

Annual Report 2020/21



MINISTER OF
FINANCE

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, 2021.

Respectfully submitted,

A blue ink signature of Scott Fielding, written in a cursive style, is positioned above the name and title of the Minister of Finance.

Honourable Scott Fielding
Minister of Finance



Finance

Deputy Minister
Room 109, Legislative Building, Winnipeg, MB, R3C 0V8
www.gov.mb.ca

Honourable Scott Fielding
Minister of Finance
Room 103 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Fielding:

I have the honour to submit for your consideration the Entrepreneurship Manitoba Annual Report for the fiscal year ended March 31, 2021

Entrepreneurship Manitoba continues to progress in the priority area of enhanced online services that support Manitoba's business community. This report outlines the financial results, activities and achievements of the Agency.

Respectfully submitted,

Richard Groen
Deputy Minister



Entrepreneurship Manitoba
1010 – 405 Broadway
Winnipeg MB R3C 3L6

Mr. Richard Groen
Deputy Minister Finance
109 – 450 Broadway
Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Groen

I am pleased to submit for your review Entrepreneurship Manitoba's 2020/21 Annual Report for the fiscal year ended March 31, 2021.

In 2020/21, the Agency was successful in all facets of its service offerings, generating an operating net profit \$8,209.

Looking forward to 2021/22, Entrepreneurship Manitoba will continue to strategically implement improvements to gradually increase the number of online filings, reduce processing times for customers and increase efficiency across its various types of filings and procedures.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Gerbrandt", with a stylized flourish at the end.

Dawn Gerbrandt
A / Chief Operating Officer



table of contents

Agency Overview and Historical Perspective	
<i>Historical Perspective</i>	8
<i>Mandate</i>	8
<i>Mission Statement</i>	9
<i>Goals</i>	9
<i>Values</i>	9
<i>Accountability Structure</i>	10
<i>Management and Administration</i>	11
Highlights and Achievements	
<i>New West Partnership Trade Agreement (NWPTA)</i>	14
<i>Multi-Jurisdictional Registry Access Service (MRAS)</i>	14
<i>Transformation</i>	15
<i>Digital Registry</i>	16
<i>Beneficial Ownership</i>	16
<i>Cooperative Registry</i>	17
Summary of Operational Activities / Performance Indicators	
<i>Comparative Operating Statistics</i>	20
Financial Results	
<i>Summary of Financial Results</i>	24
Financial Statements	
<i>Management's Responsibility</i>	27
<i>Independent Auditors' Report</i>	28
<i>Statement of Financial Position</i>	30
<i>Statement of Operations</i>	31
<i>Statement of Change in Net Financial Assets</i>	32
<i>Statement of Cash Flows</i>	33
<i>Notes to the Financial Statements</i>	34
<i>Schedule of Operating Expenses</i>	40

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, Competitiveness Initiatives Branch, and the Business Settlement Office of the Business Immigration and Investment Branch. By the end of 2018/19, Growth, Enterprise and Trade reorganized to include Companies Office and Commissioner of Oaths and Notary Public Office. In the fall of 2019, Entrepreneurship Manitoba joined the Department of Finance.

MANDATE

Entrepreneurship Manitoba delivers service to the entrepreneurial and legal community in Manitoba and is responsible for the administration of the following legislation:

- *The Corporations Act*
- *The Business Names Registration Act*
- *The Partnership Act*
- *The Cooperatives Act*
- *The Manitoba Evidence Act (Parts 2 and 3)*
- *The Religious Societies' Lands Act*
- *The Ukrainian Catholic Parishes Incorporation Act*
- *The Electronic Commerce and Information Act*

Mandate

MISSION STATEMENT

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

GOALS

- Deliver timely and efficient service
- Champion and lead initiatives that streamline and improve the delivery of government services to business
- Accurately appoint and authenticate Notaries Public and Commissioners for Oaths

VALUES

- Trust and mutual respect
- Deliver informative, accountable, reliable, consistent and courteous customer service
- Improve services through engagement and innovation
- Prudent stewardship of resources

goals

STRUCTURE FOR OPERATIONS

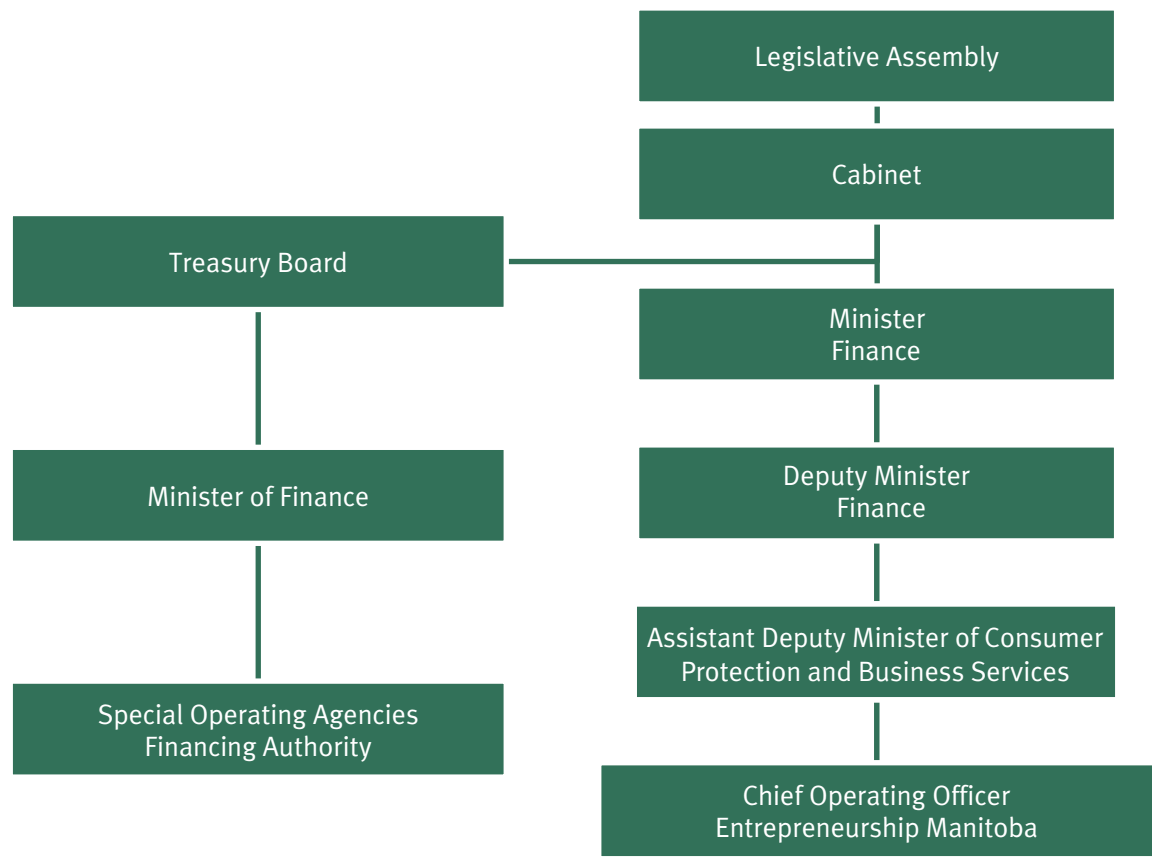
ACCOUNTABILITY STRUCTURE

Entrepreneurship Manitoba reports to the Assistant Deputy Minister of Consumer Protection and Business Services Division under the Department of Finance, 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, which holds titles 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.

ACCOUNTABILITY STRUCTURE CHART
MARCH 31, 2021



Management and Administration

MANAGEMENT AND ADMINISTRATION

As of April 1, 2020, Entrepreneurship Manitoba's Management Team consists of a Chief Operating Officer, a Financial Officer and, three managers supporting day-to-day operational and technical requirements.

Highlights and Achievements

HIGHLIGHTS AND ACHIEVEMENTS 2020/21

NEW WEST PARTNERSHIP TRADE AGREEMENT (NWPTA)

Under the Canadian Free Trade Agreement, the Regulatory Reconciliation and Cooperation Table identified that corporate registration creates trade barriers for business. Manitoba signed NWPTA in 2016 and committed to reducing trade barriers for extra provincial corporate registration with its partners (Saskatchewan, Alberta and British Columbia) by eliminating fees, some filing requirements and streamlining registration.

NWPTA partners fulfilled their commitment to implement the agreement on June 29, 2020.

MULTI-JURISDICTIONAL REGISTRY ACCESS SERVICE (MRAS)

MRAS is a pan-Canadian, scalable digital solution that allows Canadian corporate registries to share information and streamline extra provincial corporate registration. MRAS has three main functions: Canada's Business Registries website is a free government service which provides access to information about businesses within Canada, electronic notifications to update registry information in jurisdictions where a corporation is extra provincially registered and, streamlined registration.

MRAS was launched on June 29, 2020 to support the exchange of registry information under NWPTA. Manitoba is currently using MRAS to share information and register extra provincial corporations with Saskatchewan, Alberta and British Columbia. Since its launch Manitoba has received 592 electronic notifications to update entity information and 270 online registrations/cancellations.

At the direction of the Regulatory Reconciliation and Cooperation Table, corporate registries finalized a reconciliation agreement that went into effect January 1, 2021. The agreement reflects a jurisdiction's commitment to implement MRAS by a date of their choosing. Four additional jurisdictions have signed the agreement with implementation dates between 2020 and 2022 calendar years. The remaining jurisdictions are at various stages of analysis and research in consideration of committing to MRAS.

When new jurisdictions join MRAS, other jurisdictions are required to make system and business process changes to onboard with that jurisdiction. Throughout this fiscal year, Entrepreneurship Manitoba has worked with Business Transformation and Technology to scope onboarding with Corporations Canada and Quebec. While much of the functionality has been built with the implementation of MRAS for NWPTA partners, there are additional considerations for onboarding with non-NWPTA jurisdictions.

TRANSFORMATION

Entrepreneurship Manitoba experienced a year of change like no other, along with our colleagues across the province. With the arrival of the COVID 19 pandemic in March 2020, the office shifted to conducting business exclusively by phone, mail or digitally. Walk in client traffic closed and staff began to work remotely wherever possible in support of public health restrictions. These changes posed many challenges and highlighted the vulnerabilities of our pre-pandemic business processes.

Strategic Planning

- The Management Team spent a significant amount of time identifying the services most impacted by the pandemic, brainstorming solutions, creating new services/process improvements and ultimately improving service not only during the pandemic but into the future.
- Prioritized tasks based on value to the client allowing the ability to create flexibility and continue to deliver key services without interrupting clients' business activities.
- Identified digital solutions within the Companies Online System to be implemented next fiscal:
 - o Build functionality for clients to generate barcodes vs. calling the general inquiry line and,
 - o Build the ability for the legal community to create a Service Request and submit a PDF version of the filing in Companies Online vs. submitting by email.

New services

- Implemented the ability for the legal community to submit all documents by email.
 - o *The Electronic Commerce and Information Act* was amended to allow for all documents to be submitted electronically.
- Transitioned to a new general inquiry phone system to increase queue size and capacity to accommodate a significant increase in call volume.

Process improvements

- Mapped the flow of documents through the office to identify redundancies/duplication of effort and eliminate/combine processes that reduced confusion and additional effort for staff.
- Identified steps within a process that were no longer needed or could be completed digitally.
- Created a triage process to eliminate documents received that do not meet basic criteria such as signature, payment and incomplete information. This resulted in an increase of completed documents and decrease in rejected documents.

Customer Service

- Created a new customer service guideline focussed on increasing follow up consistency during examination and setting client expectations.
- Engaged staff for feedback on new services and processes to ensure success and increase buy in.
- Increased communication to the legal community providing transparency on challenges and solutions but also setting expectations on consistent service standards.

DIGITAL REGISTRY

Companies Office Registry maintains over 140,000 active corporations and businesses. Hardcopy files are held within the office space for clients to access as public information. A review of the scanning process was completed to identify areas of improvement: old equipment, unreliable scanning process/picture quality and slow progress to implementing a digital registry. A new process was implemented April 1, 2020 with the following changes:

- Transferring scanning activities to a third party to free up staff time, increase speed and reliability.
- Scanning the full file and eliminating new hardcopy files.
- Redefining support staff's job duties.
- Updating the archive schedule to reduce the amount of closed files stored in the office and archive/destroy already scanned files.

This fiscal marks one year that Companies Office has implemented a new scanning process and have documented significant improvements:

- Increased efficiency and reliability – scanning is completed quickly and reliably with third party's expert staff and new equipment.
 - o \$10,000 per year cost reduction.
- New scanning procedures eliminate creating hardcopy files, eliminate filing and reduce the size of the active files we hold within the office.
 - o 223 boxes of active files have been removed permanently.
 - o \$5,000 per year cost reduction on paper office supplies

- Support staff's time spent filing and scanning within the office has been transferred to preparing/sending files for scanning as well as supporting the increase in mail and email submissions.
- Digital files can be accessed remotely and quicker than hardcopy files saving staff time.

BENEFICIAL OWNERSHIP

Following a federal-provincial-territorial Finance Ministers meeting in December 2017, Manitoba passed legislative changes in fall 2019 under *Bill 22: The Business Registration, Supervision and Ownership Act* for privately held corporations to create and maintain a registry of individuals with significant control over the corporation (effective April 8, 2020).

Innovation, Science and Economic Development Canada (ISED) released a summary of public consultations gathered from stakeholders in early 2020 to create a public registry or registries in Canada. Generally, ISED's findings are in favor of a registry. Manitoba's multi-departmental Anti Money Laundering Working Group continues to meet.

COOPERATIVES REGISTRY

Entrepreneurship Manitoba worked collaboratively with the Financial Institutions Regulation Branch to plan the transfer of registry activities including reviewing processes, amending forms and updating/creating training manuals. Regulatory changes made under Bill 22: *The Business Registration, Supervision and Ownership Transparency Act* to amend *The Cooperatives Act* and create the role of Registrar to separate registry authority from financial authority of the Superintendent delegated under the Act. Entrepreneurship Manitoba transitioned authority May 1, 2020.

In addition, the following changes were made in Companies Online to support the registry functions related to these entities:

- Issue receipts and invoices for filings
- Publish information about filings as required under *The Cooperatives Act*

Summary of Operational Activities / Performance Indicators

SUMMARY OF OPERATIONAL ACTIVITIES / PERFORMANCE INDICATORS

Since implementing Companies Online System in September 2017 statistics continue to show an increase in available online filings and a decrease in paper filings and in person visits to the office. Online filings are a quicker method for clients to submit filings and maintain their registry information. To maximize efficiencies and provide a quality customer service, Entrepreneurship Manitoba will continue to strive to add additional functionality and introduce/update other digital tools.

What is likely due to a combination of pandemic related factors including no public access to the office, public health orders and delays in regular mail delivery, online filings have made a noticeable increase this year than in previous years. Some highlights include:

- Over 117,000 online filings completed
- 96% of Name Reservations (84% - 19/20)
- 87% of new Incorporations (68% - 19/20)
- 85% of Business Registrations (63% - 19/20)

Comparative Operating Statistics						
	2020/2021		2019/2020		2018/2019	
	Paper	Online	Paper	Online	Paper	Online
Name Reservation	730	19,296 (96%)	2,599	13,652 (84%)	2,754	13,933 (83%)
Business Name Registration ¹	1,146	6,488 (85%)	2,331	3,862 (62%)	3,036	3,763 (55%)
New Incorporations	809	5,492 (87%)	1,675	3,643 (68%)	2,404	3,055 (56%)
Annual Returns	17,683	61,236 (78%)	25,328	53,208 (68%)	30,083	47,664 (61%)
Renewals	3,007	5,951 (66%)	4,510	4,981 (52%)	4,798	4,584 (49%)
Amendments ² – with or without a name change	939	490	925	348	890	373
Notices of Change ³	2,508	18,148	3,194	19,297	4,056	13,429
Total Active Corporate and Business Name Records	140,077		135,668		134,667	
Online File Summaries	129,037		121,454		115,846	
Customers Served In-Person	0		16,033		20,431	
Personal Counter file Searches	0		1,859		2,169	

¹ Not all Business Name Registrations can be filed online (generally limited to proprietorships and partnerships)

² Amendments with a Name Change only can be filed online

³ Includes:

- Change of Directors/Officers
- Change of Mailing Address
- Change of Registered Office Address
- Change of Shareholders

There were approximately 117,000 online filings completed this year. Annual Returns/Renewals, Notices of Change and Amendments are completed immediately by the client online with no further internal review. Incorporations and Business Name Registrations, should they require further internal review, have a turn around time of 1-2 business days.

There were approximately 50,000 paper filings completed by staff this year. Depending on the type of document and its complexity, the turnaround time is between 7 and 14 business days.

Financial Results

Summary of Financial Results

Revenue

Expenses

Summary of Financial Results

Entrepreneurship Manitoba reported revenues of \$11,795 and a net income from operations of \$8,209 for the year ending March 31, 2021. There are no significant variances for revenue or expenses.

2020/2021 Financial Summary (in thousands)			
	Actual	Budget	Over(Under)
Total Net Revenue	11,795	10,465	1,330
Salaries and Benefits	1,979	2,366	(387)
Operating Expenses	1,154	1,313	(159)
Amortization	453	500	(47)
Net Income	8,209	6,286	1,923

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.

dawn gerbrandt Digitally signed by dawn gerbrandt
Date: 2021.07.27 13:00:38 -05'00'
Chief Operating Officer

Independent Auditor's Report

To the Special Operating Agencies Financing Authority and Entrepreneurship Manitoba:

Opinion

We have audited the financial statements of Entrepreneurship Manitoba (the "Agency"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2021, 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 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management 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 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.

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.

ACCOUNTING > CONSULTING > TAX
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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 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.

Winnipeg, Manitoba
July 27, 2021

MNP LLP
Chartered Professional Accountants

Entrepreneurship Manitoba Statement of Financial Position

*As at March 31, 2021
(in thousands of dollars)*

	2021	2020
Financial assets		
Current		
Cash and cash equivalents	26,341	14,706
Accounts receivable	95	155
Portfolio investments (Note 3)	-	2,905
Total financial assets	26,436	17,766
Liabilities		
Current		
Accounts payable and accruals	199	152
Accrued vacation entitlements	211	183
Deferred revenue	411	429
Employee future benefits (Note 4)	423	365
Total financial liabilities	1,244	1,129
Net financial assets	25,192	16,637
Designated assets (Note 5)		
Non-financial assets		
Tangible capital assets (Note 6)	6,177	6,520
Inventories of supplies	17	20
Prepaid expenses	6	6
Total non-financial assets	6,200	6,546
Accumulated surplus	31,392	23,183

The accompanying notes are an integral part of these financial statements

Entrepreneurship Manitoba
Statement of Operations
For the year ended March 31, 2021
(in thousands of dollars)

	2021 Budget	2021	2020
Revenue			
Fees and services	10,450	11,774	11,663
Immigration settlement transfer	-	-	-
Investment income	15	21	165
	10,465	11,795	11,828
Expenses			
Amortization	500	453	456
Operating expenses (Schedule 1)	1,313	1,154	1,111
Salaries and employee benefits	2,366	1,979	1,678
		3,586	3,245
Net income before transfer to/from the Province of Manitoba	4,179	8,209	8,583
Transfer from Manitoba Growth, Enterprise & Trade Department		-	(788)
	-	-	(788)
Net income for the year	6,286	8,209	9,371
Accumulated surplus, beginning of year	23,183	23,183	13,812
Accumulated surplus, end of year	29,469	31,392	23,183

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, 2021
(in thousands of dollars)

	<i>2021 Budget</i>	<i>2021</i>	<i>2020</i>
Net income for the year	6,286	8,209	9,371
Acquisition of tangible capital assets	-	(110)	(671)
Amortization of tangible capital assets	500	453	456
Net acquisition of tangible capital assets	500	343	(215)
Use of prepaid expenses	-	-	(1)
Use of inventories of supplies	-	3	-
Net acquisition of other non-financial assets	-	3	(1)
Increase in net financial assets	6,786	8,555	9,155
Net financial assets, beginning of year	16,637	16,637	7,482
Net financial assets, end of year	23,423	25,192	16,637

The accompanying notes are an integral part of these financial statements

Entrepreneurship Manitoba
Statement of Cash Flows
For the year ended March 31, 2021
(in thousands of dollars)

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	8,209	9,371
Non-cash items		
Amortization	453	456
	8,662	9,827
Changes in working capital accounts		
Accounts receivable	60	429
Accounts payable and accruals	105	(165)
Accrued vacation entitlements	28	(151)
Deferred revenue	(18)	38
Provision for loan guarantees	-	(788)
Inventories of supplies	3	-
Prepaid expenses	-	(1)
	8,840	9,189
Financing activity		
Repayment of borrowings from the Province of Manitoba	-	(857)
Capital activity		
Acquisition of tangible capital assets	(110)	(671)
Investing activity		
Change in portfolio investments	2,905	(2,686)
Increase in cash and cash equivalents	11,635	4,975
Cash and cash equivalents, beginning of year	14,706	9,731
Cash and cash equivalents, end of year	26,341	14,706

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.

As of fall 2019, the Agency has been re-organized under the department of Finance 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:

	<i>Method</i>	<i>Rate</i>
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.

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

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.

Areas requiring the use of significant estimates include the allowance for accounts receivable deemed uncollectible, useful lives of tangible capital assets 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 0.02% to 0.21% per annum (2020 - 0.79% to 1.77% per annum), maturing between April 2021 and March 2022 (2020 - April 2020 and March 2021). Amounts with original maturities of three months or less are included in cash and cash equivalents.

4. Employee future benefits

Included in employee future benefits are severance benefits of \$380 (2020 - \$335) and sick pay benefits of \$45 (2020 - \$30).

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 2021 was \$113 (2020 - \$112). Under this agreement, 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 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, 2021. 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, 2021 is \$380 (2020 - \$335), with the total actuarial losses of \$47 (2020 - losses of \$51) 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, 2021 valuation, and in the determination of the March 31, 2021 present value of the accrued severance benefit obligation include an annual rate of return of 3.20% (2020 - 3.80%) and annual salary increases of 2.50% (2020 - 2.75%).

Entrepreneurship Manitoba
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

4. Employee future benefits (Continued from previous page)

The severance liability as at March 31, 2021 includes the following components:

	2021	2020
Accrued benefit liability, beginning of year	288	505
Current period service costs	16	14
Interest on accrued benefits	9	19
Severance benefits paid	-	(25)
Accrued benefit liability, end of year	313	513
Less: unamortized actuarial losses	(161)	(178)
Add: actuarial gains	226	-
Severance benefit liability, end of year	378	335

The total expense related to severance benefits for the year ended March 31, 2021 includes current period service costs of \$16 (2020 - \$14), interest on accrued benefits of \$9 (2020 - \$19) and amortization of actuarial losses over EARSL of \$16 (2020 - \$20), for a total expense related to severance benefits of \$41 (2020 - \$53).

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 5.75% annual return and a 2.50% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2021 based on the valuation model is \$45 (2020 - \$30).

5. Designated assets

As at March 31, 2021, the Agency has a total of \$1,075 (2020 - \$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 (2020 - \$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 (2020 - \$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.

Entrepreneurship Manitoba
Notes to the Financial Statements
For the year ended March 31, 2021
(in thousands of dollars)

6. Tangible capital assets

	Cost	Additions	Disposals	Accumulated amortization	2021 (Thousands) Net book value
System development costs	7,644	110	-	1,579	6,175
Furniture and fixtures	151	-	-	150	1
Computer equipment and software	118	-	-	118	-
Leasehold improvements	40	-	-	40	-
Office equipment	27	-	-	26	1
	7,980	110	-	1,913	6,177

	Cost	Additions	Disposals	Accumulated amortization	2020 (Thousands) Net book value
System development costs	6,973	671	-	1,131	6,513
Furniture and fixtures	151	-	-	147	4
Computer equipment and software	118	-	-	118	-
Leasehold improvements	40	-	-	40	-
Office equipment	27	-	-	24	3
	7,309	671	-	1,460	6,520

7. 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 (2020 - \$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 and accounts receivable 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.

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

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, 2021 is \$nil (2020 - \$nil). The entire balance of accounts receivable was current as of March 31, 2021.

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.

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.

8. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

9. Significant Event

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected the global and local economies resulting in an economic shutdown. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Agency.

Entrepreneurship Manitoba
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2021
(in thousands of dollars)

	2021	2020
Audit fees	7	2
BSI allocation	-	1
Bad debts	4	-
Bank and credit card charges	168	119
Commissioner for Oath and Notary Public fees	18	114
Communications and telephone	30	30
Computer expenses	26	32
Desktop support costs	121	178
Disaster recovery and electronic storage	40	21
Education and training expenses	-	2
Insurance	12	12
Interest on long-term debt	-	22
Legal services	5	4
Manitoba Business Links - net of recoveries	-	2
Miscellaneous	36	42
Name search applications	200	144
New system maintenance	202	83
Occupancy	129	130
Payroll processing	20	20
Postage and courier	84	89
Stationery	48	50
Subscriptions	-	7
Translation services	4	1
Travel and transportation	-	6
	1,154	1,111

