portfolio investments are short-term 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 prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

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

(i) Prepaid Expenses

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

(ii) Tangible Capital Assets

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

Computer hardware	25%, straight-line
Computer software	25%, straight-line
Equipment and furniture	20%, straight-line
Leaseholds	20%, straight-line

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3. Significant Accounting Policies (continued)

f. Measurement Uncertainty

The preparation of financial statements 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial Instruments and Financial Risk Management

Measurement

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

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

The Agency did not incur any remeasurement gains and losses during the years ended March 31, 2020 and 2019.

Financial Risk Management - Overview

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

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4. Financial Instruments and Financial Risk Management (continued)

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 Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

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

	<u>2020</u>		<u>2019</u>
Cash and cash equivalents	\$ 1,008	\$	1,101
Accounts receivable	568		567
Portfolio investments	47		47
Maximum exposure to credit risk	<u>\$ 1,623</u>	\$	<u>1,715</u>

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

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

The Agency 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.

The allowance for doubtful accounts balance at 2020 was \$5 (\$5 in 2019).

Liquidity Risk

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

The Agency 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.

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4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income 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 funds on deposit, and portfolio investments.

The interest rate risk on funds on deposit 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 Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working Capital Advances

The Agency has an authorized line of working capital advances up to \$2.0 million. As at March 31, 2020 working capital advances were \$NIL (\$NIL in 2019). The line bears interest at prime less 1% and is not secured by specific assets.

6. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of term deposits with maturities of up to three months.

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7. Employee Future Benefits

	2020	2019
Severance benefits	\$ 126	\$ 129
Sick pay benefits	19	18
	\$ 145	\$ 147

Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). 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 Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of their employees. The amount paid for 2020 was \$72 (\$83 in 2019). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998, the Agency 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 actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

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7. Employee Future Benefits (continued)

Severance Benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2017. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2020 was \$126 (\$129 in 2019), with an actuarial adjustment being amortized over the 15 year expected average remaining service life (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 obligation were:

Annual rate of return:	
Discount rate	<u>3.80%</u>
Annual salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	<u>2.75%</u>
	<u>3.75%</u>

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

	<u>2020</u>	2019
Accrued benefit liability		
Balance, beginning of year	\$ 165	\$ 194
Benefits accrued	5	5
Interest on accrued benefits	6	8
Severance paid	<u>(17)</u>	<u>(42)</u>
Balance, end of year	159	165
Less unamortized actuarial losses	<u>(33)</u>	<u>(36)</u>
Severance benefit liability	<u>\$ 126</u>	<u>\$ 129</u>

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7. Employee Future Benefits (continued)

Severance Benefits (continued)

The total expenses related to severance benefits at March 31 includes the following components:

	<u>2020</u>	<u>2019</u>
Interest on obligation	\$ 6	\$ 8
Current period benefit cost	5	5
Amortization of actuarial losses over EARSL	<u>3</u>	<u>2</u>
Total expense related to severance benefit	<u>\$ 14</u>	<u>\$ 15</u>

Sick Pay Benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement 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 3.60% discount rate and a 3.75% annual salary increase.

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(In Thousands)

For the year ended March 31, 2020

8. Tangible Capital Assets

	2020			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	\$ 2,642	\$ 400	\$ (746)	\$ 2,296
Computer software	132	-	(70)	62
Equipment and furniture	48	-	-	48
Leaseholds	20	-	-	20
	2,842	400	(816)	2,426
Accumulated Amortization				
Computer hardware	2,038	332	(746)	1,624
Computer software	116	6	(70)	52
Equipment and furniture	46	-	-	46
Leaseholds	20	-	-	20
	2,220	338	(816)	1,742
Net book value	\$ 622	\$ 62	\$ -	\$ 684
				2019
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	\$ 2,336	\$ 306	\$ -	\$ 2,642
Computer software	132	-	-	132
Equipment and furniture	48	-	-	48
Leaseholds	20	-	-	20
	2,536	306	-	2,842
Accumulated Amortization				
Computer hardware	1,725	313	-	2,038
Computer software	107	9	-	116
Equipment and furniture	46	-	-	46
Leaseholds	20	-	-	20
	1,898	322	-	2,220
Net book value	\$ 638	\$ (16)	\$ -	\$ 622

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(In Thousands)

For the year ended March 31, 2020

9. Designated Assets

The Agency has allocated \$47 (\$47 in 2019) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is reinvested annually.

10. Commitments

The agency has entered into a lease agreement for the rental of the building with The University of Manitoba until March 31, 2022. The estimated minimum lease payments for each of the next two years are as follows:

2021	\$428
2022	455

11. Uncertainty Related to COVID-19 Pandemic

The impact of COVID-19 in Canada and on the global economy increased significantly. As the impact of COVID-19 continue, there could be further impact on the Agency and its major customers, suppliers and related government agencies that could impact the timing and amounts realized on the Agency's assets and future profitability. Management is actively monitoring the effect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Agency is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.