

Annual Report 2017/18



**MINISTER
OF GROWTH, ENTERPRISE AND TRADE**

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

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

May It Please Your Honour:

It is my privilege to present for the information of Your Honour the Annual Report for
Entrepreneurship Manitoba for the fiscal year ended March 31, 2018.



Respectfully submitted,

Original signed by

Blaine Pedersen
Minister



Deputy Minister for Growth, Enterprise and Trade
Room 352, Legislative Building
Winnipeg, Manitoba, Canada R3C 0V8
T 204-945-5600 F 204-948-2203
www.manitoba.ca

The Honourable Blaine Pedersen
Minister of Growth, Enterprise and Trade
Room 358, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour to submit for your consideration the Entrepreneurship Manitoba Annual Report for the fiscal year ended March 31, 2018.

This report outlines the financial results, activities and achievements of the Agency during its fifth year of operation.

Respectfully submitted,

Original signed by

Dave Dyson
Deputy Minister



Entrepreneurship Manitoba
910-259 Portage Avenue
Winnipeg MB R3B 3P4

Dave Dyson
Deputy Minister
Growth, Enterprise and Trade
Room 352, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Dyson:

I am pleased to submit for your review Entrepreneurship Manitoba's 2017/18 Annual Report for the fiscal year ended March 31, 2018.

In 2017/18 Entrepreneurship Manitoba generated an operating net profit before transfer of funds to the Province of \$4.98M.

In July 2017, the Agency's Companies Office Division successfully launched its Companies Online System, improving customer service delivery by enabling entrepreneurs to submit a variety of business and corporate filings via the internet. Within the first nine months of implementation, an average of 55 per cent of Articles of Incorporation and 59 per cent of Business Name Registrations were filed online demonstrating it is more convenient for the public to establish new businesses.

Looking forward to 2018/19, Entrepreneurship Manitoba will continue to align its operations with government priorities.

Sincerely,

Original signed by

Melissa Ballantyne
A / Chief Operating Officer

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Agency Overview and Historic Perspective

AGENCY OVERVIEW AND HISTORICAL PERSPECTIVE

HISTORICAL PERSPECTIVE

Entrepreneurship Manitoba began operations April 1, 2013, as a special operating agency integrating the operations of the Companies Office, Manitoba Growth, Enterprise and Trade's Small Business Development Branch and Competitiveness Initiatives Branch, and the Business Settlement Office of the Business Immigration and Investment Branch.

Special Operating Agencies (SOAs) are service operations within government granted more direct responsibility for results and increased management flexibility needed to reach new levels of performance. Through strengthened accountability to their Minister and central government, they strive to improve the delivery of services by:

- ensuring operations are clearly defined and well understood;
- setting demanding performance goals and developing strategies for attaining them;
- applying the best public sector management practices; and
- monitoring performance to ensure continuous progress toward goals.

MANDATE

Entrepreneurship Manitoba was established to provide an integrated suite of programs and innovative service improvements for entrepreneurs and businesses within the parameters of a special operating agency. Entrepreneurship Manitoba is responsible for the administration of the following Manitoba legislation:

- *The Partnership Act*
- *The Corporations Act*
- *The Business Names Registration Act*
- *The Electronic Commerce and Information Act*
- *The Ukrainian Catholic Parishes Incorporation Act*
- *The Religious Societies' Lands Act*, and
- *The Manitoba Evidence Act.*

AGENCY MISSION STATEMENT

Entrepreneurship Manitoba's mission and goals are reflected in its mission statement:

To provide services to support and enhance the growth of Manitoba's entrepreneurial and business community.

AGENCY GOALS

The operational goals for 2017/18 were:

- To deliver timely and efficient company registry services.
- To provide counselling, training, financial, and related services to Manitoba's entrepreneurial and small business community.
- To champion and lead initiatives that streamline and improve the delivery of government services to entrepreneurs and businesses.
- To assist immigrant investors to integrate into Manitoba's economy.
- To accurately appoint and authenticate Notaries Public and Commissioners for Oaths consistent with existing legislation and mandates.

AGENCY VALUES

The Agency's values are:

- **Trust and mutual respect;**
- **Engagement of management and staff** to deliver excellent and innovative service to our clients;
- **Prudent stewardship of resources** in the best interest of the province and its citizens;
- **Service excellence** and a commitment to deliver timely, accurate and complete information and services in a courteous manner and by fostering and maintaining a client-centred focus throughout the organization; and,
- Improving services that are of the highest priority for entrepreneurs and business clients through **service innovation.**

STRUCTURE FOR OPERATIONS

ACCOUNTABILITY STRUCTURE

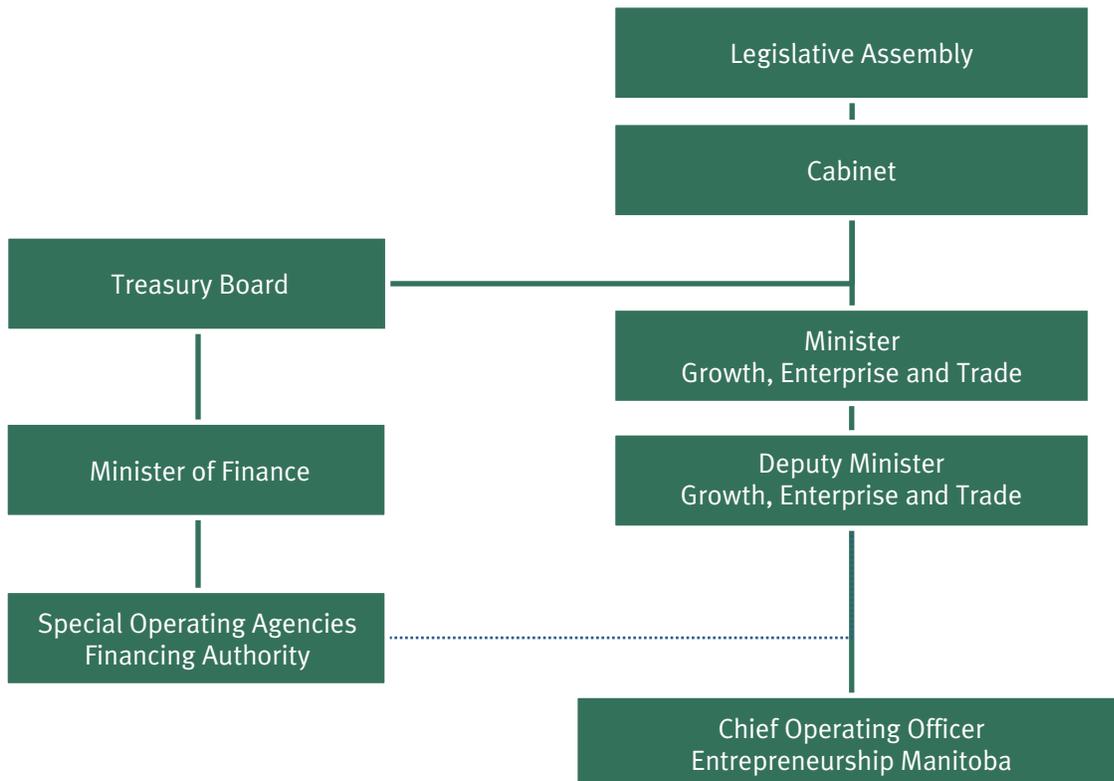
Entrepreneurship Manitoba reports directly to the Deputy Minister of Manitoba Growth, Enterprise and Trade, and is held accountable to the Minister for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

Governance and accountability are substantiated by Entrepreneurship Manitoba's compliance with its *Operating Charter*, *Transfer Agreement*, applicable *General Manual of Administration policies*, and by *The Special Operating Agencies Financing Authority Act*. Financial and operational information and requirements are disseminated to and from Treasury Board through a Special Operating Agency Coordinator at Treasury Board Secretariat.

The Accountability Structure presented below outlines the structure as of March 31, 2018:

ENTREPRENEURSHIP MANITOBA ACCOUNTABILITY STRUCTURE CHART MARCH 31, 2018



Management and Administration

MANAGEMENT AND ADMINISTRATION

As of April 1, 2017, Entrepreneurship Manitoba's Executive Management Team consisted of a Chief Operating Officer, a Chief Financial Officer, and Senior Management.

Reporting to the Deputy Minister of Manitoba Growth, Enterprise and Trade, the Chief Operating Officer provides overall direction and guidance to the Agency.

Reporting to the Chief Operating Officer, the Chief Financial Officer is responsible for the implementation and effective management of the financial and comptrollership functions within the Agency.

Highlights and Achievements

2017/2018 INITIATIVES

HIGHLIGHTS AND ACHIEVEMENTS 2017/18

COMPANIES ONLINE SYSTEM

Entrepreneurship Manitoba has modernized its paper-based registry system with a new customized Companies Online System (COS) that allows for electronic filings and online self-service. In July 2017, Entrepreneurship Manitoba successfully launched the COS, with full online functionality implemented in September 2017.

The system has improved customer service delivery by enabling entrepreneurs to file name reservations, business registrations and other transactions through a new online interface. In the first nine months of COS implementation, the Companies Office has seen an average of 55 per cent of the Articles of Incorporation and 59 per cent of Business Name Registrations filed online.

The COS generates operational efficiencies by reducing processing times and ensures accurate information and data collection. The COS is a transformational tool, increasing direct access to the Companies Office to all Manitobans, including rural and northern Manitoba residents. The COS reduces barriers and increases service efficiency, resulting in cost savings for Manitoba businesses.

BIZPAL MANITOBA – ONLINE SERVICE ENHANCEMENTS

Entrepreneurship Manitoba's BizPaL initiative, an online business service tool that simplifies access to information about business permits, licences and regulatory requirements, continued to work in collaboration with Manitoba's municipalities to enhance the online system.

In 2017/18, seven municipalities were onboarded to the BizPaL platform, including Rossburn, Russell-Binscarth, Melita, Two Borders, Winnipeg Beach, Yellowhead and The Pas. These additions bring the total number of partnering municipalities to 68, representing access to nearly 80 per cent of Manitoba's population. BizPaL Manitoba continues to support red tape reduction and improved online access to business information for entrepreneurs throughout Manitoba.

MANITOBA BUSINESS LINKS

In 2017/18, Entrepreneurship Manitoba continued to expand the use of the Business Number in Manitoba. In January 2018, the Insurance Corporation Tax Act was added to the Taxation Division's suite of participating programs. As well, Manitoba Business Links supported Workplace Safety and Health in their ongoing process to become a Business Number partner.

Summary of Operational Activities / Performance Indicators

SUMMARY OF OPERATIONAL ACTIVITIES / PERFORMANCE INDICATORS

REQUESTS FOR SERVICE – COMPANIES OFFICE

The table below outlines key service requests fulfilled by Companies Office in 2017/18 and in prior years.

Comparative Operating Statistics					
	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
New Incorporations	5,077	4,943	4,896	4,593	5,012
Amendments	1,181	1,454	1,314	1,248	1,242
New Registrations – Non Manitoba Corporations	1,043	1,052	1,055	951	1,025
Business Name Registrations	7,011	7,437	7,001	6,614	6,876
Personal Counter Searches of Corporate and Business Files	2,845	3,452	3,806	3,809	4,801
Name Reservations Requests	16,872	16,430	16,128	15,700	15,672
Name Reservations Requests Filed Online	9,886	nil	nil	nil	nil
Annual Returns Processed	77,654	73,818	69,145	74,146	64,943
Annual Returns Filed Online	24,319	nil	nil	nil	nil
Customers Served at Counter	25,661	26,006	27,257	29,200	23,673
Active Corporate and Business Name Records	132,990	131,002	127,517	124,430	133,120
Online File Summaries	76,651	nil	nil	nil	nil

Between July 2017 and March 2018, a total of 125,851 transactions were filed on the new Companies Online System.

The first level of appeal for name registration decisions is to the Deputy Director (Legal). During the fiscal year, there were 17 objections to both registered and unregistered names.

PERFORMANCE INDICATORS – COMPANIES OFFICE

The Companies Office endeavours to process customer service requests in an efficient and effective manner. The Agency continues to work diligently to improve processing times through investments in technology, by seeking out processing efficiencies where possible, and by a more nimble approach to staff assignment and redeployment.

Registry Services Processing Times

OBJECTIVES	CRITICAL SUCCESS FACTORS	PERFORMANCE MEASURES	PERFORMANCE TARGETS March 31, 2018	RESULTS March 31, 2018
To process customer service requests in an efficient and effective manner.	Employ strategies that will decrease cycle time.	Cycle time for processing: a) Business Name Registrations b) Corporate Documents c) Annual Returns	a) Business Name Registrations: Online – 2 working days Paper – 3 working days b) Incorporations: Online – 2 working days Paper – 3 working days c) Annual Returns: Online – same day Paper – 7 working days	a) Business Name Registrations: Online – 1 working day Paper – 7 working days b) Incorporations: Online – 1 working day Paper – 8 working days c) Annual Returns: Online – same day Paper – 7 working days

ENTREPRENEURSHIP MANITOBA'S PERFORMANCE OUTCOMES

In 2017/18, the Business Services Division assisted clients in the areas of business information, business counselling and skills development on various topics including start-up, growth, business succession, financing, marketing and human resource management.

Furthermore, the Business Start Loan Guarantee Program supported 55 new business through loan guarantees valued at \$1.6M, resulting in the creation of 177 new jobs in Manitoba. To support the education component of loan guarantee program, the Agency delivered 20 Three-day Business Planning Workshops to 450 participants in Winnipeg and rural Manitoba.

The Business Settlement Office facilitated 50 business investments by business immigrants for a total investment of \$15.1M.

Performance Outcomes				
OBJECTIVES	CRITICAL SUCCESS FACTORS	PERFORMANCE MEASURES	PERFORMANCE TARGETS March 31, 2018	RESULTS March 31, 2018
Manitoba Business Start Loan Guarantee Program Provide Manitoba businesses access to working capital to start a business	Partnerships with lenders and level of participation by lenders Public awareness	Number of jobs created under the Business Start Loan Guarantee Program Financing and investment dollars leveraged through the Business Start Loan Guarantee Program	Creation of 100 full-time and part-time jobs Provide access to funding to approximately 35 business start clients for total aggregate loan guarantee financing of \$1.0M	177 full-time and part-time jobs 55 loans for a total aggregate loan guarantee financing of \$1.6M.
Increase the number of business immigrants from the MPNP that fulfill program requirements	Businesses started	Number of businesses that are started according to terms and conditions; percentage of all case files that are closed with a successful start of a business.	70 refunds	50 refunds 21 new businesses 25 existing businesses (acquired) \$15.1M in initial investments
Three-day Business Planning Workshop	Provide workshops which: (1) are good quality (2) present appropriate topics (3) have knowledgeable speakers	Number of Business Planning Workshops delivered in Winnipeg and rural Manitoba Number of participants at Business Planning Workshop	Delivery of 23 Business Planning Workshops in Winnipeg and rural Manitoba Attended by approximately 440 participants	20 Business Planning Workshops 450 participants

BUSINESS IMMIGRATION SERVICES

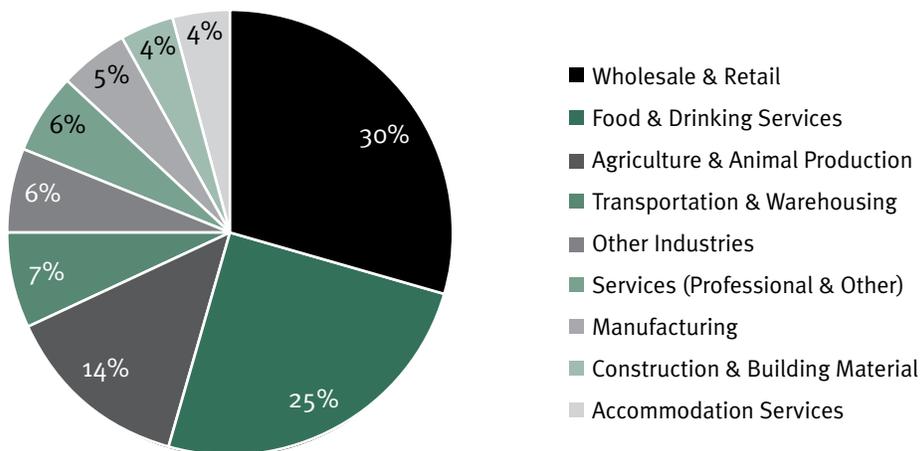
In 2017/18, Entrepreneurship Manitoba facilitated 50 investments resulting in 46 new and existing businesses originating from the business stream of the Manitoba Provincial Nominee Program and creating 69 new jobs while retaining 85 jobs throughout Manitoba's communities.

The 46 businesses resulted in 21 new start-ups and 25 business acquisitions, primarily in wholesale & retail, transportation and food & drinking services.

Initial Business Investments	2017/2018	Since inception
No. of investments	50	941
Value (ooo)	\$15,106	\$308,685
Deposits released (ooo)	\$4,025	\$71,304

Job Creation 2017/2018	New	Existing (acquisitions)
Businesses	21	25
Jobs	69	85

MANITOBA PROVINCIAL NOMINEE PROGRAM FOR BUSINESS INVESTMENTS BY INDUSTRIES SINCE INCEPTION ENDING MARCH 31, 2018



Financial Results

Summary of Financial Results

Revenue

Expenses

SUMMARY OF FINANCIAL RESULTS

Entrepreneurship Manitoba reported revenues of \$11,994 an increase of \$640 over budget, and a net income from operations of \$4,978, an increase of \$1,975 over budget, for the year ended March 31, 2018.

Entrepreneurship Manitoba 2017/18 Financial Summary (in thousands)			
	ACTUAL 2017/2018	BUDGET 2017/2018	OVER (UNDER) BUDGET
Total Net Revenue	\$11,994	\$11,354	\$640
Salaries and Benefits	4,072	4,694	(622)
Operating Expenses	2,712	3,420	(708)
Amortization	232	237	(5)
Income from Operations	4,978	3,003	1,975
Transfer of Funds to the Province of Manitoba	7,609	7,840	(231)
Net Income (Deficit)	(2,631)	(4,837)	(2,206)

REVENUE

Total net revenue for the year ended March 31, 2018 was \$11,994 or \$640 greater than budget. An increase in filings at the Companies Office accounts for the difference.

EXPENSES

The following is an explanation of significant variances to budget.

Actual to Budget

- a) The following expenses were lower as a result of the delayed implementation of the Companies Office new system:
 - bank charges (\$120)
 - new system maintenance (\$278)
- b) Salaries and Benefits were \$622 less than budget due to vacancies that were not filled during the year.

Financial Statements

Management's Responsibility

Independent Auditors' Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Operating Expenses

Management's Responsibility

To the Special Operating Agencies Financing Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

MNP LLP is appointed to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with management to discuss their audit findings.

July 13, 2018

Signed "Jeff Hodge"
Chief Executive Officer

Signed "Jason Lacasse"
Chief Financial Officer

Independent Auditors' Report

To the Special Operating Agencies Financing Authority and Entrepreneurship Manitoba:

We have audited the accompanying financial statements of Entrepreneurship Manitoba, a Special Operating Agency of the Government of the Province of Manitoba, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Winnipeg, Manitoba

July 13, 2018

Original signed by

Chartered Professional Accountants

Entrepreneurship Manitoba Statement of Financial Position

*As at March 31, 2018
(in thousands of dollars)*

	2018	2017
Financial assets		
Current		
Cash and cash equivalents	6,454	8,673
Accounts receivable	166	305
Portfolio investments <i>(Note 3)</i>	219	738
Total financial assets	6,839	9,716
Liabilities		
Current		
Accounts payable and accruals	260	393
Deferred revenue	376	-
Accrued vacation entitlements	457	433
Provision for loan guarantees <i>(Note 4)</i>	922	879
Employee future benefits <i>(Note 5)</i>	449	455
Borrowings from the Province of Manitoba <i>(Note 6)</i>	1,187	1,517
Total financial liabilities	3,651	3,677
Net financial assets	3,188	6,039
Designated assets <i>(Note 8)</i>		
Non-financial assets		
Tangible capital assets <i>(Note 7)</i>	6,571	6,349
Inventories of supplies	33	35
Prepaid expenses	11	11
Total non-financial assets	6,615	6,395
Accumulated surplus	9,803	12,434

The accompanying notes are an integral part of these financial statements

Entrepreneurship Manitoba
Statement of Operations
For the year ended March 31, 2018
(in thousands of dollars)

	2018 Budget	2018	2017
Revenue			
Fees and services	9,574	10,188	10,293
Immigration settlement transfer	1,750	1,750	1,750
Investment income	30	56	35
	11,354	11,994	12,078
Expenses			
Amortization	237	232	6
Operating expenses (Schedule 1)	3,420	2,712	3,225
Salaries and employee benefits	4,694	4,072	4,123
	8,351	7,016	7,354
Net income before transfer to the Province of Manitoba	3,003	4,978	4,724
Transfer to the Province of Manitoba (Note 9)	7,840	7,609	2,500
Net income (loss) for the year	(4,837)	(2,631)	2,224
Accumulated surplus, beginning of year	10,726	12,434	10,210
Accumulated surplus, end of year	5,889	9,803	12,434

The accompanying notes are an integral part of these financial statements

Entrepreneurship Manitoba
Statement of Change in Net Financial Assets
For the year ended March 31, 2018
(in thousands of dollars)

	2018 Budget	2018	2017
Net income (loss) for the year	(4,837)	(2,631)	2,224
Acquisition of tangible capital assets	(300)	(454)	(1,095)
Amortization of tangible capital assets	237	232	6
Net acquisition of tangible capital assets	(63)	(222)	(1,089)
Change in inventories of supplies during the year	-	2	4
Net acquisition of other non-financial assets	-	2	4
Increase (decrease) in net financial assets	(4,900)	(2,851)	1,139
Net financial assets, beginning of year	4,069	6,039	4,900
Net financial assets, end of year	(831)	3,188	6,039

The accompanying notes are an integral part of these financial statements

Entrepreneurship Manitoba
Statement of Cash Flows
For the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Net income (loss) for the year	(2,631)	2,224
Non-cash items		
Amortization	232	6
	(2,399)	2,230
Changes in working capital accounts		
Accounts receivable	139	19
Accounts payable and accrued liabilities	(133)	(558)
Deferred revenue	376	-
Accrued vacation entitlements	24	(50)
Provision for loan guarantees	43	48
Employee future benefits	(6)	(41)
Inventories of supplies	2	4
	(1,954)	1,652
Financing activity		
Repayment of borrowings from the Province of Manitoba	(330)	(330)
Capital activity		
Acquisition of tangible capital assets	(454)	(1,095)
Investing activity		
Change in portfolio investments	519	(3)
Increase (decrease) in cash and cash equivalents	(2,219)	224
Cash and cash equivalents, beginning of year	8,673	8,449
Cash and cash equivalents, end of year	6,454	8,673

The accompanying notes are an integral part of these financial statements

1. Operations

Effective April 1, 2013, Entrepreneurship Manitoba (the "Agency") commenced operations as a Government of Manitoba Special Operating Agency ("SOA") under *The Special Operating Agencies Financing Authority Act* (C.C.S.M cS185) by Order in Council No. 78/2013. The Agency integrates the operations of the former Companies Office and Manitoba Jobs and the Economy's Small Business Development Branch, Competitiveness Initiatives Branch and the Business Settlement Office of the Business Immigration and Investment Branch.

The Agency is in the department of Growth Enterprise and Trade and is under the policy direction of the Minister and the Deputy Minister. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its operating charter in order to meet business objectives.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Revenue recognition

Fees and services

Fees and services revenue is recognized when the rendering of services is complete or substantially complete and when collection is reasonably assured.

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.

Other revenue

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

Expenses

Expenses

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

Government transfers

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

2. Significant accounting policies *(Continued from previous page)*

Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits 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 deposits or investments with original maturities of greater than three months. These investments are recognized at cost.

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.

Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Agency. These amounts 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:

	Method	Rate
System development costs	straight-line	15 years
Furniture and fixtures	straight-line	5 years
Computer equipment and software	straight-line	5 years
Leasehold improvements	straight-line	5 years
Office equipment	straight-line	5 years

In the year of acquisition amortization is taken at one-half of the rates noted above.

Prepaid expenses

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

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the period the supplies are used or consumed.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Entrepreneurship Manitoba Notes to the Financial Statements

For the year ended March 31, 2018
(in thousands of dollars)

2. Significant accounting policies (Continued from previous page)

Areas requiring the use of significant estimates include the allowance for accounts receivable deemed uncollectible, useful lives of tangible capital assets, provisions for loan guarantees and employee future benefits. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provisions recognized. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

3. Portfolio investments

Portfolio investments consist of deposits held with the Province of Manitoba, bearing interest at rates ranging from 1.17% to 1.72% per annum (2017 - 0.63% to 0.69% per annum), maturing between April 2018 and March 2019 (2017 - April 2017 and March 2018). Amounts with original maturities of three months or less are included in cash and cash equivalents.

4. Provision for loan guarantees

Effective April 1, 2013, responsibility for the Province's Manitoba Business Start Loan Guarantee Program was transferred to the Agency. Losses on these loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when the amount of the anticipated loss can be reasonably estimated. The amount of the provision for loan losses is determined by taking into consideration the Program's historical loss experience and current economic conditions. Any increase or decrease in the provision is recognized in operating expenses for the year.

Under *The Loan Act*, the Province guarantees loans up to \$30 each made by participating financial institutions to new owner-managed businesses operating in Manitoba. Business Start Loans are five year term loans at prime plus 1.00% interest with a one year deferral on principal repayment. In the event of a Business Start Loan default within the five year term, the lender can make a claim for the outstanding loan balance and up to 120 days of interest. When the Agency makes a claim payment, the lender will assign the defaulted loan to the Agency, which allows for potential recovery from the borrower by the Agency.

As at March 31, 2018, there is a revolving authorized limit of \$5,000, with debt totaling \$4,191 (2017 - \$3,779) being guaranteed under the Manitoba Business Start Loan Guarantee Program.

As at March 31, 2018, the Agency has recorded a provision of \$922 for these loan guarantees (2017 - \$879). The increase in the provision of \$43 (2017 - \$48) represents the loan guarantee losses recognized as an expense during the year. In addition, the Agency made total loan guarantee payments during the year of \$159 (2017 - \$227) for total loan guarantee losses and payments during the year of \$202 (2017 - \$275).

As at March 31, 2018, no amounts receivable relating to defaulted loans assigned to the Agency are included in these financial statements due to the uncertainty of recovering any amounts relating to these defaulted loans (2017 - \$nil). Recoveries, if any, will be recognized in the period in which payments are received.

5. Employee future benefits

Included in employee future benefits are severance benefits of \$390 (2017 - \$396) and sick pay benefits of \$59 (2017 - \$59).

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. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government of the Province of Manitoba (the "Province"), including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2018 was \$253 (2017 - \$275). Under this agreement, the Agency has no further pension liability.

Entrepreneurship Manitoba
Notes to the Financial Statements
For the year ended March 31, 2018
(in thousands of dollars)

5. Employee future benefits *(Continued from previous page)*

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance benefit obligation 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 ("EARSL") of the related employee group.

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. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2018 is \$390 (2017 - \$396), with the total actuarial losses of \$128 (2017 - \$168) 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, 2018 present value of the accrued severance benefit obligation include an annual rate of return of 3.80% (2017 - 6.00%) and annual salary increases of 2.75% (2017 - 3.75%).

The severance liability as at March 31, 2018 includes the following components:

	2018	2017
Accrued benefit liability, beginning of year	499	551
Current period service costs	31	33
Interest on accrued benefits	24	28
Severance benefits paid	(72)	(113)
<hr/>		
Accrued benefit liability, end of year	482	499
Less: unamortized actuarial losses	(92)	(103)
<hr/>		
Severance benefit liability, end of year	390	396

The total expense related to severance benefits for the year ended March 31, 2018 includes current period service costs of \$31 (2017 - \$28), interest on accrued benefits of \$24 (2017 - \$33) and amortization of actuarial losses over EARSL of \$11 (2017 - \$11), for a total expense related to severance benefits of \$66 (2017 - \$72).

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability 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 6.00% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2018 based on the valuation model is \$59 (2017 - \$59). The increase in the sick leave liability of \$nil (2017 - \$nil) represents the total sick leave benefit expense for the year.

Entrepreneurship Manitoba Notes to the Financial Statements

*For the year ended March 31, 2018
(in thousands of dollars)*

6. Borrowings from the Province of Manitoba

By virtue of the Management Agreement, the Agency 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 Agency.

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

	2018	2017
Loan repayable in quarterly instalments of \$33 plus interest at 4.00% per annum, maturing in 2021	399	532
Loan repayable in quarterly instalments of \$49 plus interest at 3.00% per annum, maturing in 2022	788	985
	1,187	1,517

Interest is measured using the effective interest method. Approximate scheduled principal payments in each of the next four years are as follows (in thousands):

2019	330
2020	330
2021	330
2022	197

7. Tangible capital assets

	Cost	Additions	Disposals	Accumulated amortization	2018 Net book value
System development costs	6,330	454	-	229	6,555
Furniture and fixtures	151	-	-	143	8
Computer equipment and software	118	-	-	118	-
Leasehold improvements	40	-	-	40	-
Office equipment	27	-	-	19	8
	6,666	454	-	549	6,571

	Cost	Additions	Disposals	Accumulated amortization	2017 Net book value
System development costs	5,245	1,085	-	-	6,330
Furniture and fixtures	146	5	-	141	10
Computer equipment and software	118	-	-	118	-
Leasehold improvements	40	-	-	40	-
Office equipment	22	5	-	18	9
	5,571	1,095	-	317	6,349

8. Designated assets

As at March 31, 2018, the Agency has a total of \$1,075 (2017 - \$1,075) of its cash and cash equivalents and portfolio investments designated for specific purposes as described below.

The Agency has allocated \$218 of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the former Companies Office prior to its designation as a Special Operating Agency and the severance pay benefits accumulated to March 31, 1998 for certain employees. In addition, \$213 was received from the Province of Manitoba for vacation and severance benefits transferred to the Agency relating to the reorganization effective April 1, 2013. These amounts are held in interest bearing trust accounts until the cash is required to discharge the related liabilities for severance and vacation entitlements. Any unused balance is re-invested annually.

Also relating to the reorganization effective April 1, 2013, \$644 was received from the Province of Manitoba for the total provision for loan guarantees transferred to the Agency as of this date. This amount is also held in an interest bearing account until cash is required to discharge the related liabilities for loan guarantees.

9. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred \$7,609 (2017 - \$2,500) of its surplus funds to the Province of Manitoba. These amounts are recorded as an expense in the statement of operations.

10. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2017 - \$nil).

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

The carrying amount of the Agency's cash and cash equivalents, accounts receivable and portfolio investments best represents the maximum exposure to credit risk.

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

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable 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 any overdue accounts.

The Agency establishes an allowance for doubtful accounts that best 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.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2018 is \$nil (2017 - \$nil). The entire balance of accounts receivable was current as of March 31, 2018.

Liquidity risk

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

The Agency manages the 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.

10. Financial instruments and financial risk management *(Continued from previous page)*

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 cash and cash equivalents and portfolio investments.

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

The Agency manages its interest rate risk on borrowings through the exclusive use of fixed rate terms for its borrowings.

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 currency exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

Entrepreneurship Manitoba
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
Advertising and brochures	-	17
Audit fees	12	6
BSI allocation	195	502
Bad debts	-	1
Bank and credit card charges	84	77
Commissioner for Oath and Notary Public fees	133	148
Communications and telephone	74	73
Computer expenses	82	238
Computer programming	123	248
Conference and convention registration fees	4	1
Desktop support costs	253	237
Disaster recovery and electronic storage	60	47
Education and training expenses	5	16
Equipment maintenance and rentals	7	6
Grants and sponsorships	1	68
Hall rentals	10	15
Hospitality	-	1
Insurance	13	13
Interest on long-term debt	47	58
Legal services	25	68
Library materials	11	18
Loan guarantee losses and payments	202	275
Manitoba Business Links - net of recoveries	323	201
Miscellaneous	83	82
Name search applications	221	167
New system maintenance	125	-
Occupancy	293	299
Payroll processing	21	22
Postage and courier	116	81
Promotional materials	1	1
Publications	3	18
Seminar hall rental	2	13
Stationery	81	100
Subscriptions	10	25
Translation services	1	-
Travel and transportation	62	40
Website hosting fees	4	-
Workshops	25	43
	2,712	3,225

