Public Accounts

of the Province of

Prince Edward Island

Volume III
Financial Statements of Agencies, Boards and Crown Corporations

For the Year Ended March 31st

2018

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Introduction

The Public Accounts of the Province of Prince Edward Island are presented through the publication of *Volume I: The Audited Consolidated Financial Statements, Volume II*, the financial statements of the Operating Fund and the details of revenues and expenses of the Operating Fund, and *Volume III* which presents a reproduction of the available audited financial statements of the Province's Agencies, Boards and Crown Corporations.

Internet Address – Volumes I, II, and III of the Public Accounts are available in PDF format on the Province's Website:

https://www.princeedwardisland.ca/en/topic/public-accounts

Province of Prince Edward Island
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Volume III
For the Fiscal Year Ended March 31, 2018

The financial statements of Agencies, Boards and Crown Corporations provided in Volume III have been printed from electronic files provided by the organizations. In some cases, signatures of directors and auditors have not been provided in the electronic files.

The Charlottetown Area Development Corporation

Consolidated Financial Statements
March 31, 2018

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

The Charlottetown Area Development Corporation

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For the year ended March 31, 2018

ArsenaultBestCameronEllis
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June 28, 2018

Independent Auditor's Report

To the Shareholders of
The Charlottetown Area Development Corporation

We have audited the accompanying consolidated financial statements of **The Charlottetown Area Development Corporation**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, changes in equity 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 International Financial Reporting 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.

Auditor's 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 auditor's 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 controls 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 controls. 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The Charlottetown Area Development Corporation** as at March 31, 2018, and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

The Charlottetown Area Development Corporation

Consolidated Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets (note 13)		
Current assets		
Cash and cash equivalents	6,145,800	3,052,727
Accounts receivable (notes 5 and 17)	681,501	401,922
Current portion of investment in leases	721,689	348,137
	7,548,990	3,802,786
Property inventory (note 6)	3,210,862	3,119,972
Investment in leases (note 7)	216,172	937,861
Property and equipment (note 8)	30,831	110,101
Investment properties (note 9)	52,161,008	55,868,142
Investment properties under development (note 10)	290,425	290,425
	63,458,288	64,129,287
Liabilities		
Current liabilities		
Demand loans (notes 11 and 13)	5,931,067	2,736,601
Accounts payable and accrued liabilities (notes 12 and 17)	1,558,110	1,726,236
Current portion of long-term debt	1,250,743	4,530,547
	8,739,920	8,993,384
Deferred revenue (note 17)	636,656	733,352
Long-term debt, less current portion (note 13)	10,890,530	11,778,014
Deferred credits (note 14)	35,910,350	36,866,663
	56,177,456	58,371,413
Shareholders' Equity		
Capital stock (note 15)	2,500	2,500
Contributed surplus	4,526,706	4,526,706
Retained earnings	2,751,626	1,228,668
	7,280,832	5,757,874
	63,458,288	64,129,287

Approved by the Board of Directors

______________________________ Director ______________________________ Director

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

The Charlottetown Area Development Corporation

Consolidated Statement of Changes in Equity

For the year ended March 31, 2018

	2018 $	2017 $
Retained earnings - Beginning of year	1,228,668	840,056
Net earnings for the year	1,522,958	388,612
Retained earnings - End of year	2,751,626	1,228,668

The Charlottetown Area Development Corporation

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2018

	2018 $	2017 $
Revenue		
Management fee - leasing	149,046	143,946
Interest	57,879	18,619
Interest on investment in leases	63,819	88,221
Miscellaneous	39,400	21,912
	310,144	272,698
Expenses		
Concept planning	100,728	15,656
Directors' fees (note 18)	16,068	48,150
Directors' meetings	854	1,009
Doubtful accounts (recovery)	-	(135,000)
Insurance	12,155	11,406
Interest and bank charges	2,702	3,172
Interest on long-term debt (note 17)	207,336	234,906
Office operations and sundry	42,673	41,061
Professional fees	75,374	85,070
Telephone	22,541	21,398
Travel	2,787	4,854
Wages and benefits (notes 16 and 18)	503,768	740,108
Depreciation	349	3,791
	987,335	1,075,581
Operating loss	(677,191)	(802,883)
Other income (expense)		
Harbourside Complex (Schedule 1)	998,178	751,150
Invesco Building (Schedule 2)	236,771	265,466
Founders' Hall (Schedule 3)	(649)	(100,958)
Peake's Wharf (Schedule 4)	121,162	101,100
CGI Building (Schedule 5)	181,088	17,002
Biocommons (Schedule 6)	217,067	233,822
Venue Site and Parking Lot (Schedule 7)	(64,724)	(77,515)
Convention Centre (Schedule 8)	920	1,428
Gain on sale of investment property	510,336	-
	2,200,149	1,191,495
Net earnings for the year	1,522,958	388,612

The Charlottetown Area Development Corporation

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	1,522,958	388,612
Items not affecting cash		
Depreciation of property and equipment	68,493	134,566
Depreciation of investment properties	1,084,135	1,165,168
Gain on sale of investment property and property and equipment	(510,336)	-
Depreciation of deferred credits	(690,013)	(767,206)
Depreciation of leasehold inducements	-	34,822
	1,475,237	955,962
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(279,579)	306,867
Decrease in prepaid deposits and expenses	-	11,863
Increase (decrease) in accounts payable and accrued liabilities	(168,126)	781,214
	1,027,532	2,055,906
Financing activities		
Increase in demand loans	3,194,466	-
Repayment of long-term debt	(4,167,288)	(940,462)
Increase in deferred credits	62,000	93,174
Decrease in deferred revenue	(96,696)	(96,696)
	(1,007,518)	(943,984)
Investing activities		
Increase in property inventory	(90,890)	(116,063)
Proceeds on sale of investment property and property and equipment	3,100,000	-
Decrease in investment in leases	348,138	323,736
Purchase of property and equipment	(1,134)	(1,198)
Increase in investment properties	(283,055)	(495,657)
	3,073,059	(289,182)
Increase in cash and cash equivalents	3,093,073	822,740
Cash and cash equivalents - Beginning of year	3,052,727	2,229,987
Cash and cash equivalents - End of year	6,145,800	3,052,727

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

1 General information

The Charlottetown Area Development Corporation was established to provide innovation, investment, and expertise for individual projects of economic and social benefit that government or the private sector are not prepared to execute alone.

The corporation is owned by the Province of Prince Edward Island, the City of Charlottetown and the Town of Stratford and is, therefore, a non-taxable entity under the provisions of the *Income Tax Act*.

The Charlottetown Area Development Corporation's head office is located in Charlottetown, Prince Edward Island.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on June 28, 2018.

2 Summary of significant accounting policies

(a) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 2(f).

(b) Basis of consolidation

These consolidated financial statements include the accounts of The Charlottetown Area Development Corporation and its wholly-owned subsidiary, Harbourside Management Services Inc.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is The Charlottetown Area Development Corporation's functional currency.

(d) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of The Charlottetown Area Development Corporation at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period or at the reporting date if a current year transaction, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in the statement of earnings.

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

(f) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, The Charlottetown Area Development Corporation classifies its financial instruments as follows:

- Financial assets at fair value through profit or loss (FVTPL)

  Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of earnings. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated or effective as a hedging instrument. Transaction costs are expensed.

  Assets in this category include cash and cash equivalents.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category include accounts receivable and investment in leases.

- Financial liabilities

  Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include demand loans, accounts payable and accrued liabilities and long-term debt.

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

ii) Impairment of financial assets

The Charlottetown Area Development Corporation assesses, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by The Charlottetown Area Development Corporation on non-market terms that The Charlottetown Area Development Corporation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

  The methodology and assumptions used for estimating future cash flows are reviewed regularly by The Charlottetown Area Development Corporation to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for loan loss expense.

  Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

(g) Investment properties

Investment properties includes buildings held to earn rental income and properties that are under construction or development for future use as investment properties.

(i) Property inventory

Properties being developed for resale are accounted for in accordance with IAS 2 – Inventories and are carried at the lower of cost and net realizable value. The cost of property inventory is comprised of the original purchase, costs of conversion to prepare the property for resale and borrowing costs incurred during that period. Net realizable value is the estimated selling price in the ordinary course of business less selling costs and costs to complete development. To the extent there have been write-downs to net realizable value, the reversal of these write-downs is recognized in the subsequent period should net realizable value recover. Property inventory expected to be sold within a year is reported as a current asset.

(ii) Investment properties

Initially, investment properties are recorded at cost, including transaction costs which include transfer taxes and various professional fees. Subsequent to initial recognition, investment properties are recorded at cost less accumulated depreciation and accumulated impairment losses. The company allocates the amount recognized in respect of each item in investment properties to its significant components and depreciates each component separately.

Depreciation is recognized so as to write-off the cost less the residual values over the useful lives of the assets using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end with the effect of any changes in estimates accounted for on a prospective basis. Depreciation rates are as follows:

Land improvements	40 years
Buildings	1.33% - 4%

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of investment properties are recognized in the income statement in the year of retirement or disposal.

(iii) Investment properties under development

The cost of development properties includes direct development costs, realty taxes and borrowing costs directly attributable to the development. Investment properties under development are recorded at cost less accumulated impairment losses.

Once development has been completed, the properties are transferred to investment properties and depreciated accordingly.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

(h) Investment in leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

As a lessor, the company classifies all leases which transfer substantially all risks and benefits incidental to owner of the leased item to the lessor as a financing lease. The financing leases are recorded on the Statement of Financial Position as investment in leases. The company has assessed all other leases to be operating leases.

(i) Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to The Charlottetown Area Development Corporation and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Depreciation is calculated using the declining balance method as follows:

Equipment	20% and 33.3%
Computer	30%
Automotive	30%

The useful lives of property and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at March 31, 2018.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of earnings.

(j) Retiring allowance

The Corporation provides a retiring allowance to its employees. The amount paid to eligible employees at retirement is two weeks of pay for each year of service and the rate of pay in effect at the retirement date. The retirement pay benefits are accrued on an annual basis, starting retroactively in 2017, and are reflected in accounts payable and accrued liabilities.

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

(k) Government assistance and capital donations

Grants relating to general operations are recorded as revenue in the period in which they are received or receivable. Grants relating to the delivery of specific programs are recorded as revenue in the period in which the related expenditures are made.

Government assistance received relating to property and equipment, investment properties and investment properties under development are recorded as deferred credits and are depreciated on the same basis as the related assets are being depreciated.

(l) Revenue recognition

Revenue from rental operations is recognized over the terms of the leases when collection is reasonably assured.

Interest income and interest on investment in leases is recorded in the period earned.

Management fees - leasing is based on market rates for financing and administering rental operations and the City's three parkades.

(m) Impairment of assets

At the end of each reporting period, non-financial assets, such as investment properties, are assessed for any indication of impairment. Should the indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is defined as the higher of an asset's "fair value less cost to sell" and its "value in use". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimate of future cash flows have not been adjusted.

When the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of an asset. Should this impairment loss be determined to be reversed in a future period, a reversal of the impairment loss is recorded in the statement of earnings. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized.

(n) Related parties

A related party is a person or an entity that is related to The Charlottetown Area Development Corporation.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

A person or a close member of that person's family is related to The Charlottetown Area Development Corporation if that person:

i) Has control or joint control over The Charlottetown Area Development Corporation, with the power to govern The Charlottetown Area Development Corporation's financial and operating policies;

ii) Has significant influence over The Charlottetown Area Development Corporation, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of The Charlottetown Area Development Corporation. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of The Charlottetown Area Development Corporation, directly or indirectly, including any director of The Charlottetown Area Development Corporation.

(o) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 3.

(p) Standards issued but not yet effective

As at March 31, 2018, a number of standards and interpretations had been issued by IASB which are not effective for these financial statements and have not yet been adopted by The Charlottetown Area Development Corporation. Other than the introduction of IFRS 9, these changes are not expected to have a material impact on the financial statements.

IFRS 9 - Financial instruments

On July 24, 2014, IASB issued the complete version of IFRS 9. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets are to be measured at fair value through profit and loss (FVTPL) unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of liabilities remain generally unchanged, with the exception of liabilities recorded at FVTPL.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

IFRS 9 also introduces a new loss impairment model for all financial assets not at FVTPL, which results in credit losses being recognized regardless of whether a loss event has occurred. This expected credit loss (ECL) model replaces the current "incurred loss" model and requires an entity to recognize expected credit losses at all times and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments.

IFRS 9 is effective January 1, 2018 and will be applied retrospectively. The Charlottetown Area Development Corporation is currently analyzing the potential effects of adopting this new standard.

3 Critical accounting estimates and judgments

The Charlottetown Area Development Corporation makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or area which require significant estimates are described below:

(a) Provision for losses

The Charlottetown Area Development Corporation regularly reviews its investment in leases portfolio to assess for impairment. In determining whether an impairment loss should be recorded in the statement of earnings, The Charlottetown Area Development Corporation makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of leases before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Estimated useful lives of property and equipment and investment properties

Management estimates the useful lives of property and equipment and investment properties based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment and investment properties for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of The Charlottetown Area Development Corporation’s property and equipment and investment properties in the future.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

4 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2018		2017	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets carried at fair value				
Financial assets held for trading	6,145,800	6,145,800	3,052,727	3,052,727
Assets carried at amortized cost				
Mortgages and receivables	681,501	681,501	401,922	401,922
Investment in leases	937,861	937,861	1,285,998	1,285,998
	1,619,362	1,619,362	1,687,920	1,687,920
Liabilities carried at amortized cost				
Demand loans	5,931,067	5,931,067	2,736,601	2,736,601
Accounts payable and accrued liabilities	1,558,110	1,558,110	1,726,236	1,726,236
Long-term debt	12,141,273	12,141,273	16,308,561	16,308,561
	19,630,450	19,630,450	20,771,398	20,771,398

5 Accounts receivable

	2018 $	**2017 $**
Trade receivable	130,889	123,842
Funding receivables	552,332	316,880
Other receivables	48,280	11,200
Less: Allowance for doubtful accounts	(50,000)	(50,000)
	681,501	401,922

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

Continuity of allowance for doubtful accounts

	2018 $	2017 $
Balance - beginning of year	50,000	198,344
Recovery of doubtful accounts	-	(135,000)
Write-off of doubtful accounts	-	(13,344)
Balance - end of year	50,000	50,000

6 Property inventory

	2018 $	2017 $
Balance - beginning of year	3,119,972	3,003,909
Capitalized expenditures	12,772	71,671
Capitalized interest	78,118	68,422
Reimbursed expenses	-	(24,030)
Balance - end of year	3,210,862	3,119,972

The company expects these properties to be completed within their normal operating cycle for such properties, which may extend beyond one year.

7 Investment in leases

	2018 $	2017 $
Total minimum lease payments due June 1, 2018, receivable in monthly instalments of $2,719, including principal and interest	373,313	405,941
Less: Portion representing interest at 4.1%	3,784	17,870
	369,529	388,071
Total minimum lease payments due October 1, 2019, receivable in monthly instalments of $31,610, including principal and interest	686,046	1,065,366
Less: Portion representing interest at 6.64%	117,714	167,439
	568,332	897,927
	937,861	1,285,998
Less: current portion	721,689	348,137
	216,172	937,861

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

8 Property and equipment

	Equipment $	Computer $	Automotive $	Total $
Balance - March 31, 2017	867,188	125,958	35,921	1,029,067
Additions	-	1,134	-	1,134
Disposals	(123,234)	-	-	(123,234)
Balance - March 31, 2018	743,954	127,092	35,921	906,967
Accumulated depreciation				
Balance - March 31, 2017	766,531	122,733	29,702	918,966
Current year depreciation	68,144	349	-	68,493
Disposals	(111,323)	-	-	(111,323)
Balance - March 31, 2018	723,352	123,082	29,702	876,136
Carrying value				
March 31, 2017	100,657	3,225	6,219	110,101
March 31, 2018	20,602	4,010	6,219	30,831

9 Investment properties

	Land $	Land Improvements $	Buildings $	Total $
Cost				
Balance - March 31, 2017	5,189,720	3,451,980	60,229,459	68,871,159
Capitalized expenditures	-	196,109	86,946	283,055
Disposals	(286,939)	-	(3,992,942)	(4,279,881)
Balance - March 31, 2018	4,902,781	3,648,089	56,323,463	64,874,333
Accumulated depreciation				
Balance - March 31, 2017	-	1,198,699	11,804,318	13,003,017
Depreciation	-	123,672	960,463	1,084,135
Disposals	-	-	(1,373,827)	(1,373,827)
Balance - March 31, 2018	-	1,322,371	11,390,954	12,713,325
Carrying value				
March 31, 2017	5,189,720	2,253,281	48,425,141	55,868,142
March 31, 2018	4,902,781	2,325,718	44,932,509	52,161,008

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The fair value of the investment properties is estimated to be $31,445,000 (2017 - $30,150,000).

The carrying value of the investment properties is reduced by the $35,910,350 (2017 - $36,866,663) balance in deferred credits to get a net book value of the investment properties of $16,250,658 (2017 - $19,001,479).

An independent valuation was completed by an accredited appraisal firm for one of the investment properties which represents 93% of the above portfolio. The remaining properties were valued internally by management. Management's internal valuation model is based on the capitalization rate of normalized income by property using specific capitalization rates. Management determined the normalized income for each property based on current rents and assumptions about occupancy.

Investment property valuations are most sensitive to changes in the capitalization rates. The weighted average of the capitalization rate used is 7.92% with a range of 6.50% to 10.00%

The impact of a 10% change in the capitalization rate used to value the investment properties would affect the fair value calculation as follows:

- a 10% increase in the capitalization rate would result in a fair value amount of $34,589,500.
- a 10% decrease in the capitalization rate would result in a fair value amount of $26,370,000.

10 Investment properties under development

	Land $	Land Improvements $	Buildings $	Total $
Balance - March 31, 2017	290,425	-	-	290,425
Balance - March 31, 2018	290,425	-	-	290,425

11 Demand loans

	2018 $	2017 $
Prime minus .1% demand loan, due on demand, interest paid monthly	2,631,601	2,631,601
Prime minus .1% demand loan, due on demand, interest paid monthly	105,000	105,000
Prime minus .1% demand loan, due on demand, interest paid monthly	3,194,466	-
	5,931,067	2,736,601

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12 Accounts payable and accrued liabilities

	2018 $	2017 $
Trade payables	410,229	234,017
Property taxes payable	666,614	449,638
HST payable	53,381	86,543
Other	427,886	956,038
	1,558,110	1,726,236

13 Long-term debt

	2018 $	2017 $
Debentures		
2.6% term loan, due May 1, 2018, repayable in monthly installments of $2,407 including principal and interest	363,252	382,412
6.64% debenture, due October 1, 2019, repayable in monthly instalments of $31,610 including principal and interest	568,616	898,211
Mortgages payable		
2.92% mortgage, due June 2020, repayable in monthly instalments of $18,568, including principal and interest	3,632,956	3,747,857
2.95% mortgage, due February 2022, repayable in monthly instalments of $21,578, including principal and interest	3,204,387	3,366,038
2.92% mortgage, due April 2023, repayable in monthly instalments of $16,518 including principal and interest	2,426,534	2,551,904
3.11% mortgage, due April 2023, repayable in monthly instalments of $9,410 including principal and interest	1,364,004	1,433,331
4.18% mortgage, due November 2027, repayable in monthly instalments of $6,092, including principal and interest	581,524	629,447
4.57% mortgage, repaid during the year	-	3,299,361
	12,141,273	16,308,561
Less: Current portion	1,250,743	4,530,547
	10,890,530	11,778,014

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
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The aggregate amount of principal repayments required in each of the next five years to meet retirement provisions are as follows:

	$
Year ending March 31, 2019	1,250,743
2020	768,453
2021	3,836,604
2022	2,965,757
2023	284,961

Security on long-term debt and demand loans

- The 6.64% debenture is unsecured. These loans are payable to the majority shareholder.

- The 2.6% term loan and the 2.95%, 4.18%, 2.92% and 3.11% mortgages and the demand loans are secured by a general security agreement representing a first charge on all assets, continuing collateral mortgages representing a first charge on all real property known as Harbourside Complex and an undertaking not to encumber or mortgage the property at 119 Euston Street, assignment of mortgage receivable and fire insurance for Harbourside Complex, and general assignment of rents representing a first charge on rents on the Harbourside Complex.

Covenants

The company's debt agreement contains certain restrictive covenants which require the maintenance of a specific ratio. As at March 31, 2018, the consolidated entity was able to maintain a total debt service ratio of 100%, and is therefore in compliance with the covenant.

14 Deferred credits

			2018	**2017**
	Cost **$**	**Accumulated depreciation** **$**	**Net** **$**	**Net** **$**
Harbourside Complex	117,500	10,316	107,184	47,285
Peakes Wharf	619,428	333,999	285,429	297,956
Founders' Hall	-	-	-	328,300
CGI Building	4,124,499	1,353,984	2,770,515	2,863,918
Invesco Building	4,625,000	1,137,292	3,487,708	3,590,571
Convention Centre	27,119,979	1,472,966	25,647,013	25,974,894
Biocommons	2,000,000	140,305	1,859,695	1,885,205
Concert site	2,553,220	800,414	1,752,806	1,878,534
	41,159,626	5,249,276	35,910,350	36,866,663

During the year, $62,000 (2017 - $93,174) in deferred credit additions was the result of receiving a government grant to fund an ongoing project by The Charlottetown Area Development Corporation

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

15 Capital stock

Authorized
5,000 common shares of the par value of $1 each

	2018 $	2017 $
Issued		
2,500 common shares	2,500	2,500

16 Pension

Employees, who are members, contribute a minimum of 5% of earnings to a defined contribution pension plan. The company matches 100% of the minimum contribution. Pension expense for the year was $41,889 (2017 - $51,026).

17 Related party transactions

Related parties

The Province of Prince Edward Island is the majority shareholder of The Charlottetown Area Development Corporation and the City of Charlottetown and the Town of Stratford are minority shareholders.

Balances

Included in accounts receivable and accounts payable and accrued liabilities are the following amounts due to and from related parties:

	2018 $	2017 $
Accounts receivable		
Due from the City of Charlottetown	153,646	252,210
Due from the Province of Prince Edward Island	382,204	182,997
Accounts payable and accrued liabilities		
Due to the City of Charlottetown	46,671	375,368
Due to Province of Prince Edward Island	41,962	21,966
Deferred revenue		
Province of Prince Edward Island	636,656	733,352

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
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Transactions

During the year, the Corporation received $679,015 (2017 - $640,214) from the Province of Prince Edward Island for commercial rental revenue recorded in Harbourside Complex and $124,550 (2017 - $123,198) from a provincial Crown corporation recorded as rental revenue in Biocommons. In addition, the Corporation reported $96,696 (2017 - $96,646) in commercial rental revenue in Harbourside Complex for deferred revenue from the Province of Prince Edward Island being recognized in the fiscal period.

During the year, the Corporation expensed interest on long-term debt of $49,730 (2017 - $70,848) paid to the Province of Prince Edward Island on the 6.64% debenture.

18 Composition of key management

Key management includes the general manager, assistant general manager and controller. Compensation awarded to key management included:

(a) Key management, excluding directors

	2018 **$**	**2017** **$**
Salaries and short-term employee benefits	292,295	312,556

(b) Directors' remuneration

	2018 **$**	**2017** **$**
Honorariums	16,068	48,150

19 Risk management

The Charlottetown Area Development Corporation’s principal business activities result in a Statement of Financial Position that exposes it to a variety of financial risks. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management’s risk assessments and compliance with approved policies. Qualified professionals throughout The Charlottetown Area Development Corporation manage these risks through comprehensive and integrated control processes, including regular review and assessment of risk measurement and reporting processes.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

(a) Credit risk

Credit risk is the risk of financial loss to The Charlottetown Area Development Corporation if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from The Charlottetown Area Development Corporation's investment in leases.

Credit risk also arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease term commitments. The company mitigates this risk of credit loss through diversification of it existing portfolio and limiting its exposure to any one tenant. Credit assessments are conducted with respect to all new leasing and the company also obtains a security deposit to assist in potential recovery requirements. The receivable balances are monitored on an ongoing basis and the company establishes an appropriate provision for doubtful accounts.

Credit risk is the single largest risk for The Charlottetown Area Development Corporation's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who reports to the Board.

The Charlottetown Area Development Corporation's maximum exposure to credit risk at the balance sheet date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements The Charlottetown Area Development Corporation holds as security for loans include (i) insurance and mortgages over residential lots and properties, and (ii) recourse to liquid assets, guarantees and rents. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Charlottetown Area Development Corporation's maximum exposure to credit risk at the reporting date was:

	2018	**2017**
	$	**$**
Cash and equivalents	6,145,800	3,052,727
Accounts receivable	681,501	401,922
Investment in leases	937,860	1,285,998
	7,765,161	4,740,647

Cash and equivalents have low credit risk exposure as these assets are cash and deposits at chartered banks and high quality investments with low risk counterparties. The Charlottetown Area Development Corporation reviews the member's capacity to repay the receivables rather than relying exclusively on collateral, although it is an important component in establishing risk. See note 2(f) ii) for further disclosure of credit risk on loans and receivables.

The Charlottetown Area Development Corporation

Notes to Consolidated Financial Statements

March 31, 2018

(b) Liquidity risk

Liquidity risk is the risk that The Charlottetown Area Development Corporation will encounter difficulty in meeting obligations associated with financial liabilities as they come due.

The Charlottetown Area Development Corporation's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to The Charlottetown Area Development Corporation's reputation.

Exposure to liquidity risk:

For this purpose, liquid assets are financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities. Consequently, cash inflows by remaining maturities are as follows:

	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**2018 Total $**
Cash and cash equivalents	6,145,800	-	-	6,145,800
Accounts receivable	681,501	-	-	681,501
Investment in leases	721,689	216,172	-	937,861
	7,548,990	216,172	-	7,765,162

	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**2017 Total $**
Cash and cash equivalents	3,052,727	-	-	3,052,727
Accounts receivable	401,922	-	-	401,922
Investment in leases	348,137	937,861	-	1,285,998
	3,802,786	937,861	-	4,740,647

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	March 31, 2018 Total $
Demand loans	5,931,067	-	-	5,931,067
Accounts payable and accrued liabilities	1,558,110	-	-	1,558,110
Long-term debt	1,250,743	7,855,775	3,034,755	12,141,273
	8,739,920	7,855,775	3,034,755	19,630,450

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	March 31, 2017 Total $
Demand loans	2,736,601	-	-	2,736,601
Accounts payable and accrued liabilities	1,726,236	-	-	1,726,236
Long-term debt	4,530,547	6,631,241	9,677,576	20,839,364
	8,993,384	6,631,241	9,677,576	25,302,201

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by The Charlottetown Area Development Corporation as part of its normal trading activities. As The Charlottetown Area Development Corporation does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on 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 borrowings of the company have fixed and floating rate interest components resulting in an exposure to interest rate movements. The company's debt consists of $12,141,273 (2017 - $16,308,561) in fixed rate debt and $5,931,067 (2017 - $2,736,601) in floating rate debt which is all in demand loans repayable in less than one year. The company has entered into interest rate swaps in order to manage the fluctuating interest rates on $10,991,133 (2017 - $14,780,903) of its debt. The swap contracts have an effective interest rate range of 2.6% to 3.11% and have maturity dates ranging from May 2018 until April 2023.

The Charlottetown Area Development Corporation
Notes to Consolidated Financial Statements
March 31, 2018

The following table provides the potential impact of an immediate and sustained 1% increase or decrease in interest rates on net interest expense, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and The Charlottetown Area Development Corporation's management initiatives.

	Net interest expense 2018 $	**Net interest expense 2017 $**
1% increase or decrease in interest rates	59,311	27,366

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with The Charlottetown Area Development Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Charlottetown Area Development Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to The Charlottetown Area Development Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of The Charlottetown Area Development Corporation's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Charlottetown Area Development Corporation manages its capital structure and makes changes to it in light of changes in economic conditions.
Subsequent to March 31, 2018, the The Charlottetown Area Development Corporation entered into an agreement with the bank to refinance $4,443,452 of one of the debentures payable when it came due in May 2013.

The Charlottetown Area Development Corporation

Consolidated Schedule of Harbourside Complex Revenue and Expenses

For the year ended March 31, 2018 **Schedule 1**

	2018 $	2017 $
Revenue		
Rental - commercial (note 17)	1,574,095	1,522,073
- residential	907,806	870,062
	2,481,901	2,392,135
Expenses		
Cleaning	78,112	83,741
Common area	67,679	115,702
Electricity	152,699	146,998
Fuel	271,218	254,529
Heating system	96,811	129,245
Insurance	27,456	41,232
Property taxes	417,949	414,111
Repairs and maintenance	141,340	224,744
Snow removal	3,183	9,942
Supplies and miscellaneous	1,969	4,370
Water	24,613	22,019
Deblois property expenses	4,364	3,209
Depreciation	196,330	191,143
	1,483,723	1,640,985
Net revenue	998,178	751,150

The Charlottetown Area Development Corporation

Consolidated Schedule of Invesco Building Revenue and Expenses

For the year ended March 31, 2018 **Schedule 2**

	2018 $	2017 $
Revenue		
Rent - commercial	1,083,011	1,082,734
Monthly parking	63,600	62,805
	1,146,611	1,145,539
Expenses		
Cleaning	103,141	103,827
Electricity	194,972	215,127
Heating system	58,248	42,769
Insurance	5,448	6,888
Interest on long-term debt	204,964	211,424
Property taxes	143,612	114,645
Repairs and maintenance	39,019	22,978
Snow removal	9,618	13,540
Telephone	2,523	2,420
Water	3,453	1,819
Depreciation	247,705	247,501
Depreciation of deferred credits	(102,863)	(102,865)
	909,840	880,073
Net revenue	236,771	265,466

The Charlottetown Area Development Corporation

Consolidated Schedule of Founders' Hall Revenue and Expenses

For the year ended March 31, 2018 **Schedule 3**

	2018 $	2017 $
Revenue		
Rent - commercial	14,116	151,994
Expenses		
Electricity	1,716	27,096
Fuel	2,546	30,001
Heating system	1,305	10,103
Insurance	1,028	5,492
Property taxes	4,144	55,628
Repairs and maintenance	2,413	41,315
Supplies and miscellaneous	-	303
Telephone	1,238	3,624
Water	375	1,989
Depreciation	-	97,401
Depreciation of deferred credits	-	(20,000)
	14,765	252,952
Net expense	(649)	(100,958)

The Charlottetown Area Development Corporation

Consolidated Schedule of Peake's Wharf Revenue and Expenses

For the year ended March 31, 2018 **Schedule 4**

	2018 $	2017 $
Revenue		
Base rent	65,023	65,017
Percentage rent	55,486	61,008
Parking lot	134,006	123,737
	254,515	249,762
Expenses		
Insurance	1,680	2,424
Operating, repairs and maintenance	18,063	33,228
Parking lot	23,935	29,235
Promotion	2,500	2,500
Property tax	21,681	20,336
Depreciation	80,118	74,327
Depreciation of deferred credits	(14,624)	(13,388)
	133,353	148,662
Net revenue	121,162	101,100

The Charlottetown Area Development Corporation

Consolidated Schedule of CGI Building Revenue and Expenses

For the year ended March 31, 2018 **Schedule 5**

	2018 $	2017 $
Revenue		
Rent - commercial	464,840	266,406
Expenses		
Cleaning	52,687	27,993
Insurance	2,580	3,480
Interest on long-term debt	24,925	27,098
Electricity	101,614	66,828
Property taxes	46,678	46,324
Repairs and maintenance	31,011	18,717
Snow removal	7,973	8,003
Water	1,888	1,731
Depreciation	107,804	107,804
Depreciation of leasehold inducements	-	34,829
Depreciation of deferred credits	(93,408)	(93,403)
	283,752	249,404
Net revenue	181,088	17,002

The Charlottetown Area Development Corporation

Consolidated Schedule of Biocommons Revenue and Expenses

For the year ended March 31, 2018 **Schedule 6**

	2018 $	2017 $
Revenue		
Rent - commercial (note 17)	504,464	511,030
Expenses		
Common area	590	1,155
Electricity	11,915	12,152
Fuel	53,127	48,713
Insurance	4,728	6,900
Interest on long-term debt	73,165	75,954
Property taxes	70,492	70,113
Repairs and maintenance	7,005	3,582
Snow removal	8,010	9,063
Water	21,545	12,013
Heating system	-	778
Depreciation	62,330	62,295
Depreciation of deferred credits	(25,510)	(25,510)
	287,397	277,208
Net revenue	217,067	233,822

The Charlottetown Area Development Corporation

Consolidated Schedule of Venue Site and Parking Lot Revenue and Expenses

For the year ended March 31, 2018 **Schedule 7**

	2018 $	2017 $
Revenue		
Rent	21,980	16,237
Expenses		
Interest on long-term debt	43,768	45,771
Interest and bank charges	2,020	2,864
Insurance	4,104	628
Advertising	-	2,454
Property taxes	7,860	10,529
Supplies	-	215
Telephone	2,988	2,937
Repairs and maintenance	7,686	9,549
Snow removal	830	1,260
Water	3,680	6,101
Fuel	1,253	1,266
Electricity	7,211	6,050
Depreciation of deferred credits	(122,887)	(184,159)
Depreciation	128,191	188,287
	86,704	93,752
Net expense	(64,724)	(77,515)

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The Charlottetown Area Development Corporation

Consolidated Schedule of Convention Centre Revenue and Expenses

For the year ended March 31, 2018 **Schedule 8**

	2018 $	2017 $
Revenue		
Recovery of expenses	266,711	54,849
Decrease in recovery from prior years (note)	-	(617,871)
	266,711	(563,022)
Expenses		
Property tax (recovery)	266,711	(563,746)
Depreciation of deferred credits	(327,881)	(327,881)
Depreciation	326,961	327,177
	265,791	(564,450)
Net revenue	920	1,428

From 2013 to 2016, the Convention Centre was originally assessed at approximately $13,300,000 for property taxes. In July 2016, the property tax assessed value was reassessed to $5,445,000 for the 2013 to 2016 years. This reassessment resulted in a property tax recovery recorded in expenses for the year ended March 31, 2017. The reduction in property tax expense results in a decrease in recovery revenue recorded in prior years.

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Finance PEI

Consolidated Financial Statements
March 31, 2018

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Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Finance PEI on matters of financial reporting and internal controls. Management provides the Board with internal consolidated financial statements on a monthly basis and externally audited consolidated financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Finance PEI

Jamie Aiken, CPA, CA
Chief Executive Officer of Finance PEI

ArsenaultBestCameronEllis
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June 12, 2018

Independent Auditor's Report

To the Board of Directors of
Finance PEI

We have audited the accompanying consolidated financial statements of **Finance PEI**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, accumulated surplus, changes in net debt 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 consolidated 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 auditor's 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 controls 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 controls. 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

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

ArsenaultBestCameronEllis

Chartered Professional Accountants

Finance PEI

Consolidated Statement of Financial Position
As at March 31, 2018

	2018 $	2017 $
Assets		
Financial assets		
Cash	1,346,939	1,038,614
Accounts receivable (notes 2 and 11)	674,354	932,265
Loans receivable (notes 3 and 11)	170,262,680	166,362,914
Advances to related companies (note 11)	163,150	39,292
Due from the Province of Prince Edward Island (note 11)	11,163,650	11,163,650
Investment in private companies (note 4)	120,001	120,001
	183,730,774	179,656,736
Liabilities		
Accounts payable and accrued liabilities (note 11)	1,586,738	1,584,298
Deferred revenue	1,262,893	1,266,236
Advances from related companies (note 11)	14,578,417	13,909,214
Short-term notes payable (note 5)	19,695,142	20,558,618
Long-term debt (note 6)	148,767,362	146,669,074
	185,890,552	183,987,440
Net debt	(2,159,778)	(4,330,704)
Contingent liabilities (note 9)		
Non-financial assets		
Prepaid expenses	111,348	109,350
Net investment in lease (note 7)	646,053	670,896
Foreclosed properties (note 8)	312,727	600,260
Property holdings (notes 6 and 11) (Schedule 2)	30,486,228	29,203,215
	31,556,356	30,583,721
Accumulated surplus	29,396,578	26,253,017

Approved by the Board of Directors

______________________________ Director ______________________________ Director

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Finance PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2018

	2018 $	2017 $
Accumulated surplus - Beginning of year	26,253,017	24,217,074
Operating surplus	3,143,561	2,035,943
Accumulated surplus - End of year	29,396,578	26,253,017

Finance PEI

Consolidated Statement of Operations

For the year ended March 31, 2018

	Budget (Unaudited) $	Actual 2018 $	Actual 2017 $
Revenue			
Interest from borrowers	9,320,000	9,133,100	8,767,874
Interest from deposits	30,000	32,166	36,146
Property operations (note 11)	4,135,000	4,298,621	4,605,126
Post-receivership income	-	1,390	1,648
Management fees (note 11)	500,000	500,000	500,000
Gain on disposal of property holdings	-	-	58,261
Miscellaneous	125,000	126,697	112,305
	14,110,000	14,091,974	14,081,360
Expenses (notes 6 and 11) (Schedule 1)			
Administration (note 1)	608,700	665,095	644,966
Lending operations	5,165,300	5,030,579	5,230,349
Property operations (note 1)	4,832,200	5,262,960	4,990,454
Provision for (recovery of) possible losses	1,700,000	(10,221)	1,179,648
	12,306,200	10,948,413	12,045,417
Operating surplus	1,803,800	3,143,561	2,035,943

Finance PEI

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2018

	2018 $	2017 $
Annual surplus	3,143,561	2,035,943
Acquisition of property holdings	(4,027,989)	(2,684,748)
Amortization of property holdings	1,360,794	1,400,634
Loss (gain) on disposal of property holdings	31,380	(58,261)
Proceeds on disposal of property holdings	1,352,802	107,837
Transfer to foreclosed properties	(2,064,881)	(2,851,841)
Transfer of provision to foreclosed properties	2,039,243	1,995,792
Payments received on foreclosed properties	313,171	268,613
Disposal of foreclosed properties	-	130,994
	(995,480)	(1,690,980)
Increase in prepaid expenses	(1,998)	(741)
Change in net investment in lease	24,843	23,944
	(972,635)	(1,667,777)
Decrease in net debt	2,170,926	368,166
Net debt - Beginning of year	(4,330,704)	(4,698,870)
Net debt - End of year	(2,159,778)	(4,330,704)

Finance PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Operating surplus	3,143,561	2,035,943
Items not affecting cash		
Amortization	1,360,794	1,400,634
Change in net investment in lease	24,843	23,944
Provision for (recovery of) possible losses	(10,221)	1,179,648
Gain on disposal of property holdings	31,380	(58,261)
	4,550,357	4,581,908
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	257,911	(372,508)
Increase in prepaid expenses	(1,998)	(741)
Increase in accounts payable and accrued liabilities	2,440	183,789
Decrease in deferred revenue	(3,343)	(275)
	4,805,367	4,392,173
Financing activities		
Increase in advances from related companies	669,203	492,223
Decrease (increase) in advances to related companies	(123,858)	31,855
Increase in short-term notes payable	-	5,112,242
Repayment of short-term notes payable	(863,476)	(90,870)
Increase in long-term debt	16,200,000	16,700,000
Repayment on long-term debt	(14,101,712)	(26,756,749)
	1,780,157	(4,511,299)
Investing activities		
Decrease (increase) in loans receivable	(3,889,545)	1,393,685
Decrease in investment in private companies	-	130,000
Additions to and purchases of property holdings	(4,027,989)	(2,684,748)
Reductions and proceeds on disposal of property holdings	1,352,802	107,837
Additions to foreclosed properties	(2,064,881)	(2,851,841)
Disposal of foreclosed properties	-	130,994
Payments received on foreclosed properties	313,171	268,613
Decrease in foreclosed properties	2,039,243	1,995,792
	(6,277,199)	(1,509,668)
Change in cash	308,325	(1,628,794)
Cash - Beginning of year	1,038,614	2,667,408
Cash - End of year	1,346,939	1,038,614

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Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements:

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, Atlantic Technology Centre Inc., P.E.I. Infrastructure Inc. and 100417 P.E.I. Inc., all having March 31, 2018 year ends.

b) Financial instruments

All financial assets and financial liabilities are initially recognized at fair value and subsequently measured at cost or amortized cost.

c) Cash

Cash is comprised of cash on hand and cash in banks and is recorded at cost.

d) Accounts receivable

Accounts receivable arise from tenant rents, trade sales, staff advance and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

e) Loans receivable

Loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Allowances for possible losses are calculated on loans receivable as outlined in note 1j).

f) Due from Province of Prince Edward Island

The amount due from Province of Prince Edward Island is funding receivable related to the allowance for possible credit losses. The due from the Province of Prince Edward Island is reduced when a write-off is recognized by Finance PEI and the Province with notes payable reduced correspondingly. This amount is also reduced by any payment received from the Province on payment by the Corporation to satisfy guarantees.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

g) Investments in private companies

Investment in private companies, except for two preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% was charged to development programs when the funds were invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The two investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in lending operations expense.

It is not practical within the constraints of timeliness and cost to determine the fair market value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments is based on expected future cash flows.

h) Property holdings, foreclosed properties and amortization

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value. Property holdings are amortized using the straight-line method at the following annual rates:

Land improvements	10%
Leasehold improvements	7%
Buildings	14 - 30 years
Equipment	20%, 33% and 100%

Proceeds on the sale of land included in industrial sites is recorded as a reduction in the carrying value of the asset.

Included in property operations expense is amortization of $1,292,996 (2017 - $1,333,178). Included in administration expenses is amortization of $67,798 (2017 - $67,456).

ii) Foreclosed properties

Foreclosed properties are carried at the lower of cost of the impaired asset prior to realization of the related security and the underlying estimated realizable value of the security.

Reductions from the carrying value of the impaired asset to estimated realizable value is recorded as a provision for possible losses.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

iii) Fair value

Fair value for land, buildings and equipment held for resale or under lease purchase options and industrial malls, is its property tax assessed value. Fair value for industrial sites is the expected proceeds on resale. Fair value for the test cells is the net cost to construct the assets supported by payments under a long-term lease agreement. If property and equipment carrying value should exceed fair value, additional amortization or a writedown is provided.

i) Net investment in lease

Net investment in lease represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option for leases with a deferred purchase option.

j) Allowance for possible losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses of financial position items including guarantees. The allowance is deducted from the applicable asset on the statement of financial position, except for guarantees. The allowance for guarantees is included in accounts payable and accrued liabilities.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions for loans receivable, accounts receivable, investments in private companies and foreclosed properties total $25,625,322 (2017 - $25,770,413).

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio, investments and advances, foreclosed properties and property holdings and guarantees on an ongoing basis to assess whether an allowance is required.

A variety of methods are used to determine the amount expected to be recovered from investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of $13,239,608 (2017 - $13,666,577) includes accumulated allowances for losses which are prudential in nature and are not specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

k) Employee pension plan

The Corporation's staff are members of the Province of Prince Edward Island pension plan. The pension plan obligation is a liability of the Province and not Finance PEI and no liability for these costs has been accrued by the Corporation at March 31, 2018.

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

l) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

m) Deferred revenue

Contributions received and not expended on land purchases and grants to finance infrastructure costs and contributions to occupants of the Biocommons park are recorded as deferred revenue.

n) Revenue recognition

Interest on loans from borrowers is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Revenue from property operations are recorded when collection is reasonably assured and all other significant conditions of service are met.

Revenue from service fees, post-receivership income, management fees and miscellaneous income are recorded when earned and collection is reasonably assured.

Government contributions and interest from deposits are recorded in the period earned.

o) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

p) Management estimates

The presentation of financial statements in conformity with Canadian public sector standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from the following estimates:

- The amount recorded regarding the allowance for possible credit losses is subject to management's assessment of the performance of the company's loans receivable, investments and accounts receivable as well as the valuation of the assets placed as security;
- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings; and
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

2 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $700,518 (2017 - $608,232).

3 Loans receivable

	2018				2017
	Total $	**Allowance for possible losses General** $	**Allowance for possible losses Specific** $	**Net** $	**Net** $
Working capital loans					
Agriculture	3,406,650	1,400,000	1,401,097	605,553	411,109
Tourism	2,194,290	166,071	-	2,028,219	1,855,956
Manufacturing and processing	2,386,340	360,851	67,379	1,958,110	1,518,866
Fisheries	1,252,750	-	-	1,252,750	1,011,417
Small business	2,418,430	666,649	93,000	1,658,781	1,642,069
	11,658,460	2,593,571	1,561,476	7,503,413	6,439,417
Long-term loans					
Agriculture	24,687,300	2,409,381	4,350,733	17,927,186	17,378,597
Tourism	30,345,591	589,890	8,550,000	21,205,701	20,602,487
Manufacturing and processing	27,226,038	2,324,461	335,698	24,565,879	25,708,896
Fisheries and aquaculture	87,113,052	4,025,000	1,677,469	81,410,583	77,833,757
Small business	20,365,236	1,297,305	1,707,685	17,360,246	17,853,987
Eco energy	128,836	-	-	128,836	276,695
	189,866,053	10,646,037	16,621,585	162,598,431	159,654,419
Accrued interest	160,836	-	-	160,836	269,078
	201,685,349	13,239,608	18,183,061	170,262,680	166,362,914

Working capital loans are repayable over various terms to a maximum of 5 years with interest rates ranging from 4.45% to 7.95%.

Long-term loans are repayable over various terms to a maximum of 10 years with interest rates ranging from 4.00% to 8.11%.

Security for working capital loans and long-term loans consists of promissory notes, land, building, inventory and personal guarantees from the borrowers.

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

Continuity of allowance for possible losses

	2018 $	2017 $
Allowance for possible losses - Beginning of year	34,278,736	37,103,290
Less: Loans written off	(795,067)	(1,946,448)
Add: Provision recorded during year	2,191,583	5,011,259
Less: Transferred to foreclosed properties	(2,129,795)	(2,006,050)
Less: Recoveries during year	(2,122,788)	(3,883,315)
Allowance for possible losses - End of year	31,422,669	34,278,736

4 Investment in private companies

	2018 $	2017 $
Investment in private companies		
Small Business and Venture Capital Equity Program investments	438,910	438,910
Less: Allowance for possible losses	(438,910)	(438,910)
	-	-
Investment in preferred shares of private companies	332,812	422,812
Less: Allowance for possible losses	(212,811)	(302,811)
	120,001	120,001
	120,001	120,001

Continuity of allowance for possible losses

	2018 $	2017 $
Allowance for possible losses - Beginning of year	741,721	841,721
Less: Recovery during the year	(90,000)	(100,000)
Allowance for possible losses - End of year	651,721	741,721

Finance PEI
Notes to Consolidated Financial Statements
March 31, 2018

5 Short-term notes payable

	2018 $	2017 $
Demand note payable to Island Investment Development Inc.	6,998,502	6,998,502
Demand notes payable to Province of Prince Edward Island	12,696,640	13,560,116
	19,695,142	20,558,618

The demand notes payable to Island Investment Development Inc. includes a $15,000,000 available operating line of credit with an outstanding balance at March 31, 2018 of $6,998,502 (2017 - $6,998,502).

The demand note to Island Investment Development Inc. is secured by a promissory note for $15,000,000 and a revolving credit agreement. The demand notes to Province of Prince Edward Island are unsecured.

Interest paid by Finance PEI is included in the expenditure category to which it relates. Included is interest for 2018 in the amount of $214,528 (2017 - $155,740).

Demand notes payable are issued by the Province of Prince Edward Island and Island Investment Development Inc. with interest set monthly based on the Province's short-term lending rate in existence at the first day of the month. These notes are renewed on an ongoing basis with interest payable monthly.

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

6 Long-term debt

	2018 $	2017 $
4.00% note payable to Island Investment Development Inc., no specific repayment terms	556,846	556,846
4.00% note payable to Island Investment Development Inc., no specific repayment terms	1,430,499	1,430,499
4.00% note payable to Island Investment Development Inc., due April 2018, repayable $8,165 monthly including principal and interest	1,089,478	1,143,376
6.01% note payable, due December 2024, repayable $88,025 monthly including principal and interest	5,862,874	6,548,886
5.54% note payable, due December 2024, repayable $7,969 monthly including principal and interest	538,614	602,824
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in $32,366 quarterly payments including principal and interest	1,350,806	1,431,774
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in $342,453 annual payments including principal and interest	4,020,986	-
2.31% note payable to Province of Prince Edward Island, due August 22, 2032, repayable in $260,127 quarterly payments including principal and interest	4,435,002	-
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2018 and 2023	129,482,257	129,913,202
6.62% Bank of Nova Scotia mortgage, repaid during the year	-	5,041,667
	148,767,362	146,669,074

Island Investment Development Inc. is a provincial Crown corporation. The repayment terms of the $556,846 and $1,430,499 loans are to be determined at a future date.

The 6.01% and 5.54% notes payable are secured by a general security agreement covering certain property holdings with a net book value of nil.

All other notes payable are unsecured.

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Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

	$
Year ending March 31, 2019	31,756,586
2020	39,566,753
2021	23,010,063
2022	25,788,168
2023	22,159,617

Interest paid by Finance PEI and its subsidiaries in the amount of $3,570,992 (2017 - $3,923,730) is included in the expenditure category to which it relates.

7 Net investment in lease

Net investment in lease representing the purchase option receivable from a lessee, due December 2035.

The net investment in this lease is recorded at the net present value of the total lease payments using a discount rate of 3.75%, calculated as follows:

	2018 $	2017 $
Total of lease payments to be received to December 2035	900,030	950,030
Less: Portion representing interest at 3.75%	(253,977)	(279,134)
Net present value of net investment in lease	646,053	670,896

8 Foreclosed properties

	2018 $	2017 $
Foreclosed projects - land, buildings and equipment held for resale	6,312,309	4,560,599
Less: Allowance for possible losses	(5,999,582)	(3,960,339)
	312,727	600,260

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Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

Continuity of allowance for possible losses

	2018 $	2017 $
Allowance for possible losses - Beginning of year	3,960,339	1,964,547
Add: Provision recorded during the year	21,476	89,000
Add: Transferred from loans receivable	2,129,795	2,006,050
Less: Recovery during the year	(112,028)	(99,258)
Allowance for possible losses - End of year	5,999,582	3,960,339

9 Contingent liabilities

a) A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim has been ongoing since 1996.

b) The Corporation is contingently liable under loan guarantees at March 31 as follows:

	2018 $	2017 $
Loan guarantees	-	8,250

The Corporation is also contingently liable under entrepreneur loan program guarantees of $11,335.

The guarantees are secured by various assets and proceeds from liquidation are expected to cover the net carrying amount of the guarantees.

There is no provision for possible losses included in the financial statements for the guarantees.

10 Commitments

Loans approved but not disbursed at March 31, 2018 total $6,803,849 (2017 - $6,336,106).

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

11 Related party account balances and transactions

Related parties

The related companies are provincial Crown corporations or subsidiaries of provincial Crown corporations.

Statement of Financial Position

	2018 $	2017 $
Advances to related companies:		
Biocommons Development Inc.	39,292	39,292
Island Investment Development Inc.	123,858	-
	163,150	39,292
Advances from related companies:		
Innovation PEI	11,146,934	11,064,367
Island Investment Development Inc.	-	210,909
Prince Edward Island Century 2000 Fund Inc.	3,431,483	2,633,938
	14,578,417	13,909,214

The advances to/from related companies and due from the Province of Prince Edward Island, are non-interest bearing and have no specific terms of repayment. Innovation PEI and Island Investment Development Inc. are provincial Crown corporations. Prince Edward Island Century 2000 Fund Inc. is a subsidiary of a provincial Crown corporation. Biocommons Development Inc. is a non-profit company with a similar Board of Directors as P.E.I. Infrastructure Inc.'s Board of Directors.

Included in accounts receivable, accounts payable and accrued liabilities are the following amounts due from/due to related parties:

	2018 $	2017 $
Accounts receivable:		
Due from Province of Prince Edward Island	147,039	147,468
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	154,437	131,769
Due to related companies	747,707	665,240
	902,144	797,009

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2018

Property holdings

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Statement of operations

Included in property operations revenue is $552,004 (2017 - $577,414) from related parties.

During the year, management fees of $500,000 (2017 - $500,000) were received from Island Investment Development Inc., a provincial Crown corporation.

Included in expenditures is $3,021,653 (2017 - $3,093,825) in interest paid to Province of Prince Edward Island and $196,872 (2017 - $178,912) in interest paid to Island Investment Development Inc., a provincial Crown corporation.

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

Other

During the year, a loan receivable in the amount of $1,512,557 was transferred from Prince Edward Island Century 2000 Fund Inc. to Finance PEI at its carrying amount.

The Corporation rents land for the annual amount of $2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

Slemon Park Corporation is a wholly-owned subsidiary of Island Investment Development Inc.

12 Financial risk management objectives and policies

Finance PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Finance PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's loans receivable.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The company's maximum exposure to credit risk at the reporting date was:

	2018 **$**	**2017** **$**
Accounts receivable	674,354	932,265
Loans receivable	170,262,680	166,362,914
Advances to related companies	163,150	39,292
Due from the Province of Prince Edward Island	11,163,650	11,163,650
Investment in subsidiaries and private company	120,001	120,001
Loan guarantees	-	8,250
	182,383,835	178,626,372

(i) Loans receivable

For the loans receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital assets such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

Credit is approved by staff and the company's Board of Directors with loans in excess of $1 million requiring approval by Treasury Board and loans in excess of $2.5 million requiring approval by Executive Council. The company factors the financial strength of each borrower, the security available, their position in industry and past payment history when assessing all potential loans.

A loan is considered past due when a party has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired:

	0 - 60 days **$**	**60 - 120 days** **$**	**+120 days** **$**	**Total** **$**
As at:				
March 31, 2018	138,918	211,838	6,182,091	6,532,847
March 31, 2017	226,805	90,108	4,419,261	4,736,174

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, advances from related companies, notes payable and mortgages as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Under 1 year **$**	**Between 1 - 5 years** **$**	**Over 5 years** **$**	**2018 Total** **$**
Accounts payable and accrued liabilities	1,586,738	-	-	1,586,738
Advances from related companies	14,578,417	-	-	14,578,417
Short-term notes payable	19,695,142	-	-	19,695,142
Long-term debt	31,756,586	110,524,601	6,486,175	148,767,362
	67,616,883	110,524,601	6,486,175	184,627,659

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2018

	Under 1 year $	Between 1 - 5 years $	Over 5 years $	2017 Total $
Accounts payable and accrued liabilities	1,584,298	-	-	1,584,298
Advances from related companies	13,909,214	-	-	13,909,214
Short-term notes payable	20,558,618	-	-	20,558,618
Long-term debt	38,830,550	101,952,637	5,885,887	146,669,074
	74,882,680	101,952,637	5,885,887	182,721,204

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

i) 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. For the Corporation, mismatches in the balances of assets, liabilities and off-statement of financial position financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Corporation manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Corporation's management initiatives.

	Net interest income change $	Interest expense change $
Impact of		
1% increase in interest rates	64,446	281,511
1% decrease in interest rates	(64,446)	(281,511)

Finance PEI
Notes to Consolidated Financial Statements
March 31, 2018

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of Finance PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Finance PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Finance PEI

Consolidated Schedule of Expenses by Type

For the year ended March 31, 2018 **Schedule 1**

2018

	Salaries Benefits $	Operating Goods & Services $	Property Operations $	Lending Operations $	Interest Expense $	Amortization $	Total $
Expenses							
Administration	250,262	346,916	-	-	119	67,798	665,095
Lending operations	1,227,585	-	-	179,968	3,623,026	-	5,030,579
Property operations	563,797	127,519	3,098,156	-	180,492	1,292,996	5,262,960
Provision for possible losses	-	-	-	(10,221)	-	-	(10,221)
	2,041,644	474,435	3,098,156	169,747	3,803,637	1,360,794	10,948,413

2017

	Salaries Benefits $	Operating Goods & Services $	Property Operations $	Lending Operations $	Interest Expense $	Amortization $	Total $
Expenses							
Administration	245,203	332,240	-	-	67	67,456	644,966
Lending operations	1,401,106	-	-	147,779	3,681,464	-	5,230,349
Property operations	682,822	159,966	2,416,550	-	397,938	1,333,178	4,990,454
Provision for possible losses	-	-	-	1,179,648	-	-	1,179,648
	2,329,131	492,206	2,416,550	1,327,427	4,079,469	1,400,634	12,045,417

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CHARTERED PROFESSIONAL ACCOUNTANTS

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2018 **Schedule 2**

	Cost				Accumulated amortization				2018
	Beginning $	Additions $	Disposals $	Disposals/ Ending $	Beginning $	Amortization $	Disposals/ adjustments $	Ending $	Net book value $
General									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,229,973	45,706	-	3,275,679	1,138,743	125,505	-	1,264,248	2,011,431
	4,256,238	45,706	-	4,301,944	1,183,508	125,505	-	1,309,013	2,992,931
Property holdings held for resale									
Land	1,584,302	-	-	1,584,302	-	-	-	-	1,584,302
Buildings	1,200,000	-	-	1,200,000	192,000	48,000	-	240,000	960,000
	2,784,302	-	-	2,784,302	192,000	48,000	-	240,000	2,544,302
Industrial Sites									
Land	4,069,575	34,867	-	4,104,442	-	-	-	-	4,104,442
Land improvements	2,789,802	-	-	2,789,802	2,739,101	6,154	-	2,745,255	44,547
Leasehold improvements	1,001,339	-	-	1,001,339	297,307	70,094	-	367,401	633,938
Building	26,384,487	3,912,069	-	30,296,556	9,071,609	1,090,072	-	10,161,681	20,134,875
Equipment	7,161,165	35,347	-	7,196,512	7,144,350	20,969	-	7,165,319	31,193
	41,406,368	3,982,283	-	45,388,651	19,252,367	1,187,289	-	20,439,656	24,948,995
Test cell	4,937,000	-	(4,937,000)	-	3,552,818	-	(3,552,818)	-	-
	53,383,908	4,027,989	(4,937,000)	52,474,897	24,180,693	1,360,794	(3,552,818)	21,988,669	30,486,228

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CHARTERED PROFESSIONAL ACCOUNTANTS

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2017 **Schedule 2**

	Cost				Accumulated amortization				2017
	Beginning $	Additions $	Disposals $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,229,973	-	-	3,229,973	1,016,463	122,280	-	1,138,743	2,091,230
	4,256,238	-	-	4,256,238	1,061,228	122,280	-	1,183,508	3,072,730
Property holdings held for resale									
Land	1,584,302	-	-	1,584,302	-	-	-	-	1,584,302
Buildings	1,200,000	-	-	1,200,000	144,000	48,000	-	192,000	1,008,000
	2,784,302	-	-	2,784,302	144,000	48,000	-	192,000	2,592,302
Industrial Sites									
Land	4,058,815	60,336	(49,576)	4,069,575	-	-	-	-	4,069,575
Land improvements	2,789,802	-	-	2,789,802	2,732,812	6,289	-	2,739,101	50,701
Leasehold improvements	1,001,339	-	-	1,001,339	227,213	70,094	-	297,307	704,032
Building	23,780,705	2,603,782	-	26,384,487	8,168,302	903,307	-	9,071,609	17,312,878
Equipment	7,140,535	20,630	-	7,161,165	7,140,536	3,814	-	7,144,350	16,815
	38,771,196	2,684,748	(49,576)	41,406,368	18,268,863	983,504	-	19,252,367	22,154,001
Test cell	4,937,000	-	-	4,937,000	3,305,968	246,850	-	3,552,818	1,384,182
	50,748,736	2,684,748	(49,576)	53,383,908	22,780,059	1,400,634	-	24,180,693	29,203,215

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CHARTERED PROFESSIONAL ACCOUNTANTS

Grant Thornton

Financial Statements

French Language School Board

March 31, 2018

French Language School Board

Contents

Management's Responsibility For Financial Reporting

March 31, 2018

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the French Language School Board and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the French Language School Board

Director of Corporate Services

GrantThornton

Independent auditors' report

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To the Board of Trustees of the
French Language School Board

We have audited the accompanying financial statements of French Language School Board, which comprise the statement of financial position as at March 31, 2018, and statements of operations and changes in net debt and statement of cash flows for the period 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.

Auditor's 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 auditor's 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.

GrantThornton

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 French Language School Board as at March 31, 2018, and the results of its operations and cashflows for the period then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Summerside, Prince Edward Island

June 21, 2018

Chartered Professional Accountants

French Language School Board
Statements of operations and changes in net debt

Year ended March 31	Page	2018	%	2017	%
Revenue					
Grants					
Salaries and benefits		$ 13,998,248	87.4	$ 13,373,224	88.1
Maintenance and operation		974,498	6.1	884,700	5.8
Administration		218,800	1.4	225,199	1.5
Transportation		341,801	2.1	319,599	2.1
Program		102,603	0.6	100,002	0.7
Renovations, repairs and maintenance		55,698	0.3	55,701	0.4
Professional development		7,700	0.1	7,503	0.1
O.L.E Funding		67,518	0.4	100,700	0.6
Other revenue (Note 3)		252,347	1.6	113,537	0.7
		16,019,213	100.0	15,180,165	100.0
Expenses (Note 4)					
Salaries and benefits	13	14,169,332	86.1	13,132,999	86.6
Maintenance and operation	14	985,459	6.0	912,880	6.0
Administration	15	416,951	2.5	394,094	2.6
Transportation	16	507,519	3.1	382,170	2.5
Program	17	224,103	1.4	217,647	1.4
Renovations, repairs and maintenance	18	111,770	0.6	73,209	0.5
Professional development		48,216	0.3	57,508	0.4
		16,463,350	100.0	15,170,507	100.0
Excess (expenses) revenues		$ (444,137)		$ 9,658	

	2018	2017
Net debt, beginning of period	$ (645,700)	$ (655,358)
Excess (expenses) revenues	(444,137)	9,658
Net debt, end of period	$ (1,089,837)	$ (645,700)

See accompanying notes to the financial statements.

French Language School Board
Statement of financial position

March 31	**2018**	2017
Financial assets		
Cash and cash equivalents	**$ 1,068,126**	$ 1,107,485
Receivables (Note 5)	**168,932**	244,688
Prepaids	**25,475**	20,969
Department of Education - post employment benefits	**2,139,876**	1,872,187
Department of Education - deferred salary plan	**16,305**	48,713
	$ 3,418,714	$ 3,294,042
Financial liabilities		
Payables and accruals		
General	**$ 510,500**	$ 537,989
Salaries and benefits	**464,714**	359,440
Province of Prince Edward Island	**767,903**	403,159
Deferred revenue (Note 6)	**609,253**	718,254
Post employment benefits (Note 7)	**2,139,876**	1,872,187
Deferred salary program	**16,305**	48,713
	4,508,551	3,939,742
Net debt	**$ (1,089,837)**	$ (645,700)

Contingency (Note 9)

On behalf of the Board

_______________ Chairperson _______________ Trustee

See accompanying notes to the financial statements.

French Language School Board
Statement of cash flows

Year ended March 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess (expenses) revenue	**$ (444,137)**	$ 9,658
Change in non-cash working capital		
Receivables	**(159,525)**	(149,293)
Prepaids	**(4,506)**	(2,563)
Payables	**677,810**	204,725
Deferred revenue	**(109,001)**	36,143
Net increase (decrease) in cash and cash equivalents	**(39,359)**	98,670
Cash and cash equivalents,		
Beginning of period	**1,107,485**	1,008,815
End of period	**$ 1,068,126**	$ 1,107,485

See accompanying notes to the financial statements.

French Language School Board
Notes to the financial statements
March 31, 2018

1. Nature of operations

The Board has the responsibility to provide primary and secondary education requirements in French to people within Prince Edward Island. The Board is funded by the Department of Education, Early Learning and Culture (the Department) of Prince Edward Island.

2. Summary of significant accounting policies

Basis of accounting
The Board prepares its financial statements in accordance with Canadian public sector accounting standards.

Revenue recognition
The Board follows the deferral method of accounting for grants for special projects. Grants restricted for special projects are recognized as revenue in the year in which the related expenses are incurred. Unrestricted amounts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met. To the extent that transfer stipulations give rise to an obligation that meets the definition of a liability, transfers are recognized as deferred revenue.

Retirement allowances
The French Language School Board records an annual expense based on the change in the actuarially determined obligation for retirement allowance benefits, net of payments during the year. Funds to settle the obligation which are a liability of the Board will be reimbursed by the Department at the time of payment. Therefore, a receivable from the Department is recorded for the entire retirement allowance amount.

Retirement allowances are provided to employees on death or retirement if the employee has 10 years of continuous service (5 years for excluded members). The retirement allowance is for so many days per year of service with maximums which vary based on union affiliation.

Vacation pay
Vacation entitlements are expensed as earned.

Deferred revenue
The unexpended portion of grants received for specific purchases is deferred and used for the related future purchases.

French Language School Board
Notes to the financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks, net of bank overdraft, and highly liquid short term deposits.

Pension plans
Instructional employees of the Board are members of Teacher Superannuation Pension Plans of the Province of Prince Edward Island. The expense of the Board is limited to current year contributions as any shortfall in funding of the pension plan is the responsibility of the Province of Prince Edward Island. Amounts paid to this plan during the year are $720,824 (2017 - $695,194).

Non-instructional employees are members of the Prince Edward Island Education Sector Pension Plan with both defined benefit/defined contribution components. The expense of the Board is limited to a matching contribution equal to the employee portion.

Certain non-instructional employees of the Board are members of the Civil Service Superannuation Pension Plan of the Province of Prince Edward Island. The expense of the Board is limited to current year contributions as any shortfall in funding of the pension plan is the responsibility of the Province of Prince Edward Island. Amounts paid to this plan during the year are $219,927 (2017 - $218,095).

Workers' compensation claims
The French Language School Board is a registered employer with the Worker's Compensation Board of Prince Edward Island for instructional and non-instructional staff. The School Board records an annual expense based on payroll assessments in accordance with the Workers' Compensation Act.

Deferred Salary Plan
Teachers employed with the French Language School Board can participate in a program that allows them to defer a portion of their annual salary and take a paid leave of absence. The deferral results in a liability to the teachers, which is satisfied during the paid leave of absence. Funds to settle the obligation, which are a liability of the Board, will be reimbursed by the Department, and therefore any liability has an offsetting receivable due from the Department.

French Language School Board
Notes to the financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

Measurement uncertainty and the use of estimates
Canadian public sector accounting standards require 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 year.

Measurement uncertainty that may be material to these financial statements exists for the liability for employee future benefits of $2,216,678 (2017 - $1,934,441) because actual experience may differ significantly from actuarial assumptions.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in future conditions, occurring within one fiscal year, could require material changes in the amounts recognized or disclosed.

3. Other revenue

	2018	2017
Program funding	$ 222,128	$ 90,209
Other	3,629	4,223
Rentals and recoverable costs	26,590	19,105
	$ 252,347	$ 113,537

4. Expenses by department

The following is a summary of the expenses reported on the statement of operations by department excluding employee benefits:

	2018	2017
Instructional	$ 8,004,934	$ 7,114,952
Administration	2,928,081	2,902,863
Transportation	1,326,467	1,135,532
Maintenance and operations	1,894,673	1,738,550
Employee benefits	2,309,195	2,278,610
	$ 16,463,350	$ 15,170,507

French Language School Board
Notes to the financial statements
March 31, 2018

5. Receivables

	2018	2017
Transition pay	$ 4,628	$ 4,628
HST	39,632	52,306
Other	124,672	187,754
	$ 168,932	$ 244,688

6. Deferred revenue

	2018	2017
Funds designated for:		
Autism training	$ 3,933	$ 10,004
Capital projects	307,334	361,826
Community funding	517	606
Library	8,073	12,440
Official languages	20,106	-
Other	40,044	35,144
Professional development	17,019	30,902
Program materials	70,937	70,937
Special projects	73,612	104,160
Specialization	42,003	55,160
School improvement	19,858	31,258
Quebec PEI	5,817	5,817
	$ 609,253	$ 718,254

French Language School Board
Notes to the financial statements
March 31, 2018

7. Post employment benefits

An analysis of the components of, and changes in, post-employment benefits liabilities is as follows:

	2018	2017
Retirement allowance		
Balance, April 1	**$ 1,848,283**	$ 1,689,394
Current service cost	**221,411**	209,184
Interest accrued	**73,959**	70,919
Amortization of unamortized gain	**26,576**	30,486
Less: payments made	**(62,254)**	(151,700)
Balance, March 31	**2,107,975**	1,848,283
Vacation pay	**108,703**	86,158
	2,216,678	1,934,441
Less: current portion	**(76,802)**	(62,254)
	$ 2,139,876	$ 1,872,187
Unamortized actuarial gain	**$ (305,081)**	$ (512,968)

The retirement allowance balances are based on an independent actuarial valuation dated April 1, 2017 provided to the Pension and Benefits Division of the Province of Prince Edward Island Civil Service Commission. The report was amended for a change in the discount rate to be used in the valuation of the liability, the amendment was dated April 1, 2018. The Province of Prince Edward Island projects the total liability in the years between the tri-annual actuarial valuations. The amendment was dated April 1, 2018 is reflected in the 2018 projection prepared by the Province of Prince Edward Island.

The economic assumptions used in determining the actuarial value of accrued retirement allowances were developed by reference to expected long term market conditions. Significant actuarial assumptions used in the valuations and projections are:

Discount rate	3.30% per annum
Expected inflation rate	2.25% per annum
Expected average remaining service life	13 years

French Language School Board
Notes to the financial statements
March 31, 2018

8. Grant Allocations figures

The majority of the Board's activities are funded by the Department. The annual grant allocation from the Department provides details as to the funding allocations for each operational area with the exception of salaries. Though marginal, the Board also has revenues from other sources (a portion of which has been deferred from prior years) that are not included in the budget figures presented. The grant for salaries is for an approved number of full time employees for the Board. Funding for the approved number of positions is provided by The Department but the actual dollar value of the approved positions is not included in the identified grant. Since a dollar value was not provided for salaries, the grant associated with this expenditure has been excluded from the financial statements. The following figures are the operational budget allocations provided by The Department compared to the actual results for 2018:

	Grant allocation by category March 31, 2018	Actual expenditures by category March 31, 2018
Administration	$ 218,800	$ 416,951
Renovations and equipment	55,700	111,770
Instructional	102,600	224,103
Maintenance and operations	952,000	985,459
Transportation	341,800	507,519
Professional development	7,700	48,216
O.L.E. Funding	100,700	-

9. Contingency

The Board has elected to self insure itself related to collision coverage. During the year, no events were reported in accordance with the policies of the collision contingency fund.

10. Comparative figures

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

French Language School Board
Schedule of salaries and benefits expense

Year ended March 31	**2018**	2017
Administrative positions	**$ 1,604,148**	$ 1,580,412
Board supervisory	**548,114**	519,804
Federally funded	**115,511**	109,728
Maintenance and operation	**797,445**	748,926
Secretarial and clerical	**358,866**	358,909
Teachers	**6,705,955**	6,037,239
Teachers assistants and youth workers	**911,151**	737,071
Transportation	**818,949**	762,293
	11,860,139	10,854,382
Benefits	**1,987,248**	1,968,027
Retirement Allowance	**321,945**	310,590
	$14,169,332	$ 13,132,999

Note:

Administrative positions salaries include principals, vice-principals, department heads and consultants.

Board supervisory salaries include the superintendent, director of instruction, director of finance, assistant director of finance and administrative assistant.

Federally funded salaries include the salaries for the French Monitor Program.

Maintenance and operations salaries include janitorial staff.

Secretarial and clerical salaries include board office secretarial and school secretarial staff.

Teachers' salaries include all teaching staff excluding those listed above.

Teachers assistants and other workers include all teacher's assistants and youth workers.

Transportation salaries include bus driver staff.

Benefits include the employer's share of Canada pension and employment insurance, group insurance, pension, and teacher superannuation premiums, and various employee allowances.

French Language School Board
Schedule of maintenance and operation expense

Year ended March 31	**2018**	2017
Building repairs	**148,969**	135,030
Electricity	**235,335**	233,854
Equipment repairs	**1,479**	743
Equipment	**28,747**	19,501
Fuel	**294,551**	261,092
Garbage, water and sewage	**43,172**	41,272
Insurance	**56,507**	52,340
Janitorial and other supplies	**83,545**	65,376
Maintenance and grounds	**26,013**	21,852
Miscellaneous	**9,252**	10,397
Service contract	**1,318**	2,831
Snow removal	**56,571**	68,592
	$ 985,459	$ 912,880

French Language School Board
Schedule of administration expense

Year ended March 31	2018	2017
Advertising	**$ 56,570**	$ 56,192
Bad debt	**47,455**	-
Board member remuneration	**30,500**	29,572
Board member travel and other	**16,821**	17,880
Insurance	**12,072**	11,497
Miscellaneous	**32,671**	40,067
Office supplies	**24,430**	21,491
Postal services and expenses	**3,613**	4,183
Professional services	**41,681**	44,445
Public and staff relations	**10,518**	9,610
Service contracts	**55,196**	58,923
Telephone	**24,763**	24,942
Travel	**60,661**	75,292
	$ 416,951	$ 394,094

French Language School Board
Schedule of transportation expense

Year ended March 31	2018	2017
Computer equipment and software	$ **4,881**	$ 4,507
Contract services	**5,502**	6,926
Employee allowances	**785**	805
Extracurricular	**2,111**	1,744
Gas and oil	**217,834**	184,640
Insurance	**17,957**	16,320
Miscellaneous	**2,451**	1,626
Repairs	**255,998**	165,602
	$ **507,519**	$ 382,170

French Language School Board
Schedule of program expense

Year ended March 31	2018	2017
Academic supplies	$ **26,424**	$ 24,349
Art	**1,809**	4,104
Computer	**2,662**	4,509
Cultural awareness and student opportunities	**24,453**	26,625
Equipment	**3,982**	411
Library	**7,291**	1,645
Literacy	**12,805**	11,109
Miscellaneous	**36,864**	37,556
Music	**5,191**	5,535
Photocopying	**22,693**	26,647
Physical education	**17,000**	17,704
School development	**7,290**	3,188
Science	**6,292**	4,748
Specializations	**29,759**	42,102
Student services	**19,588**	7,415
	$ **224,103**	$ 217,647

French Language School Board
Schedule of renovations, repairs and maintenance expense

Year ended March 31	2018	2017
Audio visual	$ 9,167	$ 3,646
Building	38,610	11,111
Classroom/program furniture	14,187	4,547
Computer equipment - administration	12,358	17,271
Equipment	27,173	25,857
Miscellaneous	10,275	10,777
	$ 111,770	$ 73,209

HEALTH PEI

Financial Statements
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

Management is accountable to the Board of Directors of Health PEI on matters of financial reporting and internal controls. Management provides internal financial reports to the Board of Directors on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of Health PEI to meet as required.

On behalf of Health PEI

Denise Lewis Fleming
Chief Executive Officer

Pat Ryan
Comptroller

June 29, 2018

Prince Edward Island

Office of the Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Trustee of Health PEI

I have audited the financial statements of **Health PEI**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net debt, and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2018, and the results of its operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 29, 2018

HEALTH PEI
Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets		
Cash	-	2,209,285
Restricted cash (Note 2b)	1,149,640	1,227,854
Accounts receivable (Note 4)	12,660,011	10,185,534
Due from the Department of Health and Wellness	81,872,347	46,222,108
	95,681,998	59,844,781
Liabilities		
Accounts payable and accrued liabilities (Note 7)	106,413,384	95,838,810
Bank advances	6,521,726	-
Employee future benefits (Note 8)	75,142,548	72,104,516
Deferred donations (Note 2b)	1,149,640	1,227,854
Deferred revenue (Note 9)	51,499	5,982
	189,278,797	169,177,162
Net Debt	(93,596,799)	(109,332,381)
Non Financial Assets		
Tangible capital assets (Note 11)	238,359,996	232,600,693
Inventories held for use (Note 5)	4,137,647	4,074,091
Prepaid expenses (Note 6)	1,044,880	1,083,789
	243,542,523	237,758,573
Accumulated Surplus	149,945,724	128,426,192
Trusts under administration (Note 16)	833,140	826,339

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of Health PEI

Trustee

HEALTH PEI

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

	Budget (Note 18) 2018	2018	2017
	$	$	$
Revenues			
Operating grants - Dept. of Health and Wellness	640,152,800	661,654,900	617,247,345
Fees - patient and client (Note 14)	21,854,000	22,000,871	20,687,525
Food services	1,141,400	1,043,164	1,019,741
Federal revenues	110,600	36,048	554,424
Sales	560,400	387,030	406,355
Other	1,064,700	6,322,205	2,301,065
Operational Revenues	664,883,900	691,444,218	642,216,455
Capital grants - Dept. of Health and Wellness	23,705,800	18,201,897	8,474,742
Other capital contributions	3,000,000	3,764,802	5,012,500
Capital Revenues	26,705,800	21,966,699	13,487,242
	691,589,700	713,410,917	655,703,697
Expenses (Note 19)			
Community Hospitals	24,092,500	24,226,963	23,449,283
Acute Care	174,604,600	175,776,056	172,640,089
Addiction Services	12,272,500	12,190,926	12,206,035
Acute Mental Health	19,499,000	19,832,547	19,202,603
Community Mental Health	12,862,700	12,033,733	10,757,222
Continuing Care	68,569,400	68,938,311	66,763,681
Private Nursing Home Subsidies	25,445,100	26,828,430	23,952,215
Public and Dental Health	11,543,200	10,784,075	10,658,848
Provincial Pharmacare Programs	37,153,600	37,097,026	35,422,465
Home Care and Support	18,689,100	18,248,189	16,956,676
Provincial Laboratory and Diagnostic Imaging	33,513,500	32,842,443	33,095,317
Provincial Hospital Pharmacies	6,119,100	6,311,488	5,860,814
Emergency Health Services	17,679,400	18,098,888	16,767,026
Corporate and Support Services	24,769,800	22,748,867	22,007,857
Medical Programs - In Province	114,493,200	124,496,802	116,349,309
Medical Programs - Out of Province	49,800,800	51,363,443	51,486,982
Primary Care	13,776,400	13,865,802	13,558,898
Program and Service Expenses	664,883,900	675,683,989	651,135,320
Amortization of tangible capital assets	-	16,207,396	15,690,069
	664,883,900	691,891,385	666,825,389
Annual Surplus (Deficit) (Note 15)	26,705,800	21,519,532	(11,121,692)
Accumulated Surplus, beginning of year		128,426,192	139,547,884
Accumulated Surplus, end of year		149,945,724	128,426,192

(The accompanying notes are an integral part of these financial statements.)

HEALTH PEI

Statement of Changes in Net Debt
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Net Debt, beginning of year	(109,332,381)	(109,332,381)	(101,877,452)
Changes in year:			
Annual surplus (deficit)	26,705,800	21,519,532	(11,121,692)
Acquisition of tangible capital assets	(26,705,800)	(21,966,699)	(13,487,242)
Proceeds on disposal of tangible capital assets	-	11,705	81,818
Amortization of tangible capital assets	-	16,207,396	15,690,069
Gain on disposal of tangible capital assets	-	(11,705)	(81,818)
Increase in inventories	-	(63,556)	(249,304)
Decrease in prepaid expenses	-	38,909	1,713,240
Change in Net Debt	-	15,735,582	(7,454,929)
Net Debt, end of year	(109,332,381)	(93,596,799)	(109,332,381)

(The accompanying notes are an integral part of these financial statements.)

HEALTH PEI

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Surplus (deficit) for the year	21,519,532	(11,121,692)
Gain on disposal of tangible capital assets	(11,705)	(81,818)
Amortization of tangible capital assets	16,207,396	15,690,069
Changes in:		
Accounts receivable	(2,474,477)	(1,570,375)
Due from the Department of Health and Wellness	(35,650,239)	(3,349,806)
Accounts payable and accrued liabilities	10,574,574	10,575,991
Employee future benefits	3,038,032	6,220,656
Deferred revenue	45,517	(376,128)
Inventories held for use	(63,556)	(249,304)
Prepaid expenses	38,909	1,713,240
Cash provided by operating activities	13,223,983	17,450,833
Capital Activities		
Acquisition of tangible capital assets	(21,966,699)	(13,487,242)
Proceeds on disposal of tangible capital assets	11,705	81,818
Cash used by capital activities	(21,954,994)	(13,405,424)
Change in cash	(8,731,011)	4,045,409
Cash (bank advances), beginning of year	2,209,285	(1,836,124)
Cash (bank advances), end of year	(6,521,726)	2,209,285

(The accompanying notes are an integral part of these financial statements.)

HEALTH PEI

Notes to Financial Statements
March 31, 2018

1. Nature of Operations

Health PEI is a provincial Crown corporation established on April 1, 2010, and operates under the authority of the *Health Services Act.* Health PEI is a government organization named in Schedule B of the *Financial Administration Act* and reports to the Legislative Assembly through the Minister of the Department of Health and Wellness. The mandate of Health PEI is to be responsible for the operation and delivery of all health services in the Province of Prince Edward Island. These services are categorized as follows:

Community Hospitals
Acute Care
Addiction Services
Acute Mental Health
Community Mental Health
Continuing Care
Private Nursing Home Subsidies
Provincial Pharmacare Programs
Primary Care
Home Care and Support
Public and Dental Health
Provincial Laboratory and Diagnostic Imaging
Provincial Hospital Pharmacies
Emergency Health Services
Corporate and Support Services
Medical Programs - In Province
Medical Programs - Out of Province

Health PEI is a provincial Crown corporation and as such is not subject to taxation under the federal *Income Tax Act.*

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. Health PEI complies with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). PSAB standards are supplemented, where appropriate, by other CPA Canada accounting pronouncements.

Since Health PEI has no unrealized remeasurement gains or losses attributable to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

a) Cash and Bank Advances

Cash and bank advances include cash on hand and balances on deposit with financial institutions, net of overdrafts.

b) Restricted Cash

Restricted cash consist of funds received as donations by a health facility or program that are restricted for the purchase of equipment, supplies, and/or other needs of the specific facility or program.

c) Accounts Receivable

Accounts receivable are recorded at cost less any provision when collection is in doubt. The provision includes receivables which are known not to be recoverable and estimated unrecoverable amount for receivables taking into consideration receivable age, customer specifics, and historical success in recoveries.

d) Inventories Held for Use

Inventories of supplies as described in Note 5 are recorded at the lower of the moving average and replacement cost. Damaged, obsolete, or otherwise unusable inventory is expensed as identified. Inventories of supplies that are resold to the public are not segregated due to their immaterial value.

e) Due from the Department of Health and Wellness

Amounts due to or from the Department of Health and Wellness arise from the difference between cash flows provided to Health PEI and expenditures up to a maximum of the approved grant from the Department. These balances have no repayment terms and are non-interest bearing.

f) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue when eligibility criteria, if any, have been met.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, and/or betterment of the assets. Cost includes overhead directly attributable to construction and development. Interest, if any, on capital projects is expensed as incurred.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

g) Tangible Capital Assets (continued...)

For each category of tangible capital assets, only assets meeting a minimum dollar threshold for that category are recorded as capital assets.

The cost of assets under construction is not amortized until construction is complete and the asset is available for use. In the year of acquisition, one half of the annual amortization is recorded.

The cost of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	10 years
Leasehold improvements	Lease term
Paving	10 years
Equipment	5 years
Computer hardware	5 years
Computer software systems	5-20 years
Motor vehicles	5 years

Tangible capital assets are written down when conditions indicate they no longer contribute to Health PEI's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. Write-downs are expensed when identified.

h) Prepaid Expenses

Prepaid expenses, as described in Note 6, are charged to expenses over the periods expected to benefit.

i) Revenues

Revenues are recorded on an accrual basis in the period in which the transaction or event which gave rise to the revenue occurred. When accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded as received.

Transfers (revenues from non-exchange transactions) are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made. Transfers are recognized as deferred revenue when amounts have been received but eligibility criteria have not been met and stipulations exist which give rise to a liability.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

j) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred.

Transfers include entitlements, grants, and transfers under cost shared agreements. Grants and transfers are recorded as expenses when the transfer is authorized, eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

k) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction.

Health PEI has limited exposure to foreign currency, as substantially all of its transactions are conducted in Canadian dollars and year-end foreign currency balances are not significant.

l) Use of Estimates and 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 the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, employee retirement and sick leave benefits, provisions for doubtful accounts including accounts receivable related to recovery of assessments arising from internal audits of physician billings, accrued liabilities for out-of-province and in-province health services including academic funding premiums payable to Nova Scotia, and negotiated settlements with unions and other employees.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

3. Financial Instruments

Fair Value

Health PEI's financial instruments consist of cash and bank advances, accounts receivable, amounts due from the Department of Health and Wellness, accounts payable and accrued liabilities. Due to their short-term nature, the carrying value of these financial instruments approximate their fair value.

Risk Management

Health PEI is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include credit and liquidity risk. Health PEI's financial instruments are not subject to significant market, interest rate, foreign exchange, or price risk.

Credit Risk

Health PEI is exposed to credit risk with respect to accounts receivable. Health PEI has a collection policy and monitoring processes intended to mitigate potential credit losses. Health PEI maintains provisions for potential credit losses that are assessed on an on-going basis. The provision for doubtful accounts is disclosed in Note 4.

Liquidity Risk

Health PEI is subject to minimal liquidity risk. Liquidity risk is the risk that Health PEI will not be able to meet its financial obligations as they fall due. Health PEI's approach to managing liquidity is to evaluate current and expected liquidity requirements, and to communicate these requirements with the Province of Prince Edward Island to ensure that provincial funding grant payments are timed accordingly.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

4. Accounts Receivable

	2018 $	2017 $
Fees and revenues receivable	5,372,982	5,177,151
Assessments of physician billings	2,003,049	1,839,867
Hospital foundations	878,099	1,468,736
Province of Prince Edward Island	587,867	118,616
Employee advances	512,161	553,154
Other	5,877,464	3,294,722
	15,231,622	12,452,246
Less: provision for doubtful accounts	(2,571,611)	(2,266,712)
	12,660,011	10,185,534

The aging of fees and revenues receivable is as follows:

	2018 $	2017 $
Current	2,953,410	3,457,385
61-90 days	449,454	181,629
91-180 days	238,769	579,473
Greater than 180 days	1,731,349	958,664
	5,372,982	5,177,151

5. Inventories Held for Use

	2018 $	2017 $
Medical supplies	2,317,672	2,450,865
Drugs	1,470,039	1,422,638
Food and other supplies	349,936	200,588
	4,137,647	4,074,091

6. Prepaid Expenses

	2018 $	2017 $
Maintenance contracts	1,017,185	1,019,224
Other	27,695	64,565
	1,044,880	1,083,789

HEALTH PEI

Notes to Financial Statements
March 31, 2018

7. Accounts Payable and Accrued Liabilities

	2018 $	2017 $
Accounts payable	26,398,447	25,418,870
Accrued liabilities	32,448,556	27,657,674
Salaries and benefits payable	26,560,386	22,587,605
Accrued vacation pay	21,005,995	20,174,661
	106,413,384	95,838,810

8. Employee Future Benefits

a) Retirement Allowance

Health PEI provides a retirement allowance to its permanent employees in accordance with the applicable collective agreement. The amount paid to eligible employees at retirement is one week's pay per year of eligible service based on the rate of pay in effect at the retirement date to the maximum specified in the applicable collective agreement. These benefits are unfunded. The benefit costs and liabilities related to these allowances are included in these financial statements.

The most recent actuarial valuation for accounting purposes prepared by the actuarial consulting firm Morneau Shepell, disclosed an accrued benefit obligation of $51,970,300 as at April 1, 2017. The total liability is projected by Health PEI in the years between the tri-annual valuations.

The economic assumptions used in the determination of the actuarial value of the accrued retirement allowance were developed by reference to the expected long-term borrowing rate of the Province of Prince Edward Island as of April 1, 2017. Significant actuarial assumptions used in the valuation and projections are:

Discount rate per annum: 3.26% (April 1, 2016 - 3.08%)

Expected salary increase: 2.70% per annum and promotional scale

Expected average remaining service life: 12 years

Retirement age: varying by age and service, with all employees retiring between the ages of 55 and 66. Employees age 66 and older at the valuation date are assumed to retire one year after the valuation date.

A revised discount rate of 3.30% at April 1, 2018 has also been applied resulting in a decrease of $215,266 to the accrued benefit obligation and a corresponding decrease in the unamortized gains and losses at March 31, 2018.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

8. Employee Future Benefits (continued...)

a) Retirement Allowance (continued...)

	2018 $	2017 $
Balance, beginning of year	46,116,883	42,420,249
Current service cost	4,019,900	3,712,662
Interest accrued on liability	1,696,627	1,645,204
Amortization of actuarial gains & losses	1,029,274	1,317,410
Less: payments made	(3,872,961)	(2,978,642)
Balance, end of year	48,989,723	46,116,883
Gross accrued benefit obligation	53,598,600	54,541,100
Less: unamortized actuarial gains & losses	(4,608,877)	(8,424,217)
Net accrued benefit obligation	48,989,723	46,116,883

b) Accrued Sick Leave

Health PEI employees accumulate sick leave credits at a rate of 11.25 hours for each 162.5 paid hours. Members of the excluded (management) group can accumulate to a maximum of 1950 hours with the exception of 7 grandfathered members whose sick leave balances are currently higher than 1950 hours. All other employees can accumulate to a maximum of 1612.50 hours. An actuarial estimate for this future liability has been completed and forms the basis for the estimated liability reported in these financial statements.

The most recent actuarial valuation for accounting purposes prepared by the actuarial consulting firm Morneau Shepell, disclosed an accrued benefit obligation of $22,924,600 as at April 1, 2017. The total liability is projected by Health PEI in the years between the tri-annual valuations.

The economic assumptions used in the determination of the actuarial value of accrued sick leave benefits were developed by reference to the expected long-term borrowing rate of the Province of Prince Edward Island as at April 1, 2017.

HEALTH PEI

Notes to Financial Statements
March 31, 2018

8. Employee Future Benefits (continued...)

b) Accrued Sick Leave (continued...)

Significant actuarial assumptions used in the valuation and projections are:

Discount rate per annum: 3.26% (April 1, 2016 - 3.08%)

Expected salary increase: 2.70% per annum and promotional scale

Expected average remaining service life: 14 years

Termination rates: CSSA Termination scale, with no members assumed to terminate after they earn 30 years of service or age 55 years and over with more than two years of service.

Retirement age: varying by age and service, with all employees retiring between the ages of 55 and 66. Employees age 55 and older at the valuation date are assumed to retire according to the CSSA retirement scale starting one year after the valuation date.

A revised discount rate of 3.30% at April 1, 2018 has also been applied resulting in a decrease of $92,787 to the accrued benefit obligation and a corresponding decrease in the unamortized gains and losses at March 31, 2018.

	2018 $	2017 $
Balance, beginning of year	25,987,633	23,463,611
Current service cost	2,902,600	3,498,268
Interest accrued on liability	739,870	989,766
Amortization of actuarial gains & losses	(116,295)	643,754
Less: payments made	(3,360,983)	(2,607,766)
Balance, end of year	26,152,825	25,987,633
Gross accrued benefit obligations	23,113,300	33,162,415
Less: unamortized actuarial gains & losses	3,039,525	(7,174,782)
Net accrued benefit obligation	26,152,825	25,987,633

HEALTH PEI

Notes to Financial Statements
March 31, 2018

8. Employee Future Benefits (continued...)

c) Pension and Other Benefits

i) All permanent employees of Health PEI, other than physicians, participate in the multi-employer contributory defined benefit pension plan as defined by the *Civil Service Superannuation Act.* This Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service, for service to December 31, 2013, and two percent of the career average salary indexed with cost-of-living adjustments, for service after 2013. Indexing is subject to the funded level of the Plan after December 31, 2016.

The Plan is administered by the Province of Prince Edward Island. Additional information on the pension plan as defined in the *Civil Service Superannuation Act* can be found in the notes to the Public Accounts of the Province of Prince Edward Island. The province is responsible for any unfunded liabilities of the plan. A total of $19,323,740 (2017 - $18,835,571) was contributed towards the Civil Service Superannuation Plan as the employer share of contributions.

ii) Salaried physicians maintain their own personal RRSP accounts to which Health PEI makes contributions in accordance with the Master Agreement between the Medical Society of Prince Edward Island and the Province of Prince Edward Island. Health PEI's contributions are equivalent to 9 percent of the physician's base salary and shall not exceed 50 percent of the maximum permissible contribution provided for in the *Income Tax Act.* Health PEI's liability is limited to its required contributions in accordance with the agreement. A total of $1,174,497 (2017 - $1,087,924) was contributed towards salaried physicians' personal RRSP accounts.

iii) The Public Sector Group Insurance Plan provides life insurance, long-term disability, and health and dental benefits to eligible employees of Health PEI. The Plan is administered by a multi-employer, multi-union Board of Trustees who are responsible for any unfunded liabilities of the Plan. The cost of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for employee coverage during the period.

9. Deferred Revenue

Deferred revenues set aside for specific purposes as required either by legislation, regulation, or agreement as at March 31, 2018:

	Balance, beginning of year	Receipts during year	Transferred to revenue	Balance, end of year
	$	$	$	$
Health promotion projects	5,982	51,499	(5,982)	51,499

HEALTH PEI

Notes to Financial Statements
March 31, 2018

10. Contingent Liabilities

Health PEI is subject to legal actions arising in the normal course of business. At March 31, 2018, there were a number of outstanding legal claims against Health PEI. Costs and damages, if any, related to these outstanding claims are the responsibility of the Prince Edward Island Self-Insurance and Risk Management Fund. The Fund provides general liability, errors and omissions, primary property, crime, and automobile liability insurance. The Fund is administered by the Province of Prince Edward Island and the province is responsible for any liabilities of the Fund.

11. Tangible Capital Assets

	Land and land improvements	Buildings and improvements	Equipment and vehicles	Computer hardware and software	2018 Total	2017 Total
	$	$	$	$	$	$
Cost						
Opening balance	3,151,715	282,882,368	118,765,494	57,420,978	462,220,555	450,341,068
Additions	14,411	16,645,359	4,854,962	451,967	21,966,699	13,487,242
Disposals	-	-	(73,260)	-	(73,260)	(1,607,755)
Closing balance	3,166,126	299,527,727	123,547,196	57,872,945	484,113,994	462,220,555
Accumulated Amortization						
Opening balance	1,012,796	89,160,104	104,271,168	35,175,794	229,619,862	215,537,548
Disposals	-	-	(73,260)	-	(73,260)	(1,607,755)
Amortization	59,667	6,730,069	5,588,651	3,829,009	16,207,396	15,690,069
Closing balance	1,072,463	95,890,173	109,786,559	39,004,803	245,753,998	229,619,862
Net book value	2,093,663	203,637,554	13,760,637	18,868,142	238,359,996	232,600,693

Cost at March 31, 2018 includes assets under construction as follows:

	2018	2017
	$	$
Queen Elizabeth Hospital	3,992,361	2,156,714
Tyne Valley Long Term Care	4,581,538	259,500
Riverview Manor	6,843,499	679,358
Other buildings - major improvements	554,951	522,355
Equipment	986,011	314,809
Computer software	407,802	584,049
	17,366,162	4,516,785

HEALTH PEI

Notes to Financial Statements
March 31, 2018

12. Contractual Obligations

	2019 $	2020 $	2021 $	2022 $	2023 $	Thereafter $
Private nursing homes	22,599,471	23,122,649	-	-	-	-
Ambulance services	11,207,657	-	-	-	-	-
IT maintenance	2,920,300	1,842,141	-	-	-	-
PEI Medical Society	1,724,173	-	-	-	-	-
Maintenance contracts	2,517,072	2,162,641	842,247	119,332	16,884	-
Education funds	1,110,000	310,000	-	-	-	-
Facility rental	290,943	166,305	-	-	-	-
Other	9,532,640	5,823,286	1,907,797	1,004,326	290,218	4,060,270
	51,902,256	33,427,022	2,750,044	1,123,658	307,102	4,060,270

Health PEI has $5,094,527 in outstanding contractual commitments for capital projects which commenced on or before March 31, 2018, and are still incomplete.

13. Related Party Transactions

Key management personnel of Health PEI, including the Chief Executive Officer, members of the senior management team, and members of the Board of Directors, are considered to be related parties of Health PEI. Related party transactions with key management personnel consist primarily of compensation related payments to senior management and are considered to be undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length.

Health PEI had the following transactions with the Province of Prince Edward Island and other government controlled organizations:

	2018 $	2017 $
Transfers from the Province of Prince Edward Island:		
Operating grant - Department of Health and Wellness	640,152,800	604,664,100
Special Warrant related to prior period shortfall	21,502,100	12,583,245
Capital grant - Department of Health and Wellness	18,201,897	8,474,742
Salary recoveries	613,588	896,316
Other sales and expenses	879,040	312,133
	681,349,425	626,930,536
Transfers to the Province of Prince Edward Island:		
Salary reimbursements	379,599	253,453
Insurance premiums	1,945,722	1,851,665
Public Service Commission	670,795	671,188
Other expenses	1,295,114	894,474
	4,291,230	3,670,780

HEALTH PEI
Notes to Financial Statements
March 31, 2018

13. Related Party Transactions (continued...)

Included within the accounts receivable balance at year-end are $587,867 (2017 - $118,616) of transfers from the Province of Prince Edward Island. Included within the accounts payable balance at year-end are $832,813 (2017 - $1,013,978) of transfers to the Province of Prince Edward Island.

The Province of Prince Edward Island provides the use of several facilities and certain maintenance services for some of these facilities at no cost to Health PEI. Health PEI is responsible for most operational and maintenance costs related to these facilities.

14. Fees - Patient and Client

	2018 $	2017 $
Continuing Care resident fees	12,616,077	12,346,909
Hospital medical services:		
Non-residents	5,517,190	4,612,158
Uninsured hospital services - workers compensation	1,577,434	1,624,039
Other uninsured hospital services	1,945,581	1,767,553
Hospital preferred room accommodations	305,298	302,563
Other	39,291	34,303
	22,000,871	20,687,525

15. Annual Surplus (Deficit)

Each year Health PEI is granted an operating and capital budget appropriation. The operating budget includes revenues and expenses associated with providing daily health services. The capital budget includes spending and funding related to acquisition, construction, development and betterment of tangible capital assets. Amortization expenses are budgeted by the province as described in Note 18. Throughout the fiscal year, Health PEI regularly communicates with the Department of Health and Wellness and the Department of Finance on the expected operational results for the year and action plans developed to address potential deficits. If the required funds are not available within the existing appropriation, a request for a special warrant is prepared to seek additional funding.

During the current period a special warrant for the 2016-17 shortfall of $21,502,100 was authorized and is reflected in the 2017-18 Statement of Operations and Accumulated Surplus. Funding for the 2017-18 operating budget shortfall of $5,741,871 will be reflected in the Statement of Operations and Accumulated Surplus in the year when the funding is authorized.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

15. Annual Surplus (Deficit) (continued...)

The annual surplus for the year ended March 31, 2018 was comprised of:

	Operational $	Special Warrant for Prior Period $	Total Operational $	Capital $	2018 $
Grants – Dept. of Health and Wellness	640,152,800	21,502,100	661,654,900	18,201,897	679,856,797
Other revenues	29,789,318	-	29,789,318	3,764,802	33,554,120
Total revenues	669,942,118	21,502,100	691,444,218	21,966,699	713,410,917
Program and service expenses	675,683,989	-	675,683,989	-	675,683,989
Amortization	-	-	-	16,207,396	16,207,396
Surplus (Deficit)	(5,741,871)	21,502,100	15,760,229	5,759,303	21,519,532

16. Trusts Under Administration

At March 31, 2018, the balance of funds held in trust for residents of facilities in Continuing Care was $833,140 (2017 - $826,339). These trusts consist of a monthly comfort allowance provided to Continuing Care residents who qualify for subsidization of resident fees. These amounts are not included in the statement of financial position.

17. Subsequent Events

On May 23, 2018, all members of the Health PEI board resigned, citing concerns with the new *Health Services Act*. James T. Revell has been appointed trustee of Health PEI on June 14, 2018 in accordance with the *Health Services Act*, and will represent the board until a new board is appointed. There is no anticipated significant fiscal impact as a result of the changes.

18. Budgeted Figures

Budgeted figures have been provided for comparative purposes and have been derived from the estimates approved by the Legislative Assembly of the Province of Prince Edward Island.

The budget for amortization of tangible capital assets remains with the Province of Prince Edward Island. For the fiscal year ended March 31, 2018, the province budgeted $16,197,800 for amortization of Health PEI's tangible capital assets.

Subsequent to the tabling of the 2017 P.E.I. Estimates of Revenue and Expenditures, Health PEI reallocated certain budget amounts among its divisions. The following table shows the reallocation of the original approved budget.

HEALTH PEI
Notes to Financial Statements
March 31, 2018

18. Budgeted Figures (continued...)

	Original Approved Budget	Adjustments Between Divisions	Budget - Statement of Operations
	$	$	$
Revenues			
Operating grants - Dept. of Health and Wellness	640,152,800	-	640,152,800
Fees - patient and client	21,776,800	(77,200)	21,854,000
Food services	1,141,400	-	1,141,400
Federal revenues	110,600	-	110,600
Sales	637,600	77,200	560,400
Other	1,064,700	-	1,064,700
Operational Revenues	664,883,900	-	664,883,900
Capital grants - Dept. of Health and Wellness	23,705,800	-	23,705,800
Other capital contributions	3,000,000	-	3,000,000
Capital Revenues	26,705,800	-	26,705,800
	691,589,700	-	691,589,700
Expenses			
Community Hospitals	24,044,400	(48,100)	24,092,500
Acute Care	174,845,400	240,800	174,604,600
Addiction Services	12,434,500	162,000	12,272,500
Acute Mental Health	19,762,600	263,600	19,499,000
Community Mental Health	12,846,800	(15,900)	12,862,700
Continuing Care	68,715,100	145,700	68,569,400
Private Nursing Home Subsidies	25,445,100	-	25,445,100
Public and Dental Health	11,436,900	(106,300)	11,543,200
Provincial Pharmacare Programs	36,957,400	(196,200)	37,153,600
Home Care and Support	18,659,100	(30,000)	18,689,100
Provincial Laboratory and Diagnostic Imaging	33,422,700	(90,800)	33,513,500
Provincial Hospital Pharmacies	6,276,900	157,800	6,119,100
Emergency Health Services	16,940,900	(738,500)	17,679,400
Corporate and Support Services	24,566,800	(203,000)	24,769,800
Medical Programs - In Province	114,341,200	(152,000)	114,493,200
Medical Programs - Out of Province	49,835,700	34,900	49,800,800
Primary Care	14,352,400	576,000	13,776,400
	664,883,900	-	664,883,900
Annual Surplus	26,705,800	-	26,705,800

HEALTH PEI
Notes to Financial Statements
March 31, 2018

19. Expenses by Type

The following is a summary of expenses by type:

	Compensation	Supplies	Sundry*	Equipment	Contracted Out Services	Buildings and Grounds	2018 Total
	$	$	$	$	$	$	$
Community Hospitals	18,736,440	3,798,844	517,746	377,664	301,318	494,951	24,226,963
Acute Care	128,103,582	36,920,970	2,821,718	3,348,976	3,068,823	1,511,987	175,776,056
Addiction Services	10,501,729	886,091	561,043	68,901	64,942	108,220	12,190,926
Acute Mental Health	17,322,924	1,538,468	196,049	78,896	485,588	210,622	19,832,547
Community Mental Health	10,517,378	112,276	860,581	17,378	494,495	31,625	12,033,733
Continuing Care	59,696,851	6,350,197	905,338	619,255	306,422	1,060,248	68,938,311
Private Nursing Home Subsidies	-	-	26,828,430	-	-	-	26,828,430
Public and Dental Health	9,336,136	371,298	282,247	47,480	717,843	29,071	10,784,075
Provincial Pharmacare Programs	1,271,151	128,737	34,061,980	9,116	1,626,042	-	37,097,026
Home Care and Support	15,883,635	543,788	1,035,471	123,886	628,517	32,892	18,248,189
Provincial Laboratory and Diagnostic Imaging	19,564,666	11,211,092	407,375	201,877	1,439,628	17,805	32,842,443
Provincial Hospital Pharmacies	6,116,020	106,818	54,064	7,817	-	26,769	6,311,488
Emergency Health Services	510,772	69,223	14,710,305	-	2,808,588	-	18,098,888
Corporate and Support Services	15,423,393	1,973,186	3,190,523	1,360,773	800,992	-	22,748,867
Medical Programs - In Province	112,751,646	118,249	4,552,962	11,976	7,061,969	-	124,496,802
Medical Programs - Out of Province	556,350	3,554	133,271	-	50,670,268	-	51,363,443
Primary Care	12,422,521	555,535	612,963	95,217	93,146	86,420	13,865,802
	438,715,194	64,688,326	91,732,066	6,369,212	70,568,581	3,610,610	675,683,989

*Sundry expenses are defined by the Management Information System Standards of the Canadian Institute for Health Information and consist of expenses that cannot be otherwise classified as Compensation, Supplies, Equipment, Contracted Out Services, or Buildings and Grounds. Sundry expenses includes operating grants to non-government organizations, public drug program subsidies, and grants established under union collective agreements.

Innovation PEI

Consolidated Financial Statements
March 31, 2018

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Innovation PEI on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Innovation PEI

David Keedwell
Chief Executive Officer

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS
Member of The AC Group of Independent Accounting Firms

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June 13, 2018

Independent Auditor's Report

To the Minister of Economic Development and Tourism

We have audited the accompanying consolidated financial statements of **Innovation PEI**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, accumulated surplus, changes 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 controls. 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Innovation PEI** as at March 31, 2018, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Innovation PEI

Consolidated Statement of Financial Position
As at March 31, 2018

	2018 $	2017 $
Assets		
Financial assets		
Cash	4,038,045	4,578,787
Accounts receivable (note 2)	892,209	1,054,713
Advances to related companies (note 5)	11,308,847	11,291,587
Due from Province of Prince Edward Island	17,118,647	13,933,838
	33,357,748	30,858,925
Liabilities		
Accounts payable and accrued liabilities (note 5)	28,136,007	25,718,661
Net financial assets	5,221,741	5,140,264
Trust funds (note 3)	679,771	2,000,000
Less: funds on deposit	(679,771)	(2,000,000)
	-	-
Non-financial assets		
Property holdings (Schedule)	1,016,300	1,096,554
Prepaid expenses and deposits (note 5)	31,932	33,155
	1,048,232	1,129,709
Accumulated surplus	6,269,973	6,269,973

Approved by the Board of Directors

____________________________ Director   ____________________________ Director

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Innovation PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2018

	2018 $	2017 $
Accumulated operating surplus - Beginning of year	5,903,934	5,903,934
Annual surplus	-	-
Accumulated operating surplus - End of year	5,903,934	5,903,934
Contributed surplus (note 5)	366,039	366,039
Accumulated surplus - End of year	6,269,973	6,269,973

Innovation PEI

Consolidated Statement of Operations

For the year ended March 31, 2018

	Budget (Unaudited) $	2018 $	2017 $
Revenue			
Grant - Province of Prince Edward Island (note 5)	39,561,900	42,561,900	36,070,500
Federal Government funding	30,000	-	20,951
Project recoveries	1,779,700	1,624,852	1,512,996
Miscellaneous	9,000	15,629	15,056
	41,380,600	44,202,381	37,619,503
Expenses			
Salaries	4,953,600	4,646,094	4,196,634
Operating	1,432,700	1,350,600	1,504,643
Development programs	34,774,300	37,896,693	31,659,015
Project costs	70,000	125,218	89,786
Amortization - property holdings	150,000	183,776	169,425
	41,380,600	44,202,381	37,619,503
Annual surplus	-	-	-

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Innovation PEI

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31, 2018

	2018 $	2017 $
Annual surplus	-	-
Acquisition of property holdings	(103,522)	(89,925)
Amortization of property holdings	183,776	169,425
Change due to property holdings	80,254	79,500
Change in prepaid expenses	1,223	32,253
Increase in net financial assets	81,477	111,753
Net financial assets - Beginning of year	5,140,264	5,028,511
Net financial assets - End of year	5,221,741	5,140,264

Innovation PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Annual surplus	-	-
Items not affecting cash		
Amortization - property holdings	183,776	169,425
	183,776	169,425
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	162,504	(13,072)
Increase (decrease) in accounts payable and accrued liabilities	2,417,346	(4,157,082)
Decrease in prepaid expenses and deposits	1,223	32,253
	2,764,849	(3,968,476)
Financing activities		
Decrease (increase) in advances to related companies	(17,260)	182,644
Decrease (increase) in due from Province of Prince Edward Island	(3,184,809)	10,136,973
	(3,202,069)	10,319,617
Investing activity		
Additions to and purchase of property holdings	(103,522)	(89,925)
Increase (decrease) in cash	(540,742)	6,261,216
Cash and short-term investments (bank advances) - Beginning of year	4,578,787	(1,682,429)
Cash - End of year	4,038,045	4,578,787

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CHARTERED PROFESSIONAL ACCOUNTANTS

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2018

Innovation PEI (the "Corporation") is a Crown corporation established under the Innovation PEI Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Standards Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

(a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiary, F.T.C. Enterprises Limited (operating as Bio/Food/Tech).

(b) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, advances to related companies, due from Province of Prince Edward Island and accounts payable and accrued liabilities.

All financial assets and financial liabilities are initially recorded at fair value and subsequently measured at cost or amortized cost.

(c) Cash

Cash is comprised of cash on hand, cash in banks and savings accounts.

(d) Accounts receivable

Accounts receivable arise from trade sales, staff advances and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are recorded as a recovery of doubtful accounts in the period recovered.

(e) Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island is the funding to be received for operating grants and other approved reimbursements.

(f) Programs assistance payable

Program assistance grants are expensed as development program expenditures and included in accrued liabilities when approved by the Corporation and accepted by the client except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria, which are expensed based on eligible claims.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2018

P.E.I. labour rebate, enriched investment tax credits, development fund assistance, specialized labour rebate and share purchase tax credit commitments that extend beyond two years are expensed in each year that performance criteria are met by the applicant.

(g) **Property holdings and amortization**

i) Property holdings

Property holdings are stated at cost and amortized using the straight-line method at the following annual rates:

Buildings	5%, 20%
Equipment	10%, 20%

A full year's amortization is recorded in the year of acquisition.

(h) **Post retirement benefits**

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

(i) **Employee pension plan**

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2018. The employer contributions to the pension for the year totaled $269,899 (2017 - $274,984).

(j) **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

(k) **Revenue recognition and deferred revenue**

Grants from the Province of Prince Edward Island are recorded in the period authorized by the Province.

Innovation PEI's subsidiary follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's project revenue based on the expenditures incurred and work completed on each contract in progress as at the statement of financial position date. Revenue billed that is unearned is recorded as deferred revenue.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2018

(l) **Government assistance**

The company receives assistance from other government entities. The company recognizes this assistance as revenue in the period when the transfer is authorized and all eligibility criteria and/or stipulations, if any, are met.

The company received $220,000 (2017 - $308,000) in technical support and workshop funding from National Research Council aimed at improved productivity and competitiveness. This amount is included in revenue under project recoveries. The company also received nil (2017 - $20,591) in assistance from Atlantic Canada Opportunities Agency to purchase equipment which was recognized as government funding for capital.

(m) **Government transfers**

Government transfers are transfer of assets from government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates on the amounts can be determined. There are no government transfers in 2018 or 2017.

(n) **Management estimates**

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. The following are areas in which management makes significant accounting estimates:

- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- The revenue recognized from long term projects under the percentage of completion method is based on an assessment of each project based on costs incurred with regard to estimated overall costs of the project.

2 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $104,619 (2017 - $124,455).

Innovation PEI
Notes to Consolidated Financial Statements
March 31, 2018

3 Trust funds

On May 31, 2015, Innovation PEI entered into an agreement with McCain Foods (Canada), a division of McCain Foods Limited, on behalf of the government of Prince Edward Island to manage the "Adjustment Fund" that has been established to assist the Albany/Borden-Carleton area with mitigating lost employment and economic impacts resulting from the closure of the McCain processing facility in Albany/Borden-Carleton.

As a result, Innovation PEI has received $2,000,000 which will be disbursed to approved projects in accordance with the provisions of the agreement. Any unused portion of this fund that has not been committed to an approved project by January 31, 2019 will be returned by Innovation PEI to McCain Foods by February 15, 2019. As of March 31, 2018, the balance of unused funds is $679,771 (2017 - $2,000,000).

4 Commitments

(a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2038 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

(b) Innovation PEI has committed to disbursing as development program expenses $26,863,302 (2017 - $31,330,100) for P.E.I. labour rebate program assistance, $8,154,594 (2017 - $5,257,627) for enriched investment tax credits, $3,569,580 (2017 - $7,003,093) for development fund assistance, $59,406 (2017 - $73,527) for specialized labour rebate and $21,000 (2017 - $21,000) for share purchase tax credit over the next four years as companies meet the required requirements.

In accordance with accounting policy, note 1f), program assistance for the PEI labour rebate, enriched investment tax credit, development fund assistance, specialized labour rebate program and specialized labour rebate expenses that extend beyond two years are expensed in each year that performance criteria are met by the applicant.

5 Related party transactions

Related companies

The related companies are provincial Crown corporations or subsidiaries of provincial crown corporations.

Innovation PEI
Notes to Consolidated Financial Statements
March 31, 2018

Statement of Financial Position

Advances to related companies

	2018 $	2017 $
Advances to (from) related companies		
Finance PEI	11,113,316	11,027,627
Island Investment Development Inc.	85,887	87,095
P.E.I. Biocommons Inc.	80	80
Atlantic Technology Centre Inc.	33,719	36,841
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	75,945	140,044
	11,308,847	11,291,587

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is $157,158 (2017 - $357,078) payable to the Province of Prince Edward Island.

F.T.C. Enterprises Limited's property and liability insurance coverage is provided by Finance PEI, a related party. As at March 31, 2018, $13,615 (2017 - $13,077) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of $366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of Operations

Revenue

Included in revenue are grants from the Province of Prince Edward Island of $42,561,900 (2017 - $36,070,500).

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

6 Contingent liabilities

A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency, a former Crown corporation. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim is ongoing.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2018

7 Financial risk management objectives and policies

Innovation PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with management, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Innovation PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable, advances to related companies and due from the Province of Prince Edward Island.

The Corporation's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The Corporations's maximum exposure to credit risk at the reporting date was:

	$
Accounts receivable	892,209
Advances to related companies	11,308,847
Due from Province of Prince Edward Island	17,118,647
	29,319,703

(b) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. Specifically, the Corporation needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities as they come due. The Corporation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The Corporation's financial liabilities of $28,136,007 (2017 - $25,718,661) are expected to be repaid within one year.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2018

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Innovation PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Innovation PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

8 Comparative figures

Certain comparative figures presented for the 2017 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

Innovation PEI

Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2018

Schedule

	Cost				Accumulated amortization				2018
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Equipment	7,638,300	75,544	-	7,713,844	6,560,058	181,082	-	6,741,140	972,704
Buildings	4,457,475	27,978	-	4,485,453	4,439,163	2,694	-	4,441,857	43,596
	12,095,775	103,522	-	12,199,297	10,999,221	183,776	-	11,182,997	1,016,300

	Cost				Accumulated amortization				2017
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Equipment	7,548,375	89,925	-	7,638,300	6,391,927	168,131	-	6,560,058	1,078,242
Buildings	4,457,475	-	-	4,457,475	4,437,869	1,294	-	4,439,163	18,312
	12,005,850	89,925	-	12,095,775	10,829,796	169,425	-	10,999,221	1,096,554

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Island Investment Development Inc.

Consolidated Financial Statements
March 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

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June 11, 2018

Independent Auditor's Report

To the Board of Directors of
Island Investment Development Inc.

We have audited the accompanying consolidated financial statements of **Island Investment Development Inc.**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, changes in equity 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 International Financial Reporting 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.

Auditor's 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 auditor's 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 controls 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 controls. 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Island Investment Development Inc.** as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Island Investment Development Inc.

Consolidated Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets		
Cash	13,019,938	22,697,691
Marketable securities	58,058,707	48,776,782
Accounts receivable (notes 6 and 15)	1,173,258	1,191,202
Prepaid expense	15,868	42,760
Inventory (note 14)	118,553	114,947
Demand loan receivable (note 8)	6,998,502	6,998,502
Notes receivable (note 9)	127,230,212	130,976,635
Advances to related company (note 15)	3,431,483	2,633,938
Investment in private companies (note 10)	2,440,511	1,434,373
Deferred financing costs (note 11)	570,336	1,464,698
Property and equipment (Schedule and note 14)	2,655,394	1,441,186
Investment properties (notes 7 and 14)	8,852,423	8,271,472
Restricted funds (note 12)		
Cash and marketable securities	215,097,010	208,324,461
	439,662,195	434,368,647
Liabilities		
Bank indebtedness	-	100,756
Accounts payable and accrued liabilities (notes 13 and 15)	4,031,429	3,056,153
Notes payable (note 14)	70,429,498	98,259,170
Restricted funds (note 12)	215,097,010	208,324,461
	289,557,937	309,740,540
Contingent liability (note 17)		
Retained earnings	150,104,258	124,628,107
	439,662,195	434,368,647

Approved by the Board of Directors

____________________________ Director   ____________________________ Director

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Island Investment Development Inc.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2018

	2018 $	2017 $
Retained earnings - Beginning of year	124,628,107	96,334,714
Net earnings for the year	25,476,151	28,293,393
Retained earnings - End of year	150,104,258	124,628,107

Island Investment Development Inc.

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2018

	2018 $	2017 $
Revenue		
Interest on notes and loan receivable (note 15)	5,461,300	5,765,026
Investment income on marketable securities	5,263,371	5,681,015
Provincial Nominee Program fees	2,390,170	3,637,750
Provincial Nominee Program defaults	17,649,983	18,030,000
Property operations (note 15)	9,218,997	8,164,498
Miscellaneous revenue	350,000	350,053
	40,333,821	41,628,342
Expenses		
Doubtful accounts	270,946	163,523
Education contribution	1,507,687	379,236
Equipment	11,225	28,912
Grants - private companies	244,261	232,335
Interest and bank charges	1,153	691
Interest on notes payable (note 15)	179,931	303,515
Management fees (note 15)	535,000	535,000
Meetings and conferences	11,521	28,298
Office	47,763	43,080
Professional fees	221,463	182,889
Promotion and advertising	8,308	5,517
Property operations (note 15)	7,612,025	7,272,375
Provision for possible losses	1,045,357	1,048,990
Rent (note 15)	50,000	50,000
Salaries (note 15)	1,631,074	1,254,301
Travel	38,698	39,447
Amortization	539,124	450,360
Amortization of deferred financing costs	904,058	1,334,711
	14,859,594	13,353,180
Operating earnings	25,474,227	28,275,162
Other income		
Gain on sale of property and equipment	929	18,231
Interest income	995	-
	1,924	18,231
Net earnings for the year	25,476,151	28,293,393

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Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	25,476,151	28,293,393
Items not affecting cash		
Amortization of deferred financing costs	904,058	1,334,711
Amortization	539,124	450,360
Gain on sale of property and equipment	(929)	(18,231)
Provision for possible losses	1,045,357	1,048,990
	27,963,761	31,109,223
Net change in non-cash working capital items		
Decrease in accounts receivable	17,944	149,953
Decrease in prepaid expense	26,892	28,754
Decrease (increase) in inventory	(3,606)	1,573
Decrease in income taxes receivable	-	263,533
Increase (decrease) in accounts payable and accrued liabilities	975,276	(1,200,243)
	28,980,267	30,352,793
Financing activities		
Increase (decrease) in bank indebtedness	(100,756)	51,867
Decrease in notes payable - net	(27,829,672)	(43,053,475)
Increase in advances to related company	(797,545)	(347,629)
	(28,727,973)	(43,349,237)
Investing activities		
Increase in investment in private companies	(1,006,138)	(490,245)
Decrease (increase) in marketable securities - net	(9,281,925)	14,635,312
Increase in restricted funds - cash and marketable securities	(6,772,549)	(32,178,725)
Increase in restricted funds - liability	6,772,549	32,178,725
Decrease in notes receivable - net	2,701,066	6,860,506
Additions to property and equipment	(1,990,622)	(526,465)
Additions to investment properties	(911,266)	(619,449)
Capital grants received	560,728	209,207
Proceeds on disposal of property and equipment	7,806	18,231
Increase in deferred financing costs	(9,696)	(24,003)
	(9,930,047)	20,063,094
Increase (decrease) in cash	(9,677,753)	7,066,650
Cash - Beginning of year	22,697,691	15,631,041
Cash - End of year	13,019,938	22,697,691

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CHARTERED PROFESSIONAL ACCOUNTANTS

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

1 Reporting entity

The company is a provincial Crown corporation established under the provisions of the Island Investment Development Inc. Act and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

Island Investment Development Inc.'s head office is located in Charlottetown, Prince Edward Island.

Island Investment Development Inc. prepares its financial statements in compliance with Canadian International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been approved for issue by the Board of Directors on June 11, 2018.

2 Summary of significant accounting policies

(a) Basis of consolidation

These financial statements include the operations of Island Investment Development Inc. and its wholly-owned subsidiaries, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund) and Slemon Park Corporation.

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 2(d).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company’s functional currency.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
March 31, 2018

(d) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the company classifies its financial instruments as follows:

- Financial instruments at fair value through profit or loss (FVTPL)

  Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of comprehensive income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and effective as a hedging instrument. Transaction costs are expensed.

  Assets in this category includes marketable securities.

- Available for sale ("AFS")

  Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the company's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income.

  Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the company's right to receive payment is established.

  Assets in this category include investment in private companies.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

  Assets in this category includes cash, accounts receivable, demand loan receivable, notes receivable and advances to related company.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

- Other financial liabilities

  Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

  Liabilities in this category include accounts payable and accrued liabilities, notes payable and restricted funds.

ii) Impairment of financial instruments

The company determines, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on non-market terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

  For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

  The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for possible losses expense.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
March 31, 2018

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

- Assets classified as available for sale

  At each statement of financial position date, the company assessed if there is objective evidence that an AFS financial asset may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(e) Cash

Cash consists of cash held in banks. Bank indebtedness is considered to be a financing activity.

(f) Inventory

Inventories are valued at the lower of cost and net realizable value. Costs are assigned using the specific item formula for food inventory. Costs include all expenses directly attributable to the purchase and delivery of the product to the Company's location. Oil inventory is valued at the lower of cost and net realizable value and is recorded at invoice cost on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(g) Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over the term of the notes payable, which is sixty months.

(h) Property and equipment

Property and equipment are recorded at the fair value on the transition date of April 1, 2015 to IFRS for Slemon Park Corporation, a subsidiary, as deemed cost, with additions since that time measured at historic cost. Subsequent to initial recognition, property and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. The company allocates the amount recognized in respect of each item in property and equipment to its significant components and amortizes each component separately.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
March 31, 2018

Amortization is recognized so as to write-off the cost less residual values over the useful lives of the assets. The estimated useful lives, residual values and amortization method are reviewed at each year-end with the effect of any changes in estimates accounted for on a prospective basis. Amortization rates are as follows:

Sewer and water infrastructure	2% - 4%	declining balance
Paving	8%	declining balance
Buildings and improvements	4% - 20%	declining balance
Furniture and equipment	20%	declining balance
Motor vehicles	30%	declining balance
Computer equipment and software	30%	declining balance

As asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. No property and equipment were identified as impaired as at March 31, 2018.

(i) Investment properties

Investment properties include land and buildings held to earn rental income. Investment properties are recorded at the fair value on the transition date of April 1, 2015 to IFRS of Slemon Park Corporation, a subsidiary, as deemed cost, with additions since that time measured at historic cost. Subsequent to its initial recognition, investment properties are recorded at cost less accumulated amortization and accumulated impairment losses. The company allocates the amount recognized in respect of each item in investment properties to its significant components and amortizes each component separately.

Amortization is recognized so as to write-off the cost less residual values over the useful lives of the assets. The estimated useful lives, residual values and amortization method are reviewed at each year-end with the effect of any changes in estimates accounted for on a prospective basis. Amortization rates are as follows:

Buildings	4% - 20%	declining balance
Roads and paving	8%	declining balance

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of investment properties are recognized in the income statement in the year of retirement or disposal.

(j) Capitalization policy

Acquisition, construction or development over time:

The cost of a capital asset includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

The cost of capital assets includes the purchase price and other acquisition costs such as installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing, interest and preparation charges.

Betterment:

The cost incurred to enhance the service potential of a capital asset is a betterment. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not a betterment. If a cost has the attributes of both a repair and a betterment, the portion considered to be a betterment is included in the cost of the capital asset.

Government assistance:

Government assistance towards acquisition of capital assets will be deducted from the related capital assets with any amortization calculated on the net amount.

Buildings and renovations:

All expenditures that provide future benefit beyond the annual operating period and which are an integral component of the building are classified as an addition to the building.

(k) Impairment of long-lived assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. The company tests long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate that its carrying amount of the asset is not recoverable and exceeds its fair value. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its recoverable amount. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the higher of fair value less costs to disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(l) Revenue recognition

Investment income is recorded in the period earned.

Interest accrued on notes and loans receivable is recognized as revenue in the period earned.

Provincial Nominee Program fees and interview fees are recorded as revenue when earned.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

Provincial Nominee Program defaults are recorded as revenue in the year in which the deposit period ends and the applicant does not meet the conditions for repayment.

Accommodation, food and beverage, sports centre, retail and airport operation revenues, included in property operations, are measured at the fair value of the consideration received or receivable less any trade discounts or volume rebates. Revenues are recognized when the goods or services have been provided to the customer, it is probable that the associated economic benefit will flow to the company and the amount of revenue can be reliably measured.

Revenue from commercial and residential rental operations, included in property operations, is recognized straight-line over the terms of the leases when collection is reasonably assured. The difference between the rental revenue recognized and the amounts contractually due under the lease agreements is recorded in trade receivables. The company retains substantially all of the benefits and risks of ownership of its income properties and, therefore, accounts for its leases with tenants as operating leases. Realty tax and operating cost recoveries, and other incidental income are recognized on an accrual basis.

Miscellaneous revenue is recognized in the period in which the transaction or events that give rise to the revenue occur and collection is reasonably assured.

(m) Government assistance and other grants

The Governments of Canada and Prince Edward Island have contributed money to fund renovations to existing facilities and to assist the management of Slemon Park Corporation. Grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. These funds, along with other grants received, are credited to the operating expenses or capital assets to which they relate. During the year, $560,728 (2017 - $209,207) in grants were received or receivable related to water and sewer utility capital projects and credited to property and equipment.

(n) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in note 4.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

(o) Future accounting standards and reporting changes

The following are future changes in accounting policies not yet effective as of March 31, 2018.

IFRS 9, Financial Instruments, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, which enhanced disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively. The company has not yet begun the process of evaluating the impact of this standards on its financial instruments.

IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IRFS 9, IRFS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurements of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The company has not yet begun the process of evaluating the impact of this standard on its financial statements.

IFRS 16 was issued by the IASB on January 13, 2016. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The company has not yet begun the process of evaluating the impact of the standard on its financial instruments.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
March 31, 2018

3 Agent agreement

Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company and Crown corporations of other participating provinces by receiving investments from immigrant investors and disbursing them to the provincial Crown corporations in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. All monies received by the Agent pursuant to the issuance of debt obligations are held by the Agent in a separate account from the moment such monies are received, on behalf of the company and the provincial designates. Investments are subject to a commission agreement whereby a 5% commission is paid to the party that facilitates an investment. These commissions are paid out of the special account by the Agent on the first day of the second month following the issuance of a visa to the investor to the party that made the facilitated investment, and are recorded as deferred financing charges by the company.

The Agent disburses the provincial allocation, less applicable commissions, to the company at the beginning of the five-year allocation period. The Agent issues a promissory note to the investor on behalf of the company. The company is obligated to repay the note, bearing interest at 0%, within 30 days after the expiry of the allocation period.

The company is required to repay the investor, through the Agent, the investor's promissory note within 90 days of receipt by the Agent of a request by the investor to withdraw his/her application for permanent residence, or upon the refusal of the application by the Minister.

In the 2014 Federal Government Budget, it was disclosed that Citizenship Immigration Canada (CIC) would be terminating the Federal Immigrant Investor Programs during the 2014 calendar year. Subsequently, CIC has communicated to all provinces that there will be no accelerated repayment schedule for funds received through the Immigrant Investor Program.

4 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal area involving a higher degree of judgment or complexity and/or area which require significant estimates is described below:

Island Investment Development Inc.
Notes to Consolidated Financial Statements
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Provision for possible losses

The company regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumption. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management.

For investments in private companies, consideration was given as to whether or not par value was equal to redemption value and whether the company had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. These investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

Estimated useful lives of investment properties and property and equipment

Management estimates the useful lives of investment properties and property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded amortization expense of investment properties and property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the company's investment properties and property and equipment in the future.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
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Investment properties fair value

The fair market value of investment property is disclosed on an annual basis as of the statement of financial position date. This fair value information is also used to calculate potential impairment losses as of the statement of financial position date. The valuations are prepared using recognized valuation techniques to determine the fair value. The determination of the fair value requires the use of estimates on future cash flows from assets and discount rates applicable to those assets. These estimates are based on local market conditions existing at the statement of financial position date, including the impact of recent market transactions.

Investment properties and property and equipment

The company's accounting policies related to investment properties and property and equipment are described in note 2. In applying these policies, judgment is applied to determine the significant components of each asset, including the useful lives over which componentized assets are to be amortized. Judgment is also required in determining what assets are classified as property, plant and equipment and what assets are classified as investment property.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
March 31, 2018

5 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2018		2017	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets carried at fair value				
Financial assets held for trading	273,155,717	273,155,717	257,101,243	257,101,243
Assets carried at amortized cost				
Notes, receivables and advances	138,833,455	138,833,455	141,800,277	141,800,277
Cash	13,019,938	13,019,938	22,697,691	22,697,691
Investment available for sale	2,440,511	2,440,511	1,434,373	1,434,373
	154,293,904	154,293,904	165,932,341	165,932,341
Liabilities carried at amortized cost				
Bank indebtedness	-	-	100,756	100,756
Accounts payable and accrued liabilities	4,031,429	4,031,429	3,056,153	3,056,153
Notes payable	70,429,498	70,429,498	98,259,170	98,259,170
Restricted funds	215,097,010	215,097,010	208,324,461	208,324,461
	289,557,937	289,557,937	309,740,540	309,740,540

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

6 Accounts receivable

	2018 $	2017 $
Trade	1,534,009	974,274
Related party	411,165	618,012
Other	-	9,039
Less: Allowance for doubtful accounts	(771,916)	(410,123)
	1,173,258	1,191,202

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Island Investment Development Inc.

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7 Investment properties

The fair market value of investment properties as of March 31, 2018 is $11,054,068 (2017 - $9,940,725). The investment properties have been valued using a capitalized net operating income method. Using this method, capitalization rates are applied to net operating income (revenues less property operating expenses). The key assumptions is the capitalization rate of 10% to 14% (2017 - 10% to 14%) plus a discount applied in a recent transaction between unrelated market participates which reflects the special nature and location of the assets. This discount is to reflect the specialized assets and their location. This valuation process would be classified as Level 3 of the fair value hierarchy.

	Land $	Buildings, roads and paving $	Total $
Cost			
Balance - March 31, 2017	1,414,252	7,607,643	9,021,895
Additions	-	911,266	911,266
Disposals	-	(6,877)	(6,877)
Balance - March 31, 2018	1,414,252	8,512,032	9,926,284
Accumulated amortization			
Balance - March 31, 2017	-	(750,423)	(750,423)
Amortization expense	-	(323,438)	(323,438)
Balance - March 31, 2018	-	(1,073,861)	(1,073,861)
Net carrying value			
March 31, 2017	1,414,252	6,857,220	8,271,472
March 31, 2018	1,414,252	7,438,171	8,852,423

The future minimum lease payments to be received under non-cancelable operating leases in aggregate for each of the following periods:

	$
Under 1 year	1,647,697
2 to 5 years	5,008,322
Over 5 years	6,906,113
Total	13,562,132

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

8 Demand loan receivable

The company entered into an agreement with Finance PEI, a provincial Crown corporation, to provide a $15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2018 is $6,998,502 (2017 - $6,998,502).

Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand loan is secured by a promissory note for $15,000,000 and a revolving credit agreement.

9 Notes receivable

	Total	Impaired loans included in total	Individual Allowance	2018 Net	2017 Net
	$	$	$	$	$
Working capital					
Manufacturing and processing	4,818,165	2,494,825	1,836,784	2,981,381	3,199,664
Long-term loans					
Manufacturing and processing	52,122,272	8,042,853	3,541,379	48,580,893	47,595,380
Technology	1,503,062	1,303,062	200,000	1,303,062	1,103,062
Aerospace	61,671	-	-	61,671	653,882
Tourism	19,790,424	975,590	292,000	19,498,424	15,235,380
General business	71,070,093	45,868,439	18,874,711	52,195,382	51,931,458
Bioscience	1,836,000	1,661,000	700,000	1,136,000	9,585,669
	146,383,522	57,850,944	23,608,090	122,775,432	126,104,831
Accrued interest	3,285,669	-	1,812,270	1,473,399	1,672,140
	154,487,356	60,345,769	27,257,144	127,230,212	130,976,635

The fair value of the collateral held by the company as security for the impaired loans was $47,709,977 (2017 - $47,201,704). The company has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of local real estate and business market conditions.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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Continuity of individual allowance

	Beginning balance $	Provision/ reversal $	Write-off $	2018 Ending Balance $	2017 Ending Balance $
Working capital					
Manufacturing and processing	1,836,784	-	-	1,836,784	1,836,784
Long-term loans					
Manufacturing and processing	3,019,827	717,422	195,870	3,541,379	3,019,827
Technology	200,000	-	-	200,000	200,000
Tourism	292,000	-	-	292,000	292,000
General business	18,900,434	(25,723)	-	18,874,711	18,900,434
Bioscience	700,000	-	-	700,000	700,000
	23,112,261	691,699	195,870	23,608,090	23,112,261
Accrued interest	1,480,266	353,658	21,654	1,812,270	1,480,266
	26,429,311	1,045,357	217,524	27,257,144	26,429,311

Loans past due but not impaired

A loan is considered past due when a payment has not been received by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired as they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired are as follows:

	90 - 120 days $	120 - 150 days $	150 - 180 days $	+180 days $	Total $
As at:					
March 31, 2018	-	169,555	-	9,730,564	9,900,119
March 31, 2017	-	-	-	11,450,046	11,450,046

During the years ended March 31, 2018 and 2017, the company did not acquire any assets in respect of delinquent loans.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
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Related party notes:

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Finance PEI of $3,076,822 (2017 - $3,130,720).

Included in accrued interest is $747,707 (2017 - $665,239) from Finance PEI.

10 Investment in private companies

	2018 $	2017 $
Investment in private companies		
Atlantic Canada Regional Venture Fund LP	1,740,511	1,434,373
Island Capital Partners Seed Investment Fund	700,000	-
	2,440,511	1,434,373

11 Deferred financing costs

			2018	2017
	Cost $	Accumulated amortization $	Net $	Net $
Commissions	4,186,240	3,615,904	570,336	1,464,698

12 Restricted funds

Restricted funds held in trust consist of the following amounts held under the Provincial Nominee Program:

	2018 $	2017 $
Good Faith deposits	179,073	329,073
Entrepreneur Program deposits	-	100,000
Language deposits	41,665	81,665
Escrow deposits - business impact category	214,576,272	207,513,723
Intermediary deposits	300,000	300,000
	215,097,010	208,324,461

The company has internally restricted cash and marketable securities to meet or exceed the restricted funds payable.

Island Investment Development Inc.
Notes to Consolidated Financial Statements
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13 Accounts payable and accrued liabilities

	2018 $	2017 $
Trade payables and accruals	2,164,208	2,447,489
Government remittances	-	17,897
Related entities	265,680	103,754
Province of Prince Edward Island	1,422,630	276,601
Other	178,911	210,412
	4,031,429	3,056,153

14 Notes payable

	2018 $	2017 $
Prince Edward Island Century 2000 Fund Inc.		
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2013 to April 1, 2018, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	64,416,711	89,305,244
Island Investment Development Inc.		
1.61% term loan, due August 2018, from the Province of Prince Edward Island, payable in quarterly payments of $146,575 including interest, unsecured	5,155,214	-
2.46% term loan, due November 2022, to the Province of Prince Edward Island, payable in quarterly payments of $47,962 including interest, unsecured	857,573	-
3.11% term loan, repaid during the year	-	4,350,603
Treasury Board loan, repaid during the year	-	1,823,005
Accrued interest payable	-	31,397
Slemon Park Corporation		
3.519% term loan, repaid during the year	-	941,999
3.506% term loan, repaid during the year	-	1,806,922
	70,429,498	98,259,170

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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Prince Edward Island Century 2000 Fund Inc.

All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward has provided a guarantee of the notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

Slemon Park Corporation

As additional security for certain long-term debt and an authorized operating line of credit of $900,000, Slemon Park Corporation has provided a location specific general security agreement over all present and future personal property of certain buildings, a floating charge over inventory and appliances of the residential units, an assignment of residential rents, an assignment of specific commercial rents, a first fixed charge mortgage with cash value insurance coverage over the residential units, a collateral mortgage over certain properties and a general assignment of book debts.

The principal payments due on the notes payable over the next five years are as follows:

	$
Year ending March 31, 2019	53,442,963
2018	14,439,115
2021	1,611,232
2022	545,284
2023	390,903

15 Related party transactions

Related parties

Finance PEI, Innovation PEI and Tourism PEI are Crown corporations of the Province of Prince Edward Island.

Related party balances

Included in accounts receivable is nil (2017 - $210,909) to Finance PEI.

Included in accounts payable and accrued liabilities is $85,887 (2017 - $87,095) to Innovation P.E.I., $123,793 (2017 - nil) to Finance PEI, $56,000 (2017 - nil) to Tourism PEI and $1,231,856 (2017 - $136,936) to the Province of Prince Edward Island.

Island Investment Development Inc.
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Advances to related company:

	2018 $	2017 $
Finance PEI	3,431,483	2,633,938

Advances to related company are non-interest bearing with no specific terms of repayment.

Transactions

Included in interest on notes and loan receivable is $196,873 (2017 - $178,912) from Finance PEI.

Included in expenses are management fees of $535,000 (2017 - $535,000) and rent of $50,000 (2017 - $50,000) to Finance PEI and interest on notes payable of $133,156 (2017 - $163,183) to the Province of Prince Edward Island.

Included in property operations is revenue of $1,381,955 (2017 - $1,000,065) and purchases of $606,879 (2017 - $642,710) from enterprises controlled by the Province of Prince Edward Island.

During the year, a note receivable was transferred from Prince Edward Island Century 2000 Fund Inc. to Finance PEI at its carrying amount of $1,512,557.

Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2018 and 2017 were as follows:

	2018 $	2017 $
Salaries	552,136	495,626

Key management personnel consist of the executive director, directors and manager needed to administer the programs in Island Investment Development Inc. Certain members of key management are employed under Innovation PEI and the portion of their salary which pertains to the work performed for Island Investment Development Inc. is reflected in the $535,000 (2017 - $535,000) management fee paid to Finance PEI.

16 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2018 amount to $4,205,170 (2017 - $6,131,697).

Island Investment Development Inc. has committed to, but not disbursed $2,059,487 (2017 - $1,065,627) in advances to private companies.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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17 Contingent liability

A statement of claim has been filed against the company that deals with the question of priority interest that the company has in a mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

18 Comparative figures

Certain comparative figures presented for the 2017 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

19 Financial risk management objectives and policies

Island Investment Development Inc.'s principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Island Investment Development Inc. manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's notes receivable and marketable securities.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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The company's maximum exposure to credit risk at the reporting date was:

	2018 $	2017 $
Cash	13,019,938	22,697,691
Marketable securities	58,058,707	48,776,782
Accounts receivable	1,173,258	1,191,202
Demand loan receivable	6,998,502	6,998,502
Notes receivable	127,230,212	130,976,635
Advances to related companies	3,431,483	2,633,938
Investment in private company	2,440,511	1,434,373
Restricted funds	215,097,010	208,324,461
	427,449,621	423,033,584

i) Notes receivable

For the notes receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Credit is approved by staff and the company’s Board of Directors with loans in excess of $1 million requiring approval by Treasury Board. The company factors the financial strength of each borrower, the security which is available, their position in industry and past payment history when assessing all potential loans.

ii) Cash and marketable securities

Cash and marketable securities have a low credit risk exposure as the assets are high quality investments with low risk counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, notes payable and to pay back any deposits under the Provincial Nominee Program as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Island Investment Development Inc.
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2018

	Under 1 year $	Between 1 - 2 years $	Between 2 - 5 years $	Over 5 years $	Total $
Accounts payable and accrued liabilities	4,031,429	-	-	-	4,031,429
Note payable	53,442,963	14,439,116	2,547,419	-	70,429,498
Restricted funds	215,097,010	-	-	-	215,097,010
	272,571,402	14,439,116	2,547,419	-	289,557,937

2017

	Under 1 year $	Between 1 - 2 years $	Between 2 - 5 years $	Over 5 years $	Total $
Bank indebtedness	100,756	-	-	-	100,756
Accounts payable and accrued liabilities	3,056,153	-	-	-	3,056,153
Note payable	30,479,551	48,722,418	18,630,478	426,723	98,259,170
Restricted funds	208,324,461	-	-	-	208,324,461
	241,960,921	48,722,418	18,630,478	426,723	309,740,540

As at March 31, 2018, the company has $286,175,655 (2017 - $279,798,934) in cash and marketable securities that is readily available to be used to meet the cash outflows of the company's financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Price risk

The company is exposed to price risk because of the marketable securities held by the company that are classified as fair value through profit or loss. This company is not exposed to commodity price risk. To manage its price risk arising from marketable security is the company diversifies its portfolio.

Island Investment Development Inc.
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(ii) Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. For example, notes receivable are shown at contractual maturity but could prepay earlier.

	Under 1 year $	**Over 1 to 5 years $**	**Over 5 years $**	**Not interest rate sensitive $**	**Total $**
Assets					
Cash	13,019,938	-	-	-	13,019,938
Marketable securities	58,058,707	-	-	-	58,058,707
Accounts receivable	-	-	-	1,173,258	1,173,258
Prepaid expenses	-	-	-	15,868	15,868
Inventory	-	-	-	118,553	118,553
Demand loan receivable	6,998,502	-	-	-	6,998,502
Effective interest rate	1.13%				
Note receivable (net of allowance for losses)	31,214,447	75,316,934	19,225,432	1,473,399	127,230,212
Effective interest rate	4.16%	4.34%	2.00%		
Advances to related company	-	-	-	3,431,483	3,431,483
Investment in private companies	-	-	-	2,440,511	2,440,511
Deferred financing costs	-	-	-	570,336	570,336
Property and equipment	-	-	-	2,655,394	2,655,394
Investment properties	-	-	-	8,852,423	8,852,423
Restricted funds	-	-	-	215,097,010	215,097,010
Total assets	109,291,594	75,316,934	19,225,432	235,828,235	439,662,195
Liabilities and surplus					
Accounts payable and accrued liabilities	-	-	-	4,031,429	4,031,429
Note payable	53,442,963	16,986,535	-	-	70,429,498
Restricted funds	29,073			215,067,937	215,097,010
Effective interest rate	1.86%				
Surplus	-	-	-	150,104,258	150,104,258
Total liabilities and surplus	53,472,036	16,986,535	-	369,203,624	439,662,195
Interest rate sensitivity gap	55,819,558	58,330,399	19,225,432	(133,375,389)	-

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of Island Investment Development Inc.'s capital management is to ensure that it maintains a healthy financial position in order to support its business. Island Investment Development Inc. manages its capital structure and makes changes to it in light of changes in economic conditions.

Island Investment Development Inc.

Schedule of Property and Equipment

For the year ended March 31, 2018 **Schedule**

	Cost 2018				Accumulated amortization 2018			2018
	Beginning $	Additions $	Grants Received $	Ending $	Beginning $	Amortization $	Ending $	Net book value $
Land	30,043	-	-	30,043	-	-	-	30,043
Buildings and improvements	758,577	121,067	-	879,644	149,315	27,760	177,075	702,569
Paving and water and sewer	215,071	1,703,074	(560,728)	1,357,417	51,736	48,858	100,594	1,256,823
Furniture and equipment	895,963	98,646	-	994,609	305,888	115,854	421,742	572,867
Motor vehicles	49,856	50,591	-	100,447	24,711	13,630	38,341	62,106
Computer equipment and software	75,601	17,244	-	92,845	52,275	9,584	61,859	30,986
	2,025,111	1,990,622	(560,728)	3,455,005	583,925	215,686	799,611	2,655,394

	Cost 2017				Accumulated amortization 2017			2017
	Beginning $	Additions $	Grants Received $	Ending $	Beginning $	Amortization $	Ending $	Net book value $
Land	30,043	-	-	30,043	-	-	-	30,043
Buildings and improvements	713,758	44,819	-	758,577	124,614	24,701	149,315	609,262
Paving and water and sewer	47,589	376,689	(209,207)	215,071	47,589	4,147	51,736	163,335
Furniture and equipment	812,817	83,146	-	895,963	184,607	121,281	305,888	590,075
Motor vehicles	33,856	16,000	-	49,856	17,363	7,348	24,711	25,145
Computer equipment and software	69,790	5,811	-	75,601	43,523	8,752	52,275	23,326
	1,707,853	526,465	(209,207)	2,025,111	417,696	166,229	583,925	1,441,186

Grant Thornton

Consolidated Financial Statements

Island Waste Management Corporation

March 31, 2018

Contents

Management's Responsibility for Financial Reporting
March 31, 2018

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. Management is also responsible for the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent in all material respect, the financial position as at March 31, 2018.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually. The Board recommends approval of the audited external financial statements and meets periodically with management and external auditors concerning internal controls and other matters relating to financial reporting.

Grant Thornton, Island Waste Management Corporation's independent auditors, has performed an audit of Island Waste Management Corporation's financial statements in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements. The auditors have full and free access to financial information and management of Island Waste Management Corporation as required.

Gerry Moore
Chief Executive Officer

Sheri Taylor Bradley
Chief Financial Officer

GrantThornton

Independent auditor's report

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To the Board of Directors of

Island Waste Management Corporation

We have audited the accompanying consolidated financial statements of Island Waste Management Corporation, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statement of operations and changes in net assets and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 Corporation's preparation and fair presentation of the consolidated 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 Corporation's internal control. An audit also includes evaluating the appropriateness of

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accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Island Waste Management Corporation as at March 31, 2018 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Charlottetown, Prince Edward Island

June 11, 2018 Chartered Professional Accountants

Island Waste Management Corporation
Consolidated statement of operations and changes in net assets

Year ended March 31	2018	2017
Revenues		
Household user fees (Page 20)	**$ 14,114,980**	$ 13,964,992
Disposal fees (Page 20)	**4,419,103**	4,153,636
Tires	**965,751**	875,000
Decommissioning and monitoring	**21,027**	20,683
Environmental Industrial Services Inc. (Page 24)	**1,110,580**	986,487
Stewardships and other	**388,876**	538,929
	21,020,317	20,539,727
Expenditures		
Administration (Page 21)	**1,449,261**	1,484,142
Advertising, education and public relations (Page 21)	**169,669**	153,977
Operational costs		
Residential collection (Page 21)	**5,901,682**	5,669,365
Disposal (Pages 22 - 23)	**7,320,731**	7,138,752
Tire collection and disposal (Page 23)	**965,751**	875,000
Decommissioning and monitoring	**21,027**	20,683
Interest on long-term debt	**1,189,870**	1,275,444
Depreciation	**2,446,274**	2,309,168
Environmental Industrial Services Inc. (Page 24)	**1,110,580**	986,487
Stewardships and other	**300,324**	331,504
	20,875,169	20,244,522
Excess of revenues over expenditures	**$ 145,148**	$ 295,205

Net assets, beginning of year	**$ 2,100,188**	$ 1,804,983
Excess of revenues over expenditures	**145,148**	295,205
Net assets, end of year	**$ 2,245,336**	$ 2,100,188

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Consolidated statement of financial position

March 31	**2018**	2017
Assets		
Current		
Cash and cash equivalents	**$ 1,108,595**	$ 1,569,838
Receivables (Note 3)	**1,929,900**	1,240,725
Term deposits	**2,500,000**	-
Prepaids	**46,546**	60,671
	5,585,041	2,871,234
Performance deposits	**294,150**	194,150
Term deposits	**1,500,000**	4,000,000
Property and equipment (Note 4)	**22,153,852**	21,045,200
	$ 29,533,043	$ 28,110,584
Liabilities		
Current		
Payables and accruals	**$ 3,458,929**	$ 2,173,642
Current portion of long-term debt (Note 5)	**2,567,182**	2,577,541
Debt due on demand (Note 5)	**155,264**	146,613
	6,181,375	4,897,796
Contractor deposits	**294,000**	194,000
Deferred government assistance (Note 6)	**2,010,135**	224,958
Long-term debt (Note 5)	**16,369,059**	18,422,632
Asset retirement obligation (Note 7)	**2,433,138**	2,271,010
	27,287,707	26,010,396
Net assets	**2,245,336**	2,100,188
	$ 29,533,043	$ 28,110,584

Commitments (Note 8)

On behalf of the Board

_______________________________ Director _______________________________ Director

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Consolidated statement of cash flows

Year ended March 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Cash received from customers	**$ 20,961,529**	$ 20,235,204
Cash payments to suppliers	**(13,077,479)**	(12,866,822)
Cash payments to employees	**(3,382,144)**	(3,279,623)
Interest paid	**(1,201,698)**	(1,286,423)
Interest received	**108,268**	135,808
	3,408,476	2,938,144
Financing		
Proceeds from long-term debt	**612,689**	-
Government assistance received	**1,183,571**	-
Repayment of long-term debt	**(2,667,845)**	(2,487,046)
	(871,585)	(2,487,046)
Investing		
(Increase) decrease in performance deposits	**(100,000)**	(150)
Proceeds from sale of equipment	**12,441**	21,795
Purchase of property and equipment	**(2,910,575)**	(2,168,585)
	(2,998,134)	(2,146,940)
Net (decrease) increase in cash and cash equivalents	**(461,243)**	(1,695,842)
Cash and cash equivalents		
Beginning of year	**1,569,838**	3,265,680
End of year	**$ 1,108,595**	$ 1,569,838

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

1. Nature of operations

The Corporation is a Prince Edward Island crown corporation established under the provisions of the *Environmental Protection Act* and therefore is exempt from income taxes under paragraph 149(1)(d) of the Canadian *Income Tax Act*. The Corporation's objective is to implement and manage a province-wide waste management system. This includes the collection and disposal of solid waste generated in Prince Edward Island.

Environmental Industrial Services Inc. is a wholly-owned subsidiary of Island Waste Management Corporation. The Corporation's objective is to operate water and wastewater facilities.

The Corporation and its wholly owned subsidiary are located at 110 Watts Avenue, Charlottetown, Prince Edward Island.

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on June 11, 2018.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS
The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Island Waste Management Corporation comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at March 31, 2018.

The principal accounting policies applied in the preparation of the consolidated financial statement are set out below.

Basis of measurement
The consolidated financial statements of the Corporation have been prepared on a historical cost basis. The Corporation's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Corporation operates, which is also the presentation currency of the consolidated financial statements.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

Principals of consolidation
The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Environmental Industrial Services Inc. Significant intercompany transactions are eliminated upon consolidation.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are added to the cost of the assets until they are substantially ready for their intended use.

Revenue recognition
Household user fees are based on an annual assessment applied to the household's property tax assessment. Revenue is recognized evenly on a monthly basis based on the annual assessment rate.

Disposal revenues are recognized when the waste has been delivered to the drop off facilities.

Tire revenues are recognized when the tires have been disposed of at disposal sites.

Revenues and earnings from utility user fees and excess expenditure recoveries are recorded when collection is reasonably assured and all other significant conditions of service are met.

Deferred government assistance
Government grants relating to the acquisition of assets and equipment purchased by Environmental Industrial Services Inc. are recorded as deferred credits. This account is being amortized on the same basis as the related assets are being depreciated and is reflected as a reduction in current depreciation expense.

Financial instruments
The Corporation designates its financial assets as loans and receivables. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Financial assets designated as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are comprised of accounts receivable and performance deposits. These are initially measured at fair value and then at amortized cost less impairment. When impaired, the carrying amount is reduced by the impairment loss directly.

Financial liabilities are recognized initially at fair value and are subsequently stated at amortized cost. These liabilities included accounts payable and accrued liabilities, long-term debt, debt due on demand and contractor deposits.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty
The preparation of consolidated financial statements in conformity with IFRS requires the use of judgements, assumptions, and estimates as at the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the consolidated financial statement date that reflect the most probable set of economic conditions and planned courses of action.

Asset retirement obligations, employee future benefits, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these consolidated financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 7 for additional details on the asset retirement obligation.

Provisions
Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Specific accounting policies
To facilitate a better understanding of the Corporation's consolidated financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

Future accounting standards and reporting changes
The following are future changes in accounting policies not yet effective as of March 31, 2018.

IFRS 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, which enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers, was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurements of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Corporation has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 was issued by the IASB on January 13, 2016. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The Corporation has not yet begun the process of evaluating the impact of the standard on its consolidated financial statements.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

3. Receivables	**2018**	2017
Trade	**$ 845,942**	$ 895,420
Government assistance	**619,536**	-
Sales tax, net	**464,422**	345,305
	$ 1,929,900	$ 1,240,725

4. Property and equipment

Accounting policy
Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction, including borrowing costs, and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the diminishing balance basis. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings	20 yrs,	straight line
Motor vehicles	5 yrs,	straight line
Office equipment	5 yrs,	straight line
Computer equipment	5 yrs,	straight line
Computer software	5 yrs,	straight line
Leasehold improvements	5 yrs,	straight line
Site equipment	5 and 10 yrs,	straight line
Leachate facility	15, 25 and 30 yrs,	straight line
Compost facility	10, 15, 20 and 25 yrs,	straight line
Waste Watch drop-off centers	15 yrs,	straight line
Waste and compost carts	10 and 20 yrs,	straight line
Waste water infrastructure	40 yrs,	straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Corporation has established that the appropriate cash generating unit for impairment review is the entire entity. As the Corporation has the power to increase disposal and sewer rates to ensure full funding into the foreseeable future, impairment at the entity level is remote. As at March 31, 2018, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Corporation's ability to generate future economic benefits from its operating non-financial assets.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

4. Property and equipment (cont'd)

	Land	Buildings	Landfill cells	Leachate facility	Compost facility	WasteWatch drop-off	Waste carts	Site equipment	Motor vehicles	Office equip	EISI Infrastruct.	Total
Gross carrying												
Balance Apr 1, 2017	$ 832,524	611,447	13,407,029	2,680,126	21,448,007	2,388,639	6,785,589	1,986,835	871,324	404,340	520,659	$ 51,936,519
Additions	-	-	115,130	27,791	722,986	41,540	473,769	107,445	292,084	25,665	1,875,043	3,681,453
Dispositions	-	-	-	-	-	-	(154,820)	(95,963)	-	-	-	(250,783)
Balance Mar 31, 2018	832,524	611,447	13,522,159	2,707,917	22,170,993	2,430,179	7,104,538	1,998,317	1,163,408	430,005	2,395,702	55,367,189
Depreciation and Impairment												
Balance Apr 1, 2017	-	(199,007)	(7,846,862)	(647,435)	(14,453,526)	(1,650,229)	(3,910,862)	(1,095,151)	(579,617)	(369,400)	(139,230)	(30,891,319)
Disposals	-	-	-	-	-	-	119,496	25,367	-	-	-	144,863
Depreciation	-	(35,005)	(316,042)	(123,459)	(1,136,015)	(160,628)	(333,366)	(201,344)	(123,526)	(15,526)	(21,970)	(2,466,881)
Balance Mar 31, 2018	-	(234,012)	(8,162,904)	(770,894)	(15,589,541)	(1,810,857)	(4,124,732)	(1,267,628)	(703,143)	(384,926)	(164,700)	(33,213,337)
Carrying amount	**$ 832,524**	**377,435**	**5,359,255**	**1,937,023**	**6,581,452**	**619,322**	**2,979,806**	**730,689**	**460,265**	**45,079**	**2,234,502**	**$ 22,153,852**
Gross carrying												
Balance Apr 1, 2016	$ 832,524	593,719	12,526,177	2,138,001	21,445,844	2,345,872	6,707,432	1,753,058	820,844	377,687	400,169	$ 49,941,327
Additions	-	17,728	880,852	542,125	2,163	42,767	233,543	276,248	167,625	26,653	120,490	2,310,194
Dispositions	-	-	-	-	-	-	(155,386)	(42,471)	(117,145)	-	-	(315,002)
Balance Mar 31, 2017	832,524	611,447	13,407,029	2,680,126	21,448,007	2,388,639	6,785,589	1,986,835	871,324	404,340	520,659	51,936,519
Depreciation and Impairment												
Balance Apr 1, 2016	-	(169,321)	(7,537,109)	(528,160)	(13,356,515)	(1,492,412)	(3,709,914)	(971,520)	(582,682)	(352,596)	(117,300)	(28,817,529)
Disposals	-	-	-	-	-	-	122,476	42,471	91,678	-	-	256,625
Depreciation	-	(29,686)	(309,753)	(119,275)	(1,097,011)	(157,817)	(323,424)	(166,102)	(88,613)	(16,804)	(21,930)	(2,330,415)
Balance Mar 31, 2017	-	(199,007)	(7,846,862)	(647,435)	(14,453,526)	(1,650,229)	(3,910,862)	(1,095,151)	(579,617)	(369,400)	(139,230)	(30,891,319)
Carrying amount	**$ 832,524**	**412,440**	**5,560,167**	**2,032,691**	**6,994,481**	**738,410**	**2,874,727**	**891,684**	**291,707**	**34,940**	**381,429**	**$ 21,045,200**

As of the end of the year, the newest constructed landfill cell at the East Prince Waste Management Facility was not used. There were no current year additions. Prior year additions of $4,935,547 are included in landfill cell cost above and has not been depreciated as of yearend.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

5. Long-term debt

	2018	2017
6.40% debenture amortized to and maturing in December 2027, payable in quarterly instalments of principal and interest of $599,547. The debenture is unconditionally secured by the Province of Prince Edward Island.	**$ 17,295,232**	$ 18,536,519
1.35% debenture amortized to and maturing in January 2019, payable in monthly instalments of principal and interest of $113,439.	**1,127,400**	2,463,654
1.91% debenture amortized to and maturing in June 2022, payable in monthly instalments of principal and interest of $10,493.	**513,609**	-
Prime plus 3% demand loan advanced to Environmental Industrial Services Inc. as security for the loan, the borrower has provided a promissory note for the full amount of the loan. The loan will not be outstanding for a period greater than 120 months.	**155,264**	146,613
	19,091,505	21,146,786
Less: current portion	**2,567,182**	2,577,541
debt due on demand	**155,264**	146,613
	$ 16,369,059	$ 18,422,632

Based on normal repayment terms, annual principal repayments in each of the next five years are due as follows: 2019 - $2,567,182; 2020 - $1,528,739; 2021 - $1,623,424; 2022 - $1,724,207; 2023 - $1,736,448 and beyond 2024 - $9,911,505.

6. Deferred government assistance

Deferred revenue represents government assistance received for water and sewer infrastructure. The revenue will be recognized over the life of the associated water and sewer assets.

	2018	2017
Balance, beginning of year	**$ 224,958**	151,889
Amount received or receivable during the year	**1,803,106**	87,500
Amount recognized as revenue during the year	**(17,929)**	(14,431)
Balance, end of year	**$ 2,010,135**	$ 224,958

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

7. Asset retirement obligation

Accounting policy
An asset retirement obligation is recognized as a liability for obligations associated with the closure of the Corporation's landfill site and returning such land to its original condition as set by standards of environmental regulations.

Asset retirement obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. Provisions are determined by discounting the expected future cash flows at a risk free rate. The expected cash flows reflect current market assessments and the risks specific to the liability.

The obligation is reviewed regularly by the Corporation's management based on current regulations, cost, technologies and industry standards. The discounted obligation is initially capitalized as part of the carrying amount of the related landfill and a corresponding liability is recognized. The increase in the landfill site asset is depreciated over the estimated life of the corresponding landfill while the liability is accreted as finance expense in earnings, until settled or sold. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the estimated future cash flows underlying the obligation and changes in the risk free rate. Estimated future cash flows are based on estimated current costs adjusted to the future expected closure date by applying an estimate of inflation. The increase in the obligation due to the passage of time is recognized as finance expenses whereas increases and/or decreases due to changes in the estimated future cash flows or changes in the risk free rate are capitalized. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent the obligation was established.

Any reduction on the obligation, and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the obligation, and, therefore, an addition to the carrying value of the asset, the Corporation considers whether this is an indication of impairment of the asset as a whole and, if so, tests for impairment in accordance with IAS 36. If the revised assets net of obligation exceeds the recoverable value, that portion of the increase is charged directly to expenses.

The following presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation:

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

7. Asset retirement obligation (cont'd)

	2018	2017
Asset retirement obligation, beginning of year	**$ 2,271,010**	$ 2,084,742
Liabilities incurred	**115,132**	141,610
Accretion expense	**46,996**	44,658
Asset retirement obligation, end of year	**$ 2,433,138**	$ 2,271,010

The key assumptions, on which the carrying amount of the obligation is based, include a risk free rate of 2.23% (2017 – 2.17%) and inflation rate of 2%. The total undiscounted amount of the estimated cash flows required to settle the remaining obligation is $4,560,000 (2017 - $4,560,000), of which $972,000 has been paid to date. The expected timing of payment of the cash flow required for settling the obligation is 12 years.

8. Commitments

The Corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement with a third party operator. Effective April 1, 2014, the agreement provides for the payment by the Corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitment under the operating agreement is as follows:

2019	$ 2,384,681
2020	$ 2,252,756
2021	$ 2,243,428
2022	$ 2,281,921
2023	$ 2,327,560
2024	$ 2,374,110

The Corporation has entered into various agreements for the collection of recyclables, waste and compost materials. Effective July 1, 2018 the Company will enter into its new contract for recyclables which carries into 2026. Minimum payments for the contracts currently in place are as follows:

2019	$ 5,401,723
2020	$ 3,915,940
2021	$ 1,894,728
2022	$ 1,917,531
2023	$ 1,948,206
2024	$ 1,979,376
2025	$ 2,011,050
2026	$ 504,750

The Corporation has entered into a waste processing agreement dated August 8, 1995 to supply PEI Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30 year agreement, expiring in August 2025, provides for the payment by the Corporation of a $45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of the Corporation. Current annual costs for the waste processing are estimated at $2,117,000 (2017 - $2,094,000).

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

9. Financial risk management

The Corporation's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and long-term debt.

Financial risk factors
The following sections describe the Corporation's financial risk exposure and related mitigation strategies:

Credit risk
Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is subject to credit risk through trade receivables. The Corporation mitigates credit risk associated with its trade receivables through establishing credit approval limits and a regular monitoring process. The Corporation generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. Credit risk is mitigated due to the large number of customers. Allowance for doubtful accounts is reviewed at each balance sheet date. The Corporation updates its estimates of allowances for doubtful accounts based on customer history.

Household user fees are collected by the Province of Prince Edward Island through its provincial tax system.

Interest rate risk
Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Corporation to interest rate risk include financial liabilities with floating interest rates. The Corporation currently has no financial instruments which are exposed to interest rate risk due to floating rates but is exposed to risk associated with fixed term debt that matures as noted in Note 5.

Liquidity risk
Liquidity risk is the risk that the Corporation may not have cash available to satisfy financial liabilities as they come due. The Corporation prepares an annual cash flow budget which it monitors on a monthly basis to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements.

Market risk
The Corporation is subject to market risk related to the price of diesel fuel. The Corporation has entered into various agreements for the collection of recyclables, waste and compost materials. These contracts include a provision that requires the Corporation to pay an annual fuel adjustment based on the annual average price of diesel fuel as compared to the base rate per the contract. For the year end March 31, 2018, had the average price of diesel fuel increased or decreased by 10% during the year, the earnings of the Corporation would have increased or decreased by approximately $10,000 (2017 - $49,000). The Corporation currently has no strategy in place to mitigate this risk. Management does monitor the current price of fuel on a regular basis.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

9. Financial risk management (cont'd)

Fair values
The carrying amounts for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value due to the short term maturity of these instruments or terms of the instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates available for similar debt.

IFRS 7, "Financial Instruments – Disclosures", prescribes the following three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair values of the asset and liabilities:

a) Level 1 – quoted price (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.
b) Level 2 – inputs are quoted prices of similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices used in a valuation model that are observable for that instrument, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
c) Level 3 – one or more significant inputs used in a valuation technique are unobservable for the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value

The Corporation's financial instruments measured at fair value are cash and cash equivalents and are recorded based on level 1 measurement.

10. Employee future benefits

Short term benefits
The Corporation's short term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan
The permanent employees of the Corporation participate in the multi-employer contributory defined benefit pension plan administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain crown corporations and agencies based on the length of service and average salary. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is $185,000 (2017 - $173,000).

At March 31, 2017, the Civil Service Superannuation Fund reported that the pension plan was 100% funded.

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

10. Employee future benefits (cont'd)

Retirement pay benefits
The Corporations currently provides a retirement pay benefit equal to one weeks' pay for each year of service, subject to a maximum benefit equal to 26 weeks' pay. The retirement pay benefit is payable upon retirement. Employees qualify at retirement if they have accrued 10 years of service, attained age 55 and are eligible to receive a pension from the Civil Service Superannuation Fund. Retirement pay benefits are accrued on an annual basis based on eligibility and are reflected in the accounts payable at year end.

Employee benefits risks
The Corporation's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Corporation is also exposed to funding risk in the multi-employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments and funding requirements.

11. Related party transactions

Included in these consolidated financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies and boards related to the Corporation by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The table below presents total compensation of the key management personnel, which includes the Board of Directors and senior executive management. Board of Director honorariums are paid based on standards set and approved by the Treasury Board.

	2018	2017
Short term employee benefits	**$ 212,120**	$ 206,176
Post-employment benefits	**25,950**	24,905
	$ 238,070	$ 231,081

Island Waste Management Corporation
Notes to the consolidated financial statements
March 31, 2018

12. Rate regulation

The Corporation is subject to rate regulation on the household user fees and disposal fees charged to residents of Prince Edward Island under the *Island Regulatory Appeals Commission Act*. The purpose of this Act, which is administered by the Island Regulatory and Appeal Commission (IRAC), is to regulate the rate the Corporation may charge for collection and disposal of solid waste within Prince Edward Island and to ensure at all times a just and reasonable price for this service. Changes in household user fees and disposal fees can only be implemented with the approval of IRAC.

13. Capital management

The Corporation's objectives when managing capital is to safeguard the Corporation's ability to support the normal operating requirements on an ongoing basis, support any capital expenditures that may be required in the normal operations of the Corporation and generate sufficient cash flow to manage its existing debt.

The Corporation's capital consists of cash and cash equivalents, long-term debt and net assets. The Corporation's primary uses of these funds are to finance capital expenditures, repay debt obligations and fund normal operations. In order to facilitate the management of its capital requirements, the Corporation prepares annual operating budgets and actual to budget forecasts on a quarterly basis. To maintain or obtain additional capital, the Corporation may issue new debt, reduce operating costs, utilize the central banking credit agreement or make a request to IRAC to increase household user and disposal fees.

The Corporation is not subject to externally imposed capital requirements and there have been no changes with respect to the overall capital risk management strategy during the year.

14. Bank indebtedness

The Company has an authorized operating overdraft of $2,000,000 from the P.E.I. Treasury Board. The operating overdraft bears interest at prime less 0.1% for up to $2,000,000. Prime at March 31, 2018 was 3.45%. As security, the Company has provided a general security agreement on its investments (term deposits) held with Toronto Dominion Bank. The overdraft protection does not require financial guarantee.

15. Other matters

Costs associated with the closure and decommissioning of provincial dump sites are the responsibility of the Province of Prince Edward Island.

Island Waste Management Corporation
Consolidated schedule of revenues

Year ended March 31	2018	2017
Household user fees		
Billed by Island Waste Management Corporation	**$ 90,201**	$ 73,308
Billed through property taxes	**14,085,957**	13,955,755
Cart revenues	**2,032**	2,381
Refunds and adjustments	**(63,210)**	(66,452)
	$ 14,114,980	$ 13,964,992

	2018	2017
Disposal fees		
East Prince Waste Management facility	**$ 2,569,206**	$ 2,370,344
Energy from Waste	**1,139,363**	1,111,283
Central Compost facility	**324,764**	336,375
Brockton	**115,519**	101,050
Dingwells Mills	**99,725**	85,180
Murray River	**73,892**	59,981
New London	**96,371**	89,703
Other	**263**	(280)
	$ 4,419,103	$ 4,153,636

Island Waste Management Corporation
Consolidated schedule of expenditures

Year ended March 31	2018	2017
Administration		
Dues and memberships	**$ 2,720**	$ 2,938
Insurance	**24,665**	22,868
Interest and bank charges	**11,828**	10,979
Miscellaneous	**6,945**	7,178
Office equipment	**1,121**	1,020
Office supplies	**16,808**	20,300
Professional fees	**32,830**	29,992
Rent	**16,800**	16,800
Repairs and maintenance	**19,133**	21,009
Salaries and benefits	**1,200,594**	1,225,670
Supplies	**6,416**	19,941
Telephone	**35,879**	36,969
Travel	**41,574**	36,274
Utilities	**31,948**	32,204
	$ 1,449,261	$ 1,484,142

	2018	2017
Advertising, education and public relations		
Advertising	**$ 3,774**	$ 3,027
Education	**83,092**	78,724
Public relations	**23,414**	13,539
Wages and benefits	**59,389**	58,687
	$ 169,669	$ 153,977

	2018	2017
Residential collection		
Cart purchases and write-offs	**$ 80,262**	$ 48,398
Collection contracts		
Compost and waste	**3,981,549**	3,831,808
Recyclables	**1,251,941**	1,230,747
Operations support technicians		
Wages and benefits	**522,081**	492,644
Vehicle and supplies	**65,849**	65,768
	$ 5,901,682	$ 5,669,365

Island Waste Management Corporation
Consolidated schedule of expenditures

Year ended March 31	**2018**	2017

Disposal

East Prince Waste Management facility

Accretion	**$ 46,998**	$ 44,655
Equipment rental	**31,063**	15,830
Gas and oil	**60,418**	56,114
Household hazardous waste	**17,556**	18,535
Leachate disposal	**56,242**	51,588
Office and miscellaneous	**19,783**	24,952
Repairs and maintenance	**218,307**	248,949
Salaries, wages and benefits	**494,400**	495,069
Security	**7,413**	7,046
Supplies and materials	**180,132**	120,655
Telephone	**3,349**	3,213
Travel and conferences	**3,925**	873
Utilities	**48,066**	41,116
	$ 1,187,652	$ 1,128,595

Queens County Regional Landfill

Repairs and maintenance	**$ 1,545**	$ 2,340
Utilities	**1,535**	1,456
	$ 3,080	$ 3,796

Energy from Waste

Fly ash disposal	**$ 224,707**	$ 226,829
PEI Energy Systems	**2,084,133**	2,134,724
Repairs and maintenance – scale	**10,452**	2,479
Scale house supplies	**2,460**	3,790
Wages and benefits – scale operator and inspector	**110,505**	93,052
	$ 2,432,257	$ 2,460,874

Central Composting facility

Contract	**$ 2,103,697**	$ 2,030,489
Insurance	**44,406**	45,739
Property tax	**301**	272
Repairs and maintenance	**83,064**	77,843
Wages and benefits	**59,258**	58,463
	$ 2,290,726	$ 2,212,806

Island Waste Management Corporation
Consolidated schedule of expenditures

Year ended March 31	2018	2017

Disposal (cont'd)

Waste Watch Drop-Off Centers

	2018	2017
Blue bag disposal	$ 32,000	$ 32,000
Green Isle Environmental contract	424,783	344,060
Household hazardous waste	112,322	106,513
Material and supplies	46,353	24,957
Miscellaneous and asphalt shingles	1,639	11,841
Repairs and maintenance	236,868	257,074
Security	984	984
Signage	2,751	1,609
Telephone	6,895	6,740
Travel	11,191	14,599
Utilities	10,583	10,321
Wages and benefits	347,806	314,824
	$ 1,234,175	$ 1,125,522

Transportation of material

	2018	2017
Motor vehicle	$ 71,692	$ 85,697
Supplies	3,869	5,735
Wages and benefits	95,630	115,727
	$ 171,191	$ 207,159
	$ 7,320,731	$ 7,138,752

Tire collection and disposal

	2018	2017
Collection	$ 284,282	$ 268,088
Disposal	681,469	606,912
	$ 965,751	$ 875,000

Island Waste Management Corporation
Consolidated schedule of utility operations

Year ended March 31, 2018

	2018 Revenues	**2018 Operating costs**	2017 Revenues	2017 Operating costs
Albany	**$ 399,177**	**$ 399,177**	$ 400,257	$ 400,257
Bloomfield	**21,112**	**21,112**	17,565	17,565
Brudenell	**122,551**	**122,551**	103,385	103,385
Correctional services	**13,418**	**13,418**	28,056	28,056
Crowbush	**86,006**	**86,006**	80,605	80,605
Eastern School	**3,937**	**3,937**	3,068	3,068
Finance PEI	**57,795**	**57,795**	18,162	18,162
Georgetown	**142,232**	**142,232**	122,474	122,474
Humpty Dumpty	**9,939**	**9,939**	1,789	1,789
Mill River	**75,100**	**75,100**	82,778	82,778
Northport - Alberton	**50,785**	**50,785**	45,815	45,815
Other	**698**	**698**	5,931	5,931
Parks	**91,377**	**91,377**	47,005	47,005
Western School	**36,453**	**36,453**	29,597	29,597
	$ 1,110,580	**$ 1,110,580**	$ 986,487	$ 986,487

Included in the costs above are wages of $492,481 (2017 - $452,710), depreciation of $6,858 (2017 - $6,816) and interest of $8,106 (2017 - $8,559).

Financial Statements of

PRINCE EDWARD ISLAND 2014 INC.

Year ended March 31, 2018

Tel: 902 892 5365
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www.bdo.ca

BDO Canada LLP
155 Belvedere Avenue, Suite 200
PO Box 2158
Charlottetown PE C1A 8B9 Canada

INDEPENDENT AUDITOR'S REPORT

To the Directors of Prince Edward Island 2014 Inc.

We have audited the accompanying financial statements of Prince Edward Island 2014 Inc. which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes 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.

Auditor's 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 auditor's 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 the 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.

BDO

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince Edward Island 2014 Inc. as at March 31, 2018 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw attention to Note 1 of the financial statements which describes the change to liquidation basis of accounting as a result of the Board of Directors intent to dissolve the organization. Our conclusion is not qualified in this respect.

BDO Canada LLP

Chartered Professional Accountants

Charlottetown, Prince Edward Island
July 9, 2018

PRINCE EDWARD ISLAND 2014 INC.

Statement of Financial Position

March 31, 2018, with comparative figures for 2017

	2018	2017
Financial Assets		
Cash	$ 5,772	$ 392,197
GST/HST receivable	5,343	4,707
	11,115	396,904
Liabilities		
Accounts payable and accrued liabilities	2,710	-
Net financial assets and accumulated surplus	$ 8,405	$ 396,904

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

On Behalf of the Board:

____________________ Director

____________________ Director

PRINCE EDWARD ISLAND 2014 INC.

Statement of Operations

Year ended March 31, 2018, with comparative figures for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
Expense recoveries	$ -	$ -	$ 74
Expenses:			
Administration	7,000	6,999	7,335
Government transfers	381,500	381,500	-
	388,500	388,499	7,335
Annual deficit	(388,500)	(388,499)	(7,261)
Accumulated surplus, beginning of the year	396,904	396,904	404,165
Accumulated surplus, end of the year	$ 8,404	$ 8,405	$ 396,904

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

PRINCE EDWARD ISLAND 2014 INC.

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative figures for 2017

	Budget 2018	Actual 2018	Actual 2017
Annual deficit	$ (388,500)	$ (388,499)	$ (7,261)
Net financial assets, beginning of the year	396,904	396,904	404,165
Net financial assets, end of the year	$ 8,404	$ 8,405	$ 396,904

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

PRINCE EDWARD ISLAND 2014 INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
Cash flows from operating activities		
Cash receipts from government transfers and grants	$ -	$ 124,082
Cash paid to suppliers and employees	(4,896)	(132,330)
Cash paid for government transfers	(381,500)	-
Interest paid	(29)	(35)
Decrease in cash	(386,425)	(8,283)
Cash, beginning of the year	392,197	400,480
Cash, end of the year	$ 5,772	$ 392,197

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

PRINCE EDWARD ISLAND 2014 INC.

Notes to Financial Statements

Year ended March 31, 2018

1. Nature of operations and summary of significant accounting policies:

(a) Management's responsibility for the financial statements:

The financial statements of the organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. Prince Edward Island 2014 Inc. ("the organization") is a not-for-profit entity incorporated under the laws of Prince Edward Island. Its principal activities include planning, management and execution of the commemorative activities for the 150th anniversary of the 1864 historic events leading to Confederation.

The entity is exempt from income taxes in accordance with certain provisions of the Income Tax Act.

On June 21, 2017, the Board of Directors of the entity passed a resolution to pay out surplus funds as government transfers with the intent to liquidate the entity. As a result, the organization has prepared its financial statements on the basis of liquidation value of its assets and liabilities.

(b) Government transfers:

When the organization is the recipient, government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

When the organization is the transferor, government transfers are recognized as an expense in the statement of operations when they are authorized and all eligibility requirements have been met by the recipient.

(c) Financial instruments:

Financial instruments are measured at cost or amortized cost. The carrying value of these financial instruments is presented in the statement of financial position. Financial instruments are tested annually for impairment.

P.E.I. Advisory Council on the Status of Women

Audited Financial Statements for P.E.I. Advisory Council on the Status of Women for the year ended March 31, 2018 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Financial Statements
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes and schedules to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements yearly.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Agricultural Insurance Corporation and can meet when required.

On behalf of the Prince Edward Island Agricultural Insurance Corporation

Lesa MacDonald, CPA, CA	Verna Ramsay
Director of Farm Income Risk Management	Accounting Officer

June 29, 2018

Prince Edward Island
Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard
Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Agricultural Insurance Corporation

I have audited the financial statements of the **Prince Edward Island Agricultural Insurance Corporation**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2018, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 29, 2018

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION

Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets		
Cash and short-term investments (Note 5)	39,311,247	40,733,355
Accounts receivable		
Producer	772,851	1,177,756
Province of Prince Edward Island	1,846,919	1,421,267
Federal government	5,042,711	5,815,246
General	23,369	-
	7,685,850	8,414,269
	46,997,097	49,147,624
Liabilities		
Accounts payable and accrued liabilities		
General	129,039	176,062
Province of Prince Edward Island	633,238	380,436
	762,277	556,498
Indemnities payable	5,917,596	4,056,748
Deferred revenue	91,748	175,956
	6,771,621	4,789,202
Net Financial Assets and Accumulated Surplus	40,225,476	44,358,422

(The accompanying notes and schedules are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Agricultural Insurance Corporation

Dale Hickox

Chair

Mary Kinsman

Director

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Revenue			
Insurance premiums			
Producer	8,914,956	7,788,445	8,683,593
Provincial	7,177,200	6,263,470	6,963,059
Federal	8,336,935	7,167,378	8,047,480
	24,429,091	21,219,293	23,694,132
Less: premium discounts	(150,000)	(128,861)	(149,105)
	24,279,091	21,090,432	23,545,027
Contributions to Administrative Expense			
Producer	30,000	26,235	30,855
Provincial	1,150,329	1,140,638	1,203,363
Federal	1,718,053	1,706,707	1,799,221
	2,898,382	2,873,580	3,033,439
Other			
Producer contribution	370,000	338,684	403,949
Provincial contribution	2,628,900	2,023,421	2,452,240
Federal contribution	3,943,350	3,035,132	3,678,359
Interest	680,000	460,186	700,719
	7,622,250	5,857,423	7,235,267
Total Revenue	34,799,723	29,821,435	33,813,733
Expenses			
Indemnities	29,786,341	28,926,246	20,408,902
Administration (Schedule 3)	2,898,382	2,873,580	3,033,439
Bad debt (Recovery)	15,000	8,815	(9,849)
Interest and bank charges	-	11,953	5,796
Reinsurance premiums (Note 6)	2,100,000	2,133,787	2,102,534
Total Expenses	34,799,723	33,954,381	25,540,822
Annual Surplus (Deficit)	-	(4,132,946)	8,272,911
Accumulated Surplus, beginning of year	44,358,422	44,358,422	36,085,511
Accumulated Surplus, end of year	44,358,422	40,225,476	44,358,422

(The accompanying notes and schedules are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Statement of Changes in Net Financial Assets
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Net Financial Assets, beginning of year	44,358,422	44,358,422	36,085,511
Changes in year:			
Annual surplus (Deficit)	-	(4,132,946)	8,272,911
Net Financial Assets, end of year	44,358,422	40,225,476	44,358,422

(The accompanying notes and schedules are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Premiums and contributions		
Producers	8,336,384	8,499,182
Province of Prince Edward Island	9,254,685	9,970,619
Federal government	12,681,752	11,080,924
Indemnities	(27,065,403)	(21,522,292)
Payments for program administration	(2,871,857)	(3,020,473)
Interest received	436,817	700,719
Interest and bank charges paid	(11,953)	(5,796)
Reinsurance premiums	(2,182,533)	(2,093,405)
Cash provided by operating activities	(1,422,108)	3,609,478
Cash and short-term investments, beginning of year	40,733,355	37,123,877
Cash and short-term investments, end of year	39,311,247	40,733,355

(The accompanying notes and schedules are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Notes to Financial Statements
March 31, 2018

1. Nature of Operations

The Prince Edward Island Agricultural Insurance Corporation is a provincial Crown corporation operating under the *Agricultural Insurance Act*. The objective of the Corporation is to deliver safety net programs to the agricultural sector including crop and livestock insurance programs as well as income stability programs for producers in Prince Edward Island. Programs are cost shared between the producer and the federal and provincial governments.

The Prince Edward Island Agricultural Insurance Corporation is a provincial Crown corporation and as such is not subject to taxation under the federal *Income Tax Act*.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2018, have been prepared in accordance with Canadian public sector accounting standards. Since the Corporation has no unrealized gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

The following accounting policies are considered significant.

a) Cash and Short-term Investments

Cash includes amounts on deposit at a financial institution. Amounts presented on Schedule 1 and Schedule 2 are an allocation of the cash to each program.

Short-term investments are recorded at cost plus accrued interest. Transaction costs are expensed as incurred.

b) Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable are recorded at cost less any provisions when collection is in doubt. Provisions are calculated on a specific basis.

Accounts payable and accrued liabilities are recorded for all amounts due for work performed and goods or services received during the fiscal year.

c) Deferred Revenue

Deferred revenue represents amounts received for insurance coverage beyond March 31, 2018. Revenue is recognized in the period in which the insurance coverage is in effect.

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

d) Revenues

Revenues are recognized in the period in which the transaction or event that gave rise to the revenue occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

e) Expenses

Expenses are reported on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred. The cost of all goods consumed and services received during the year is expensed. Amounts presented on Schedule 4 are an allocation of expense by object.

f) Indemnity Expense

Indemnity expense includes claims processed, accrual estimates of claims to be processed, and any adjustments to prior years' claims based on additional information received.

g) Financial Instruments

Financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities. All financial instruments are recorded at cost or amortized cost. Due to their short-term nature, the carrying values of these financial instruments approximate their fair value.

h) Use of Estimates and 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates are allowance for doubtful accounts, AgriStability indemnity accruals, and the federal and provincial revenue directly related thereto.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the difference could be material. Additional information on the estimate for AgriStability indemnities is provided in Note 8.

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

i) AgriInsurance Net Financial Assets Balance

In accordance with the Federal/Provincial/Territorial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets shall only be used for AgriInsurance purposes. These encompass the entire balance of total Net Financial Assets and are shown in detail on Schedule 1.

3. Risk Management of Financial Instruments

The Corporation is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate, credit, liquidity, and price risk. The Corporation has no significant exposure to foreign currency risk.

a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The corporation manages interest rate risk by investing in short-term investments. Based on year-end cash and short-term investment balances, a one percent increase (decrease) in the bank's prime lending rate could increase (decrease) interest income by approximately $393,000.

b) Credit Risk

Credit risk arises primarily from the Corporation's accounts receivable. The Corporation's maximum exposure to credit risk at March 31, 2018, is $7,685,850 as noted on the statement of financial position.

Receivables from the Province of Prince Edward Island of $1,846,919 and the federal government of $5,042,711 are not considered to have material credit risk as payment in full is typically collected when due. Total receivables due from producers are $772,851. Risks are mitigated for receivables from producers through a regular monitoring process. Exposure to credit risk is also mitigated through a policy which offsets any amounts payable to producers from indemnity or other payments under programs the Corporation administers. In addition, producers may not participate in AgriInsurance programs until arrears from prior crop years are paid in full.

At March 31, 2018, the following accounts receivable from producers were greater than 120 days old but not considered impaired.

	2018 $	2017 $
AgriInsurance	166,329	512,559
AgriStability	51,179	53,598
	217,508	566,157

The total value of producer accounts receivable considered to be impaired at March 31, 2018, is $77,406. No accounts receivable were written off during the year.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2018

3. Risk Management of Financial Instruments (continued...)

c) Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has obligations to pay indemnities and other payments required by the programs it delivers. The Corporation manages this risk by purchasing reinsurance, maintaining cash and short-term investments, and reviewing cash flow projections on a monthly basis.

d) Price Risk

The Corporation is subject to price risk in that the price of farming commodities will affect indemnities paid in the AgriStability program. The Corporation manages this risk through its federal - provincial funding of the program.

4. Program Descriptions

a) AgriInsurance

The AgriInsurance program is treated as a separate fund and is intended to be self-sustaining. Included under AgriInsurance is production insurance, forage production plan, livestock insurance, and the riders - potato storage, unharvested acreage benefit, colour, and phytosanitary disease for producers farming on Prince Edward Island. The assets, liabilities, and fund balance are segregated for presentation purposes on Schedule 1.

The agreement between the federal and provincial governments covers the cost sharing arrangements for insurance premiums and administrative expenses. Insurance revenues include government contributions to insurance premiums. Administration expenses are cost shared on a 60-40 basis between the federal and provincial governments. Schedule 3 to the financial statements presents the administration expenses using the functional cost categories from the agreement.

b) Late Blight Management Incentive

This program provides compensation to producers to kill potato fields infected with blight in order to reduce the spread of the disease to neighbouring fields. The provincial government contributes one hundred percent of any eligible claim payments. No incentive payments were paid for the years ended March 31, 2018, and March 31, 2017.

c) Phytosanitary Disease Plan

This program provides protection against bacterial ring rot infection, potato wart, and nematodes in potatoes. The premium is cost shared 33.3 percent by the province and 66.7 percent by the producer. The indemnities shall not exceed the fund balance for this plan, which for 2018 is $1,092,329 (2017 - $999,360). Indemnity payments shall be pro-rated if indemnities exceed the fund balance in any one year.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2018

4. Program Descriptions (continued...)

d) AgriStability

The AgriStability Program is designed to provide Canadian agricultural producers with an ongoing whole farm risk management tool that provides protection against decreases in income. The federal government will contribute 60 percent and the province 40 percent towards eligible claim payments and administration. The federal and provincial cost sharing is based on total claim payments and administration expenses less the producer's contribution. The assets, liabilities, and fund balance are segregated for presentation purposes on Schedule 2. Schedule 3 to the financial statements presents the administration expenses using the functional cost categories from the agreement.

e) AgriRecovery

The AgriRecovery is a disaster relief framework which provides a coordinated process for federal, provincial, and territorial governments to respond rapidly when disasters strike, filling gaps not covered by existing programs. No payments were paid for the years ended March 31, 2018, and March 31, 2017.

5. Cash and Short-term Investments

	2018 $	2017 $
Cash	34,131,247	10,648,580
Short-term investments	5,180,000	30,084,775
	39,311,247	40,733,355

Short-term investments consist of a GIC with an interest rate of 1.80 percent and a remaining term of one month. Short-term investments are cashable with penalty.

6. Reinsurance

The Corporation purchases reinsurance to protect against significant losses in the AgriInsurance program. For 2018, reinsurance coverage provided protection against all indemnities between $37.0 million and $112.9 million (2017 - $35.7 million to $107.3 million) for most programs. The insured value of programs not included in the excess insurance coverage is $3.7 million (2017 - $3.1 million).

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Notes to Financial Statements
March 31, 2018

7. Employee Future Benefits

As per the Federal/Provincial/Territorial Agricultural Policy Framework Implementation Agreement, the Corporation can claim certain employee costs on its administrative claims. The Province of PEI Department of Agriculture and Fisheries (Department) employs all staff working on behalf of the Corporation. The administration claims include allocations made from the Department to the Corporation for its share of the employees' costs. These expenses and the related contributions are recognized in the period in which they are recoverable.

a) Sick Leave

All Department employees are credited 1.25 (excluded employees 1.5) days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the province.

b) Pension Benefits

Permanent employees of the Department participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost-of-living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The amounts included by the Corporation on its administrative claim of $123,553 (2017 - $128,287) were paid by the province. Any unfunded liability of the Plan is the responsibility of the province and therefore no liability has been recognized in these financial statements. For additional information on the Plan, see the province's consolidated financial statements.

c) Retirement Allowance

Permanent employees of the Department earn one week's pay for every year of service to a maximum of 26 weeks pay as a retiring allowance. Retirement allowances are recoverable from the Province of Prince Edward Island and the federal government under existing cost sharing agreements. The method and timing of recovering the costs of providing retirement allowances to employees varies between the cost sharing agreements of the programs administered.

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Notes to Financial Statements
March 31, 2018

7. Employee Future Benefits (continued...)

d) Insurance Benefits

The Public Sector Group Insurance Plan provides life insurance, long-term disability, health, and dental benefits to eligible employees of the Department. This plan is administered by a multi-employer, multi-union Board of Trustees who is responsible for any unfunded liabilities of this plan. The cost of insured benefits reflected in the administrative costs is the employer's portion for the insurance premiums owed for coverage of employees during the period. The total for the period is $58,118 (2017 - $59,963).

8. AgriStability Indemnity Estimate

Management has prepared an estimate of the Corporation's accrued liability for indemnity payments with respect to unprocessed AgriStability files. Estimates are determined using an average payment and average pay rate applied to enrolled producers that are expected to meet all the requirements of the program as of March 31, 2018. Actual results may be significantly different from the estimated amounts.

Indemnities paid in the AgriStability program vary significantly from year to year. In the past five years, annual program payments have varied from $2.5 million to $6.2 million. The estimate for the most recent program year (2017) is based on historical averages (adjusted for benefit coverage under the Growing Forward 2 Agreement, which is applicable for the 2013 - 2018 program years) with less than five percent of individual participant files processed as of March 31, 2018. A ten percent increase (decrease) in the average payment will increase (decrease) the indemnity revenue and expense by $362,000. A five percent increase (decrease) in the percentage of files requiring a payment will increase (decrease) the indemnity revenue and expense by $943,000.

9. Related Party Transactions

During the year, six Board members had controlling interests in farms participating in various programs offered by the Corporation. Premiums and program fees were collected and indemnities were paid during the year. These transactions were in the normal course of operations and were measured at the normal exchange amounts established by the Corporation.

The Province of Prince Edward Island employs all staff working within the Corporation. Allocations are made to the Corporation for its share of the salary and benefits as well as for all other administration expenses paid by the province, such as office accommodations, professional services, and tangible capital assets owned by the province but used by the Corporation. These costs are reflected as administration expenses in the Corporation's statement of operations and accumulated surplus.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2018

10. Contractual Obligations

In the prior year, the Corporation entered into a three-year agreement for reinsurance to provide coverage for the fiscal periods 2018 to 2020. These contractual obligations will become liabilities in the future when the terms of the contract are met.

Estimated costs for the following years are:

2019	$2,210,315
2020	$2,299,628

11. Contractual Rights

The Canadian Agricultural Partnership Federal-Provincial-Territorial framework agreement on agriculture, agri-food and agri-based products policy was signed before year-end. This agreement will provide the Corporation with access to funding for AgriInsurance, AgriStability and AgriRecovery programs for fiscal years 2019 to 2023.

12. Budgeted Figures

Budgeted figures have been provided for comparative purposes and have been derived from the estimates approved by the Board of Directors.

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgriInsurance
Statement of Financial Position
March 31, 2018

Schedule 1
Page 1 of 3

	2018	2017
	$	$
Financial Assets		
Cash and short-term investments	39,405,604	41,587,005
Accounts receivable		
Producer	635,113	1,104,468
Federal government	1,323,803	2,794,051
General	23,369	-
	1,982,285	3,898,519
	41,387,889	45,485,524
Liabilities		
Accounts payable and accrued liabilities		
General	108,306	152,500
Province of Prince Edward Island	633,238	380,436
	741,544	532,936
Indemnities payable	329,121	418,210
Deferred revenue	91,748	175,956
	1,162,413	1,127,102
Net Financial Assets and Accumulated Surplus	40,225,476	44,358,422

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgriInsurance
Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

Schedule 1
Page 2 of 3

	Budget 2018	2018	2017
	$	$	$
Revenue			
Insurance premiums			
Producer	8,914,956	7,788,445	8,683,593
Provincial	7,177,200	6,263,470	6,963,059
Federal	8,336,935	7,167,378	8,047,480
	24,429,091	21,219,293	23,694,132
Less: premium discounts	(150,000)	(128,861)	(149,105)
	24,279,091	21,090,432	23,545,027
Contributions to Administrative Expense			
Provincial	792,301	810,244	873,089
Federal	1,188,452	1,215,366	1,309,633
	1,980,753	2,025,610	2,182,722
Other			
Interest	680,000	448,935	695,555
Total Revenue	26,939,844	23,564,977	26,423,304
Expenses			
Indemnities	22,844,091	23,529,009	13,874,354
Administration (Schedule 3)	1,980,753	2,025,610	2,182,722
Bad debt (Recovery)	15,000	8,815	(9,849)
Interest and bank charges	-	702	632
Reinsurance premiums	2,100,000	2,133,787	2,102,534
Total Expenses	26,939,844	27,697,923	18,150,393
Annual Surplus (Deficit)	-	(4,132,946)	8,272,911
Accumulated Surplus, beginning of year	44,358,422	44,358,422	36,085,511
Accumulated Surplus, end of year	44,358,422	40,225,476	44,358,422

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Schedule 1
Page 3 of 3

AgriInsurance
Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Premiums and contributions		
Producers	8,035,916	8,124,181
Province of Prince Edward Island	7,326,521	7,458,635
Federal government	9,852,991	7,453,716
Indemnities	(23,618,102)	(14,077,883)
Payments for program administration	(2,021,058)	(2,174,038)
Interest received	425,566	695,555
Interest and bank charges paid	(702)	(632)
Reinsurance premiums	(2,182,533)	(2,093,405)
Cash (used) provided by operating activities	(2,181,401)	5,386,129
Cash and short-term investments, beginning of year	41,587,005	36,200,876
Cash and short-term investments, end of year	39,405,604	41,587,005

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgriStability
Statement of Financial Position
March 31, 2018

Schedule 2
Page 1 of 3

	2018	2017
	$	$
Financial Assets		
Cash and short-term investments	(94,357)	(853,650)
Accounts receivable		
Producer	137,738	73,288
Province of Prince Edward Island	1,846,919	1,421,267
Federal government	3,718,908	3,021,195
	5,703,565	4,515,750
	5,609,208	3,662,100
Liabilities		
Accounts payable and accrued liabilities		
General	20,733	23,562
Indemnities payable	5,588,475	3,638,538
	5,609,208	3,662,100
Net Financial Assets and Accumulated Surplus	-	-

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Schedule 2
Page 2 of 3

AgriStability

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Revenue			
Contributions to Administrative Expense			
Producer	30,000	26,235	30,855
Provincial	358,028	330,394	330,274
Federal	529,601	491,341	489,588
	917,629	847,970	850,717
Other			
Producer contribution	370,000	338,684	403,949
Provincial contribution	2,628,900	2,023,421	2,452,240
Federal contribution	3,943,350	3,035,132	3,678,359
Interest	-	11,251	5,164
	6,942,250	5,408,488	6,539,712
Total Revenue	7,859,879	6,256,458	7,390,429
Expenses			
Indemnities	6,942,250	5,397,237	6,534,548
Administration (Schedule 3)	917,629	847,970	850,717
Bad debt (Recovery)	-	-	-
Interest and bank charges	-	11,251	5,164
Total Expenses	7,859,879	6,256,458	7,390,429
Annual Surplus	-	-	-
Accumulated Surplus, beginning of year	-	-	-
Accumulated Surplus, end of year	-	-	-

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Schedule 2
Page 3 of 3

AgriStability

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Premiums and contributions		
Producers	300,468	375,001
Province of Prince Edward Island	1,928,164	2,511,984
Federal government	2,828,761	3,627,208
Indemnities	(3,447,301)	(7,444,409)
Payments for program administration	(850,799)	(846,435)
Interest received	11,251	5,164
Interest and bank charges paid	(11,251)	(5,164)
Cash provided (used) by operating activities	759,293	(1,776,651)
Cash and short-term investments, beginning of year	(853,650)	923,001
Cash and short-term investments, end of year	(94,357)	(853,650)

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Schedule 3

Schedule of Administration Expenses
for the year ended March 31, 2018

	2018	2017
	$	$
AgriInsurance		
Toll free (call centre)	2,806	2,722
Operations - insurance processing	968,668	920,976
Operations - adjusting	295,800	260,611
Audit (field)	26,237	25,774
Policy administration	56,705	59,459
Finance	106,370	94,841
Research, development and underwriting	67,670	66,786
Program sales and promotion	315,039	312,404
Human resources	18,528	24,039
Systems maintenance and support	30,130	39,614
Accommodations	107,402	118,444
Capital	25,704	248,387
	2,021,059	2,174,057
Change in accrued vacation pay	4,551	8,665
	2,025,610	2,182,722
AgriStability		
Mail room/data capture	1,046	1,546
Forms processing	379,991	411,246
Finance	63,039	52,076
Systems support and development	43,587	49,487
Benchmark per unit margin (BPU) and price support	34,123	34,832
Accommodations	51,244	51,959
Human resources	13,461	9,579
Program promotion (ads)	69,283	64,207
Audit	3,941	3,671
Federal/provincial policy	50,784	42,887
Prepayment review/quality assurance	121,958	120,798
Capital	15,509	267
Provincial share of federal administration fees	2,833	3,881
	850,799	846,436
Change in accrued vacation pay	(2,829)	4,281
	847,970	850,717
Total	2,873,580	3,033,439

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Schedule 4

Expenses by Object
for the year ended March 31, 2018

	2018	2017
	$	$
Administration	2,294,553	2,275,906
Debt – Provision and Others	20,768	(4,053)
Equipment	5,572	10,796
Materials, Supplies and Services	56,525	32,702
Professional Fees	83,573	298,166
Salaries and Benefits	2,377,334	2,330,148
Travel and Training	189,810	188,255
Transfer Payments	28,926,246	20,408,902
	33,954,381	25,540,822

P.E.I. Aquaculture and Fisheries Research Initiative Inc.

Audited Financial Statements for P.E.I. Aquaculture and Fisheries Research Initiative Inc. for the year ended March 31, 2018 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

P.E.I. Civil Service Superannuation Fund

Audited Financial Statements for P.E.I. Civil Service Superannuation Fund for the year ended March 31, 2018 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION

Financial Statement
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statement

The financial statement has been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of this statement are management's responsibility. Management is responsible for the notes to the financial statement and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statement.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Minister of the Department of Transportation, Infrastructure and Energy is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statement. The Auditor General has full and free access to financial information and management of the Prince Edward Island Crown Building Corporation and can meet when required.

On behalf of the Prince Edward Island Crown Building Corporation

Darren Chaisson, P.Eng	Wendy MacDonald, CPA, CA
Director	Director of Finance and Human Resources

May 16, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Minister of the
Department of Transportation, Infrastructure and Energy

I have audited the financial statement of the **Prince Edward Island Crown Building Corporation**, which comprises the statement of financial position as at March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on this financial statement based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Corporation as at March 31, 2018, in accordance with Canadian public sector accounting standards.

B Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
May 16, 2018

Tel/Tél. : 902 368 4520 *assembly.pe.ca/auditorgeneral* Fax/Téléc. : 902 368 4598

PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION
Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets	-	-
Liabilities	-	-
Net Financial Assets	-	-
Non Financial Assets		
Tangible capital assets (Note 3)	271,340	271,340
Accumulated Surplus	271,340	271,340

(The accompanying notes are an integral part of this financial statement.)

Approved on behalf of the Prince Edward Island Crown Building Corporation

Minister
Department of Transportation, Infrastructure and Energy

PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION
Notes to Financial Statement
March 31, 2018

1. Description of Business

The Prince Edward Island Crown Building Corporation (the Corporation) is a Crown corporation established under the *Crown Building Corporation Act.*

The Corporation owns the Shaw and Sullivan Buildings, which house various provincial departments, agencies, Crown corporations, and equipment used by the province. Rent is not charged for space occupied. Maintenance and operating costs are the responsibility of the province.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statement is prepared by management in accordance with Canadian public sector accounting standards.

The statements of operations and accumulated surplus, changes in net financial assets and cash flow are not presented. The Corporation had no financial activity for the years ended March 31, 2017, and March 31, 2018, and therefore these statements are not considered necessary.

a) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, and/or construction of the asset. The province is responsible for the development, improvement, and/or betterment of the assets.

The cost of the tangible capital assets, excluding land, is amortized using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Equipment	5 years

3. Tangible Capital Assets

	2018 $	2017 $
Land - cost	271,340	271,340
Buildings and equipment - cost	6,116,139	6,116,139
Less: accumulated amortization	(6,116,139)	(6,116,139)
Net book value	271,340	271,340

PRINCE EDWARD ISLAND
CROWN BUILDING CORPORATION

Notes to Financial Statement
March 31, 2018

4. Building Remediation

The materials within some building components in the Shaw and Sullivan complex contain levels of asbestos requiring remediation. The province monitors the condition of those materials containing asbestos to ensure they are not posing a risk to the occupants of the buildings and will remove the material as the complex is repaired and/or renovated. Total cost to remediate has not been determined. Costs and potential liabilities associated with the remediation are the responsibility of the province.

Prince Edward Island Energy Corporation

Consolidated Financial Statements

Year ended March 31, 2018

(Canadian Dollars)

FITZPATRICK & CO.
Accountants • Advisors

Independent Auditor's Report

To the Board of Directors:

We have audited the accompanying consolidated financial statements of Prince Edward Island Energy Corporation which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of comprehensive income, surplus, 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 consolidated financial statements in accordance with Canadian Accounting Standards for Publicly Accountable Enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated 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 consolidated 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Publicly Accountable Enterprises.

Fitzpatrick & Company

Chartered Professional Accountants

Charlottetown, PE
June 12, 2018

Prince Edward Island Energy Corporation

Consolidated Statement of Financial Position
As at

	March 31 2018	March 31 2017
Assets		
Current assets:		
Unrestricted cash (note 4)	32,312,971	37,571,599
Trade receivables, net (note 5)	18,960,342	16,563,551
Current portion of financial assets (note 6)	4,493,328	4,079,922
Prepaid expenses	467,729	1,134,229
	56,234,370	59,349,301
Noncurrent assets:		
Restricted cash (note 4)	759,726	391,981
Other financial assets (note 6)	106,689,280	106,125,401
Property, plant and equipment (note 7)	133,565,761	133,932,253
Total Assets	$ 297,249,137	$ 299,798,936
Liabilities and Surplus		
Current liabilities:		
Trade payables and accrued liabilities (note 8)	1,718,544	15,325,516
Current indebtedness (note 11)	19,207,644	8,076,267
Deferred ratepayer recoveries (note 9)	639,079	-
	21,565,267	23,401,783
Noncurrent liabilities:		
Deferred service warranty (note 10)	2,116,276	1,606,377
Long-term indebtedness (note 11)	219,292,763	227,889,865
Surplus	54,274,831	46,900,911
Total Liabilities and Surplus	$ 297,249,137	$ 299,798,936

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

These financial statements were approved by the Corporation's Board of Directors on June 14, 2018.

______________, Director ______________, Director

Prince Edward Island Energy Corporation

Consolidated Statement of Comprehensive Income
For the years ended March 31,

	2018	2017
Total Wind Revenue	19,320,879	19,769,012
Other Revenue		
Ratepayer recoveries (note 9)	1,179,707	-
Grants (note 13)	115,000	115,000
Gain on disposal of assets	-	56,782
Finance revenue, net	334,242	211,690
Total Revenue	20,949,828	20,152,484
Wind Expenses		
Consultants	36,783	85,998
Depreciation (note 7)	5,201,267	5,378,159
Electricity	217,278	44,875
Insurance	329,689	313,366
Finance costs, net	1,549,021	1,638,413
Land owner fees and community support	495,434	510,003
Repairs and maintenance	265,651	302,709
Service and warranty fees	3,508,709	3,507,611
Service and warranty recovery (note 10)	(242,000)	(239,714)
Other wind expenses	485,650	533,470
Total Wind Expenses	11,847,482	12,074,890
General and Administrative Expenses		
Consulting and professional services	138,717	79,918
Wages and employee benefits	346,326	390,796
Grants	-	5,000
Other general expenses	63,676	66,275
Total General and Administrative Expenses	548,719	541,989
Other Expenses		
Depreciation, PEI-NB Cable Interconnection	1,179,707	-
Total Expenses	13,575,908	12,616,879
Total Comprehensive Income	$ 7,373,920	$ 7,535,605

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

Prince Edward Island Energy Corporation

Consolidated Statement of Surplus
For the years ended March 31,

	2018	2017
Surplus, beginning of year	46,900,911	39,365,306
Total comprehensive income	7,373,920	7,535,605
Surplus, end of year	$ 54,274,831	$ 46,900,911

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

Prince Edward Island Energy Corporation

Consolidated Statement of Cash Flows
For the years ended March 31,

	2018	2017
Cash flows from operating activities:		
Cash receipts from customers and other	26,849,426	24,576,660
Cash paid to suppliers and employees	(10,093,001)	(12,014,870)
Financing income	4,921,823	3,533,351
Financing costs	(6,263,520)	(5,165,455)
	15,414,728	10,929,686
Cash flows from investing activities:		
Increase in other financial assets	(11,089,543)	(11,450,662)
Decrease in other financial assets	4,856,082	4,301,610
Increase in property, plant and equipment	(35,016,943)	(65,674,583)
Receipt of government grants	18,410,518	29,421,188
	(22,839,886)	(43,402,447)
Cash flows from financing activities:		
Proceeds from debt	10,609,270	31,339,399
Repayment of debt	(8,074,995)	(39,269,109)
	2,534,275	(7,929,710)
Net decrease in cash	(4,890,883)	(40,402,471)
Cash, beginning of year	37,963,580	78,366,051
Cash, end of year (note 4)	$ 33,072,697	$ 37,963,580

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

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

1. Corporate Information and Basis of Presentation

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporation Act, and therefore is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act. The Corporation's principal business activities include the development and promotion of energy systems in Prince Edward Island.

The Corporation's registered office is located at 16 Fitzroy Street in Charlottetown, Prince Edward Island, C1A 7N8.

In these Consolidated Financial Statements, all dollars are expressed in Canadian dollars.

These Consolidated Financial Statements were prepared on a going concern basis, under the historical cost convention except for assets required to be measured at fair value in accordance with IFRS.

The preparation of Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Significant Accounting Policies

Consolidation

These Financial Statements are the Consolidated Financial Statements of Prince Edward Island Energy Corporation and its wholly owned subsidiary, Prince Edward Island Renewable Energy Corporation. All intercompany balances and transactions are eliminated upon consolidation.

Cash

Unrestricted cash in the Consolidated Statement of Financial Position consists of unrestricted bank balances held in Canadian currency.

Restricted cash in the Consolidated Statement of Financial Position consists of bank balances held in Canadian currency which, per the terms of a loan agreement, is restricted for settlement of long-term indebtedness that is expected to occur more than twelve months after the financial year end.

For the purpose of the Consolidated Statement of Cash Flows, cash consists of unrestricted and restricted cash, as defined above.

Trade Receivables

Trade receivables are amounts due from customers for the rendering of services or sale of goods in the ordinary course of business.

Financial Assets

Financial assets within the scope of IFRS 9 *Financial Instruments* are classified as either financial assets at fair value through profit and loss or amortized cost, as appropriate. When financial assets are initially recognized, they are measured at fair value, plus, in the case of financial assets measured at amortized cost, directly attributable financing costs. The Corporation determines the classification of the financial assets at initial recognition, and, where appropriate, evaluates this designation at each financial year end.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

2. Significant Accounting Policies (continued)

Loans and receivables for which the objective of the Corporation's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are recognized at amortized cost.

All other financial assets are measured at fair value through profit or loss.

Impairment of Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Trade receivables that have been written off are not subject to enforcement activities.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Cost includes the cost of restoring part of the relevant plant and equipment when the recognition criteria are met. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The useful lives are estimated as follows:

Asset	Rate
Wind turbines and towers	5-40 years
Distribution	30 years
Transmission	40 years
Building	20 years
Roads	40 years

Replacements of major components covered under third party service warranty agreements are recorded in property, plant and equipment at fair market value based on the cost the Corporation would have incurred had a service warranty agreement not been in place and are amortized in line with the Corporation's policy above.

Office furniture, equipment and computer equipment are fully expensed in the year of acquisition.

Depreciation is only recognized for assets available for use in their current state.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

2. Significant Accounting Policies (continued)

Assets under Development

Development costs and assets under construction are recorded at cost. Capitalized costs related to an asset under development include all eligible expenditures incurred in connection with the development and construction of the asset until it is available for its intended use. The Corporation capitalizes all directly attributable costs. Upon a project becoming commercially operational, the accumulated costs, including capitalized borrowing costs, if any, are transferred to property, plant and equipment and are amortized on a straight line basis over the estimated useful lives of the various components.

Impairment of Property, Plant and Equipment

The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Corporation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for each asset group for which cash flows are generated independently from other assets in the group. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses from continuing operations are recognized in the Consolidated Statement of Comprehensive Income in the line item "Depreciation".

Deferred Service Warranty

Deferred service warranty represents replacements of major components covered under a third party service warranty, for which no costs are incurred by the Corporation over and above the annual premiums. Replacements of such components, for which no costs are incurred, are recorded as deferred warranty liability based on the difference between the fair value of the new asset and the net book value of the replaced asset and amortized to income on the same basis as the related depreciation expense charged against the assets reported in property, plant and equipment. Any loss on disposal incurred due to a replacement of a component under the service warranty agreement is shown net against service and warranty recovery.

Debt Instruments

Debt instruments are initially recognized at fair value, which is the proceeds received, less attributable financing costs. Subsequent to initial recognition, debt instruments are stated at amortized cost with any difference net of transaction costs incurred. Any discount between the net proceeds received and the principal value due on redemption is amortized over the duration of the debt instrument and is recognized as part of financing costs using the effective interest method.

Interest on indebtedness is expensed as incurred unless capitalized for qualifying assets in accordance with IAS 23 *Borrowing Costs*.

Debt is classified as a current liability unless the Corporation has an unconditional right to defer settlement for at least 12 months after the reporting period.

Revenue Recognition

Revenues are recorded in the period in which the transaction or events that give rise to the revenues occur. Service revenue is recorded in the period where the amount of revenue can be measured reliably, the receipt of economic benefit is probable and the benefit to the end user is realized. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Corporation discharges the obligations that led to the collection of funds. Interest revenue is calculated and recognized as specified within the lending agreements.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

2. Significant Accounting Policies (continued)

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the expense for which it is intended to compensate. When the grant relates to an asset, it is deducted from the asset's carrying amount. When the grant does not directly relate to either an expense or an asset, it is recognized as income.

Service and Warranty Recovery

Service and warranty recovery represents the amortization of deferred service warranty and is recognized to income on the same basis as the related depreciation expense charged for assets replaced under service warranty for which no cost is incurred by the Corporation.

Pension Liabilities

Employees of the Corporation are members of the Province of Prince Edward Island pension plan. The pension plan obligation is a liability of the Province and not the Corporation; therefore, no liability for these costs has been recorded.

Standards and Interpretations - Early Adoption

IFRS 9 *Financial Instruments,* 2017 Edition as issued by the IASB in July 2014, to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9 is mandatory for all entities with annual periods beginning on or after January 1, 2018 with early adoption permitted. The objective of this IFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Upon transition to IFRS, the Corporation had early adopted IFRS 9 and as a result all financial instruments are measured and classified in accordance with this standard.

Standards and Interpretations - not yet Adopted

A number of new standards, amendments and interpretations to existing standards are effective for annual periods beginning after April 1, 2017, and have not been adopted in preparing these consolidated financial statements. Most of the new standards and interpretations are not relevant and are not expected to have a material impact on the Corporation's financial statements, with the exception of the following:

IFRS 15 *Revenue from contracts with customers,* 2017 Edition as issued by IASB in May 2014, to replace IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 is mandatory for all entities beginning on or after January 1, 2018. The objective of this IFRS is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Revenue is expected to be impacted by this implementation.

IFRS 16 *Leases,* 2017 Edition as issued by IASB in January 2016, to replace IAS 17, IFRIC 4, SIC-15 and SIC-27 is mandatory for all entities beginning on or after January 1, 2019. The objective of this IFRS is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. Land owner fees and community support is expected to be impacted by this implementation.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities, and the most critical judgments in applying accounting policies.

PEI Energy Accord

In November 2011, the Province of Prince Edward Island entered into the Prince Edward Island Energy Accord which requires the Corporation to assume certain financing responsibilities and recover these costs from customers of a local utility provider. The Prince Edward Island Energy Accord expired February 29, 2016 and a new collection agreement was signed between the Province of PEI, Maritime Electric Company Limited and the Corporation. The costs of electricity are the costs associated with the refurbishment of Point Lepreau Nuclear Generating Station Facility and the exit of the utility provider from the Dalhousie Unit Participation agreement. The Corporation has obtained financing from the Toronto Dominion Bank to cover these costs. Terms and conditions for repayment of the Point Lepreau and Dalhousie debt and the terms and conditions for the receivable from the customers of the utility provider differ because the payments from customers are based on kilowatt hour sales and repayment of debt is a fixed monthly payment. Although there are timing differences in payments received from customers and repayments of debt obligations, all financing costs associated with Point Lepreau and Dalhousie incurred by the Corporation are receivable from customers of the utility provider. Due to the variable monthly payments based on kilowatt hour sales and variable interest payments, the current portion recognized and estimated maturities disclosed may be different from the actual amounts recognized.

PEI-NB Cable Interconnection Project

In May 2014, the Corporation entered into a Construction Agency Agreement with Maritime Electric Company Limited for the upgrade of the interconnection between the electrical systems of Prince Edward Island and mainland Canada. Under this agreement, the Corporation assumes financing responsibility for the upgrade. Financing has been obtained from Toronto Dominion Bank and all financing costs will be recovered from customers of a local utility provider. The PEI-NB Cable Interconnection Project, with the exception of the NB Interconnection Transmission as described below, has been accounted for as property, plant and equipment.

A key component of the PEI-NB Cable Interconnection Project is the construction of transmission facilities in New Brunswick ("NB Interconnection Transmission"). Ownership of this transmission must remain with NB Power in accordance with the provisions of the New Brunswick Electricity Act. A receivable from the customers of the local utility provider has been recorded for the NB Interconnection Transmission costs. Given that the financing obtained from Toronto Dominion Bank is in respect of the entire PEI-NB Cable Interconnection Project, a portion of the payments received from customers must be allocated to the NB Interconnection Transmission. The proportionate share of financing related to the NB Interconnection Transmission has been estimated based on costs incurred to the end of the reporting period. As a result, the current portion recognized in relation to the receivable from customers of the local utility provider may differ from the actual amounts recognized.

Asset Retirement Obligation

In accordance with IAS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site to its original state. Such costs are not expected to be material and thus have not been recorded in the Corporation's financial statements. A change in circumstances or events could result in the recognition of such a cost which could be material to the Corporation's financial statements.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Critical Accounting Estimates and Judgments (continued)

Asset Lives

Given the relatively new and constantly evolving wind energy industry, it is difficult to predict the useful lives of major components of property, plant and equipment. Useful lives of wind turbines and related infrastructure are determined based on suppliers' estimated design lives of the turbines with reference to the length of the power purchase agreements the Corporation has in place. The estimated useful lives, residual value and depreciation methods will be adjusted as new information becomes available and such changes could have a significant impact on these financial statements.

4. Cash

For the purpose of the Consolidated Statement of Cash Flows, cash consists of the following:

	2018	2017
Unrestricted cash	32,312,971	37,571,599
Restricted cash	759,726	391,981
	33,072,697	37,963,580

5. Trade Receivables

	2018	2017
Trade Receivables	18,960,342	16,394,651
HST	-	168,900
	18,960,342	16,563,551

Trade receivables are non-interest bearing and are generally on 30-day payment terms. Past due amounts included in trade receivables are nil (2017 - $41,504). No loss allowance was recognized for the year ended March 31, 2018 as historical experience and factors specific to the debtor indicated that the receivable was recoverable.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

6. Other Financial Assets

	2018	**2017**
Customers of a local utility provider (Point Lepreau financing), 3.41%, receivable in monthly installments of $346,861 including principal and interest, due March 2038.	59,465,993	61,620,637
Customers of a local utility provider (Point Lepreau financing), 2.45%, receivable in monthly interest only payments up to April 2021, then monthly payments of principal and interest of $252,666, due April 2030.	25,266,564	25,766,564
Customers of a local utility provider (Dalhousie financing), 1.87%, receivable in monthly payments of principal and interest of $97,363, due April 2021.	3,497,886	4,589,737
Customers of a local utility provider (NB Interconnection Transmission prorated share of PEI-NB Cable Interconnection financing), 2.51%, receivable in monthly installments of $39,838 including principal and interest, due February 2046.	11,681,551	6,370,942
Wind Energy Institute of Canada, 4.02%, receivable in quarterly installments of $214,860 including principal and interest, due June 2035, secured by first charge on materials, buildings and equipment and site specific general security.	10,763,009	11,076,757
West Cape Wind Energy, Inc., non-interest bearing, receivable in equal annual principal installments of $400,000, amortized to 2018, secured by a guarantee of its parent, ENGIE North America Inc.	399,198	780,686
Accrued interest receivable	108,407	-
	111,182,608	110,205,323
Less: current portion	(4,493,328)	(4,079,922)
	106,689,280	106,125,401

The financing costs for Point Lepreau and Dalhousie along with the receivable from Wind Energy Institute of Canada were initially recorded in the financial statements at fair value with subsequent measurement at amortized cost.

The March 31, 2018 payment on the Wind Energy Institute of Canada loan receivable has been deferred with the permission of the Corporation. A review of historical and reasonable and supportable forward-looking information indicates that credit risk has not increased significantly. As well, interest will be charged, in accordance with the loan agreement, on both the past due principal and interest at the rate applicable to the loan. As a result, no expected credit losses have been recognized for the year ended March 31, 2018.

The West Cape Wind Energy, Inc. loan receivable was initially recorded at fair value less a discount representing the concessionary term of the loan. The discount is the difference between the face value of the loan and its present value. To determine present value, the Corporation used the Province's 10-year borrowing rate as at December 31, 2008. The loan discount is amortized to revenue using the effective interest rate method. The face value of the loan is $400,000 (2017 - $800,000) and the accumulated concessionary discount is $802 (2017 - $19,314).

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Property, Plant and Equipment, Net

	Wind Turbines and Towers	Transmission and Distribution	Land and Buildings	Roads	Assets under Development	Total
Gross Amount						
At March 31, 2016	102,190,255	18,915,552	1,034,333	2,118,999	12,296,415	136,555,554
Acquisitions	550,025	-	-	-	42,384,168	42,934,193
Disposals	(887,380)	-	-	-	-	(887,380)
At March 31, 2017	101,852,900	18,915,552	1,034,333	2,118,999	54,680,583	178,602,367
Acquisitions	1,086,400	59,352,977	180,405	110,933	275,908	61,006,623
Disposals	(642,570)	-	-	-	(54,680,583)	(55,323,153)
At March 31, 2018	102,296,730	78,268,529	1,214,738	2,229,932	275,908	184,285,837
Accumulated Depreciation						
At March 31, 2016	36,732,509	2,857,568	187,469	250,081	-	40,027,627
Depreciation	4,600,353	443,489	31,249	53,068	-	5,128,159
Impairment	-	250,000	-	-	-	250,000
Disposals	(735,672)	-	-	-	-	(735,672)
At March 31, 2017	40,597,190	3,551,057	218,718	303,149	-	44,670,114
Depreciation	4,422,798	1,621,699	31,329	55,148	-	6,130,974
Impairment	-	250,000	-	-	-	250,000
Disposals	(331,012)	-	-	-	-	(331,012)
At March 31, 2018	44,688,976	5,422,756	250,047	358,297	-	50,720,076
Carrying Amount						
At March 31, 2017	61,255,710	15,364,495	815,615	1,815,850	54,680,583	133,932,253
At March 31, 2018	57,607,754	72,845,773	964,691	1,871,635	275,908	133,565,761

Included in Transmission and Distribution is a 100MW transmission line which is not available for use in its current state. In accordance with the October 2008 agreement between the Corporation and Maritime Electric Company Limited governing the construction of the transmission line, the amount for which the asset can be sold to a third party equals cost less depreciation at a rate of 0% for the first seven years after construction and 5% per annum thereafter. The seven-year period expired December 31, 2015. During the year, an impairment loss of $250,000 (2017 - $250,000) was recognized in depreciation in the Consolidated Statement of Comprehensive Income to write down the asset to its recoverable amount. At March 31, 2018, the recoverable amount, based on fair value less costs of disposal, was $4,437,500 (2017 - $4,687,500). Since the estimate of fair value based on the terms of the October 2008 agreement is a significant unobservable input, the fair value of the transmission line is classified as a level 3 fair value.

Borrowing costs capitalized during the year totaled $422,445 (2017 - $1,588,636).

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

8. Trade Payables and Accrued Liabilities

	2018	2017
Trade Payables	1,212,464	1,665,428
HST	416,603	-
Accrued Liabilities	89,477	13,660,088
	1,718,544	15,325,516

Trade payables are non-interest bearing and normally settled within 30 days. Included in trade payables is $217,282 (2017 - $233,787) due to various Provincial Government controlled departments and agencies.

9. Deferred Ratepayer Recoveries

	2018	2017
Amounts received	3,579,019	-
Debt collections allocated to repayment of NB Interconnection Transmission	(395,839)	-
Debt collections allocated to interest revenue	(1,364,394)	
Debt collection revenue recognized	(1,179,707)	
Balance, end of year	639,079	-

These amounts relate to the collection and recognition in comprehensive income of ratepayer recoveries on the PEI-NB Cable Interconnection. All end of year balances are current.

10. Deferred Service and Warranty, Net

	Wind Turbines and Towers
Gross Amount	
At March 31, 2016	4,436,327
Additions	398,317
Disposals	-
At March 31, 2017	4,834,644
Additions	751,899
Disposals	-
At March 31, 2018	5,586,543
Accumulated Amortization	
At March 31, 2016	2,988,553
Amortization	239,714
Disposals	-
At March 31, 2017	3,228,267
Amortization	242,000
Disposals	-
At March 31, 2018	3,470,267
Carrying Amount	
At March 31, 2017	1,606,377
At March 31, 2018	2,116,276

Additions pertain to increases in asset values due to replacement under service and warranty. Disposals pertain to removal of service warranty upon subsequent replacement.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Long-term indebtedness

	2018	2017
Toronto Dominion, 2.51%, payable in monthly payments of principal and interest of $264,353, due February 2046.	77,516,021	78,724,542
Toronto Dominion, 3.41%, payable in monthly payments of principal and interest of $346,861, due March 2038.	60,308,902	62,378,732
Toronto Dominion, 2.99%, payable in monthly payments of principal and interest of $332,458, due July 2033.	49,019,741	51,503,148
Toronto Dominion, 2.45%, payable in monthly interest only payments until April 2021, then monthly payments of principal and interest of $260,928, due April 2030.	25,266,564	25,766,564
Province of PEI, 3.86%, payable in monthly payments of principal and interest of $70,560, due June 2035.	10,652,359	11,078,931
Toronto Dominion Bankers Acceptance, 1.59% plus 0.28% stamping fee, due April 2018.	10,609,270	-
Toronto Dominion, 1.87%, payable in monthly payments of principal and interest of $97,363, due April 2021.	3,497,886	4,589,737
Toronto Dominion, 2.40%, payable in monthly payments of principal and interest of $28,145, due May 2023.	1,628,388	1,923,202
Bonds Payable, 5% compounded with dates ranging from December 31, 2006 to April 30, 2008 maturing five years from the date of issuance, guaranteed by the Province of Prince Edward Island.	1,000	1,000
Accrued bond interest payable	276	276
	238,500,407	235,966,132
Less: current portion	(19,207,644)	(8,076,267)
	219,292,763	227,889,865

The aggregate maturities of long-term indebtedness including accrued interest subsequent to March 31, 2018 are as follows: 2019 - $19,207,644; 2020 - $8,025,966; 2021 - $8,261,805; 2022 - $9,678,212; 2023 - $10,072,387; thereafter - $183,254,393.

The current portion of long-term indebtedness includes $800,000 (2017 - $500,000) relating to a payment made subsequent to year end that was based on conditions existing at the end of the reporting period. Per the terms of the loan, this payment was at the discretion of the Corporation.

In accordance with a loan agreement, the Corporation must deposit $30,000 per month into a sinking fund for future settlement of long-term indebtedness. The balance of the sinking fund is presented on the Consolidated Statement of Financial Position as restricted cash.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Long-term indebtedness (continued)

All of the Toronto Dominion long-term indebtedness is exchanged monthly. However, the related maturities are presented in accordance with the fixed schedule specified in each loan's repayment terms. In addition, four of the Toronto Dominion loans have optional early termination and cash settlement provisions of which three are available to be exercised every five years starting on the fifth anniversary of the loan issue date and one is available to be exercised on March 27, 2033.

12. Financial Instruments

	Fair Value through Earnings	Amortized Cost	Total
March 31, 2017			
Cash, including restricted cash	37,963,580	-	37,963,580
Trade receivables, net	16,563,551	-	16,563,551
Other financial assets, including current	-	110,205,323	110,205,323
Trade payables and accrued liabilities	(15,325,516)	-	(15,325,516)
Long-term indebtedness, including current	-	(235,966,132)	(235,966,132)
	39,201,615	(125,760,809)	(86,559,194)
March 31, 2018			
Cash, including restricted cash	33,072,697	-	33,072,697
Trade receivables, net	18,960,342	-	18,960,342
Other financial assets, including current	-	111,182,607	111,182,607
Trade payables and accrued liabilities	(2,378,444)	-	(2,378,444)
Long-term indebtedness, including current	-	(238,500,407)	(238,500,407)
	49,654,595	(127,317,800)	(77,663,205)

Net gains or losses by category by period were as follows:

	2018	2017
Financial assets at fair value	296,882	157,680
Financial assets measured at amortized cost	457,512	490,290
Financial liabilities measured at amortized cost	(1,969,173)	(2,074,692)

The carrying values of financial instruments included in current assets and current liabilities approximate their fair value, reflecting the short-term maturity, normal trade credit terms and/or the nature of these instruments. The fair value of other financial assets and long-term debt is calculated by discounting the future cash flow of each instrument at the estimated yield to maturity for the same or similar issues at the balance sheet date, or by using quoted market prices when available.

The fair value of the Corporation's other financial assets and long-term debt is determined using the provincial Crown borrowing rate for similar terms. The estimated fair value of other financial assets is $109,947,984 (2017 – $106,480,793). The estimated fair value of long-term indebtedness is $226,873,929 (2017 - $216,480,002). Since the Corporation does not intend to settle other financial assets or long-term debt prior to maturity, the fair value estimates do not represent an actual asset or liability and, therefore, have not been recorded in the statements.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

13. Government Grants

Government grants have been recorded in the Corporation's financial statements as follows:

	2018	2017
Government grants deducted from related expense	-	165,055
Government grants deducted from carrying amount of related asset	21,300,405	42,209,323
Government grants recognized as income	115,000	115,000
	21,415,405	42,489,378

Government grants have been received for the development of a Provincial Energy Strategy, construction related to the PEI-NB Cable Interconnection Project which will upgrade the interconnection between the electrical systems of Prince Edward Island and mainland Canada, and to compensate the Corporation for selling renewable energy certificate's on behalf of the Provincial Government.

Under the conditions of the grant related to the PEI-NB Cable Interconnection Project, the Corporation must ensure the ongoing operation, maintenance and repair of the assets for a period of five years after the end of the project.

There are no unfilled conditions or contingencies attached to the other grants.

14. Risk Management

The Corporation's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Corporation uses various strategies to manage these risks.

Market Risk Risk that the fair value of future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in market prices (i.e. commodity price risk, interest rate risk and currency risk).

Credit Risk Risk of loss due to the failure of the borrower or counterparty to fulfill its contractual obligations.

Liquidity Risk Risk that the Corporation cannot meet a demand for cash or fund an obligation when it is due.

Market Risk

Commodity price risk is defined as the risk that the fair value of future cash flows will fluctuate because of changes in the price of electricity. The company manages this risk by entering into long-term PPA's. These PPA's provide price assurance. Currently 100% of the Corporation's electricity production is contracted under long-term PPA's which expire between 2022 and 2033.

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in interest rates. Long-term indebtedness consists of medium to long-term fixed rate debt which does not fluctuate with changes in interest rates.

Currency risk is defined as the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Corporation currently incurs almost all of its revenues and expenditures in Canadian dollars but does have some expenses related to its turbine supply and maintenance agreements that are denominated in US dollars. To mitigate these risks, the Corporation monitors the risks associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts. As at March 31, 2018, the Corporation did not hold any foreign exchange contacts.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

14. Risk Management (continued)

Credit Risk

The Corporation's credit risk is limited to cash, trade receivables and other financial assets. The Corporation's maximum exposure to credit risk in relation to each class of recognized financial assets is limited to the carrying amount of those assets as indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event the counterparty fails to perform its obligations under the financial instrument in question. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held).

The Corporation has minimal credit risk with respect to cash as it is held at high-credit quality financial institutions. Trade receivable risk is managed through the PPA process whereby the counterparty to the PPA is a utility subject to government regulation and legislation and is a subsidiary of a highly rated public company. Of the trade receivables balance at the end of the year, $3,168,249 (2017 - $2,775,620) is due from the utility, the Corporation's largest customer, and $15,678,025 (2017 – $12,788,136) is due from the Federal Government in respect of grants. Apart from this, the Corporation does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. All other financial assets are categorized as performing as counterparties have a low risk of default and all contractual cash flows have been met except as disclosed in Note 6. No expected credit loss provisions have been recognized.

The Corporation actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts. The Corporation makes detailed assessments of credit quality of all counterparties and, where appropriate, obtains corporate guarantees, collateral or other security to support the ultimate collection of these financial assets.

Liquidity Risk

The Corporation actively manages its liquidity through cash and debt management strategies. Such strategies include continually monitoring forecasted and actual cash flows to assess and further reduce liquidity risk. The Corporation's cash resources, trade receivables, other financial asset receivables and cash generated from operations significantly exceed the current cash outflow requirements.

At March 31, 2018, the Corporation had access to $10,586,095 (2017 - $50,000,000) in undrawn borrowing facilities.

15. Capital Management

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long-term obligations and ensuring financial health, while achieving the growth plans of the Corporation. In order to facilitate the management of its capital requirements, the Corporation prepares annual operating budgets and actual to budget forecasts on a quarterly basis. The Corporation's capital consists of short-term debt having a term to maturity of one year or less, long-term debt having a term to maturity greater than one year and equity, primarily in the form of surplus. There has been no change with respect to the overall capital risk management strategy during the year.

The Corporation is subject to an externally imposed requirement to contribute to a sinking fund for the future settlement of long-term indebtedness and has complied with this requirement during the year.

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

16. Commitments and Financial Guarantees

Commitments

Turbine service and warranty agreements:

The Corporation enters into service and warranty agreements in the ordinary course of business. Certain agreements are denominated in US dollars and have been converted to Canadian dollars using the exchange rate in effect at March 31, 2018. The contracts provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable, The committed amounts over the next five years and beyond are as follows: 2019 - $3,467,056; 2020 - $3,467,056; 2021 - $3,467,056; 2022 - $3,467,056; 2023 - $2,083,777; thereafter - $12,038,338.

A new service and warranty agreement at the North Cape location became effective February 12, 2018. In addition to the fixed costs discussed above, the Corporation is required to pay an additional $4.03, subject to inflationary increases, per megawatt hour produced by each wind turbine.

Power Purchase Agreements:

The Corporation is contractually obligated, through PPA's totaling 19 megawatts with private wind developers, to purchase all wind power produced, and then sell all wind power purchased to Maritime Electric Company Limited. These PPA's expire in 2026 (9 megawatts) and 2036 (10 megawatts). The Corporation is contractually obligated, through PPA's totaling 73.56 megawatts, to sell all wind power produced at its wind farm facilities to Maritime Electric Company Limited. These PPA's expire in 2022 (5.28 megawatts), 2023 (3 megawatts), 2024 (5.28 megawatts), 2026 (30 megawatts) and 2033 (30 megawatts).

Land lease payments:

In the normal course of business, the Corporation has entered into agreements for the use of, or option to use, land in perpetuity in connection with the operation of its wind farms. Payment under these agreements is dependent on the amount of power generated by the wind farm assets; therefore, future minimum payments are indeterminable.

Development:

At March 31, 2018, the Corporation had outstanding contractual construction commitments amounting to approximately $1,600,000 (2017 – $41,100,000) related to PEI-NB Cable Interconnection Project which has upgraded the interconnection between the electrical systems of Prince Edward Island and mainland Canada. Outstanding funding for the project, as of March 31, 2018, from Infrastructure Canada is estimated at $800,000 (2017 - $39,600,000).

Prince Edward Island Energy Corporation

Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

17. Related Party Transactions

These financial statements include the results of financing and normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations, with which the Corporation may be considered related. These transactions have been measured at fair value as determined by management.

The following table provides information regarding the sale of renewable energy credits by the Corporation on behalf of the Provincial Government:

	2018	2017
Gross sales	448,839	440,887
Selling expenses	(146,154)	(96,540)
Net proceeds paid or payable to the Provincial Government	302,685	344,347
Other renewable energy certificate expenses reimbursed by the Provincial Government	60,618	52,819

Key Management Compensation

Key management includes the CEO. Salary and short-term benefits paid to the CEO totaled $148,957 (2017 – $144,735).

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION

Financial Statements
July 31, 2017

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements yearly.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Grain Elevators Corporation and can meet as required.

On behalf of the Prince Edward Island Grain Elevators Corporation

Neil Campbell	Joann Lowther
General Manager	Financial Manager

May 23, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Grain Elevators Corporation

I have audited the financial statements of the **Prince Edward Island Grain Elevators Corporation**, which comprise the statement of financial position as at July 31, 2017, and the statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net debt, and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2017, and the results of its operations, changes in its remeasurement gains and losses, net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
May 23, 2018

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

Statement of Financial Position
as at July 31, 2017

	2017	2016
	$	$
Financial Assets		
Accounts receivable (Note 3)	2,745,794	2,250,882
Inventories for sale (Note 4)	582,244	461,964
Short-term investments (Note 5)	94,301	215,371
	3,422,339	2,928,217
Liabilities		
Cash and bank advances (Note 6)	3,355,762	2,283,468
Accounts payable and accrued liabilities (Note 7)	433,006	331,119
Employee future benefits (Note 8 (b))	75,603	109,918
Due to pool participants (Note 9)	278,511	482,151
Long-term debt (Note 10)	2,675,538	2,895,810
	6,818,420	6,102,466
Net Debt	(3,396,081)	(3,174,249)
Non Financial Assets		
Tangible capital assets (Note 11)	4,448,015	4,678,953
Prepaid expenses	408,877	403,677
	4,856,892	5,082,630
Accumulated Surplus	1,460,811	1,908,381
Accumulated surplus is comprised of:		
Accumulated operating surplus	1,631,587	1,868,151
Accumulated remeasurement gains (losses)	(170,776)	40,230
	1,460,811	1,908,381

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Grain Elevators Corporation

President of the Board

Director

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

Statement of Operations and Accumulated Operating Surplus
for the year ended July 31, 2017

	Budget 2017	2017	2016
	$	$	$
Revenues			
Sales (Note 14)	23,431,089	22,932,591	23,158,628
Cost of goods sold (Note 14)	21,958,283	21,193,176	21,745,003
Gross profit	1,472,806	1,739,415	1,413,625
Other income (Note 15)	1,012,701	1,043,308	1,194,357
	2,485,507	2,782,723	2,607,982
Expenses			
Bad debts	31,000	16,369	35,717
Board	25,000	14,005	32,084
Freight	15,000	49,406	12,903
General (Note 16)	231,654	197,199	161,081
Insurance	55,700	61,591	45,941
Interest	85,000	103,465	78,845
Interest on long-term debt	62,000	52,229	57,618
Repairs and maintenance	170,000	143,008	167,554
Salaries and benefits	1,073,000	1,113,168	1,088,138
Surplus storage	550,000	638,636	378,409
Utilities	353,500	357,866	335,912
	2,651,854	2,746,942	2,394,202
Amortization of tangible capital assets	264,981	272,345	263,456
	2,916,835	3,019,287	2,657,658
Annual Operating Deficit (Note 9)	(431,328)	(236,564)	(49,676)
Accumulated Operating Surplus, beginning of year		1,868,151	1,917,827
Accumulated Operating Surplus, end of year		1,631,587	1,868,151

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION

Statement of Remeasurement Gains and Losses
for the year ended July 31, 2017

	2017	2016
	$	$
Accumulated Remeasurement Gains, beginning of year	40,230	133,018
Changes in year:		
Unrealized gains (losses) attributable to short-term investments	(225,682)	77,532
Amounts reclassified to the statement of operations	14,676	(170,320)
Change in remeasurement gains and losses	(211,006)	(92,788)
Accumulated Remeasurement Gains (Losses), end of year	(170,776)	40,230

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Statement of Changes in Net Debt
for the year ended July 31, 2017

	Budget 2017	2017	2016
	$	$	$
Net Debt, beginning of year	(3,174,249)	(3,174,249)	(2,877,267)
Changes in year:			
Annual operating deficit	(431,328)	(236,564)	(49,676)
Acquisition of tangible capital assets	-	(41,407)	(450,640)
Amortization of tangible capital assets	264,981	272,345	263,456
Decrease (increase) in prepaid expenses	-	(5,200)	32,666
Remeasurement gains (losses)	-	(211,006)	(92,788)
Change in net debt	(166,347)	(221,832)	(296,982)
Net Debt, end of year	(3,340,596)	(3,396,081)	(3,174,249)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION

Statement of Cash Flow
for the year ended July 31, 2017

	2017	2016
	$	$
Cash provided (used) by:		
Operating Activities		
Annual operating deficit	(236,564)	(49,676)
Amortization of tangible capital assets	272,345	263,456
Gain on disposal of tangible capital assets	-	(10,260)
Changes in:		
Accounts receivable	(494,912)	(1,052,425)
Inventories for sale	(120,280)	5,481
Accounts payable and accrued liabilities	101,887	(64,832)
Employee future benefits	(34,315)	23,781
Due to pool participants	(203,640)	115,918
Prepaid expenses	(5,200)	32,666
Cash provided (used) by operating activities	(720,679)	(735,891)
Capital Activities		
Acquisition of tangible capital assets	(41,407)	(450,640)
Disposal of tangible capital assets	-	10,260
Cash provided (used) by capital activities	(41,407)	(440,380)
Investing Activities		
Net purchase of investments	(89,936)	(28,541)
Cash provided (used) by investing activities	(89,936)	(28,541)
Financing Activities		
Net long-term debt advances (repayments)	(220,272)	305,473
Cash provided (used) by financing activities	(220,272)	305,473
Change in cash and bank advances	(1,072,294)	(899,339)
Cash and Bank Advances, beginning of year	(2,283,468)	(1,384,129)
Cash and Bank Advances, end of year	(3,355,762)	(2,283,468)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

1. Nature of Operations

The Prince Edward Island Grain Elevators Corporation (the Corporation) is a provincial Crown corporation operating under the authority of the Prince Edward Island *Grain Elevators Corporation Act.* The Corporation is a government organization named in Schedule B of the *Financial Administration Act* and reports to the Legislative Assembly through the Minister of Agriculture and Fisheries. The objectives of the Corporation are

- to stimulate feed grain production in the province;
- to bring uniformity to the industry through marketing of grain produced in the province;
- to provide facilities for the central marketing, drying, and storage of grain; and
- to provide distribution outlets for grain producers, livestock feeders, and the feed industry.

The Corporation is a provincial Crown corporation and, as such, is not subject to taxation under the federal *Income Tax Act.*

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards.

a) Cash and Bank Advances

Cash and bank advances are net of bank advances, bank deposits and cash on hand.

b) Accounts Receivable

Accounts receivable are recorded at cost less any provision when collection is in doubt. Provisions are calculated on a specific basis plus a general provision of one percent of trade receivables.

c) Inventories for Sale

Inventories for sale, including grain and grain products, are recorded net of contract sales and third party stored grain at the lower of cost or net realizable value. Net realizable value is determined using the FIFO method for all inventories except for pool inventories which are valued at the next crop year's estimated sales value less estimated standard operating costs. Net realizable value is the estimated amount that is expected to be received as sale proceeds less costs to be incurred to realize these sales values.

Inventory is reviewed at year-end to ensure that the carrying value does not exceed net realizable value. Damaged, obsolete, or otherwise unusable inventory is expensed as identified.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

2. Summary of Significant Accounting Policies (continued...)

d) Short-term Investments

Short-term investments are option contracts used to manage market price risk of inventories for sale. These investments are measured at fair value. Fair value is determined by the value on an active market. The initial cost and the transaction fees are recorded at the purchase date.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, and/or betterment of the assets. Cost includes overhead directly attributable to construction and development. Interest costs are not capitalized. Assets less than $5,000 are expensed.

The cost of tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Elevator equipment	5-25 years
Computer hardware and software	5 years
Motor vehicles	5-8 years

The cost of assets under construction is not amortized until construction is complete and the asset is available for use. Amortization is recorded starting one month after the purchase date of the asset.

Tangible capital assets are written down when conditions indicate they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. Write downs are expensed when identified.

The province provides elevator facilities to the Corporation. All repairs and capital upgrades to these facilities were paid by the Corporation.

f) Prepaid Expenses

Prepaid expenses include grain contracts, utilities, memberships, technical support, and insurance which are charged to expense over the periods expected to benefit.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

2. Summary of Significant Accounting Policies (continued...)

g) Revenues

Revenues are recognized in the period in which the transaction or event which gave rise to the revenue occurred. All revenues are recorded on an accrual basis, except when the amount cannot be determined with a reasonable degree of certainty or when estimation is impractical.

Transfers (revenues from non-exchange transactions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made. Transfers are recognized as liabilities when amounts have been received but not all eligibility criteria have been met.

h) Expenses

Expenses are recognized on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred. The cost of all goods consumed and services received during the year is expensed.

i) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. The Corporation has limited exposure to foreign currency as substantially all of its transactions are conducted in Canadian dollars and year-end foreign currency balances are not significant.

Realized exchange differences are recognized in the statement of operations. Unrealized exchange differences are recognized in the statement of remeasurement gains and losses.

j) Financial Instruments

Financial instruments consist of accounts receivable, short-term investments, cash and bank advances, accounts payable, accrued liabilities, employee future benefits, due to pool participants, and long-term debt. All except for short-term investments are carried at cost or amortized cost, less any provision on accounts receivable, which approximates their fair value. Short-term investments are measured at fair value.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Transaction costs attributable to financial instruments are reported in the statement of operations.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

2. Summary of Significant Accounting Policies (continued...)

k) Use of Estimates and 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 the revenues and expenses during the period. Items requiring the use of significant estimates include inventories for sale, short-term investments, the useful life of tangible capital assets, provision for doubtful accounts, and employee future benefits.

Estimates are based on the best available information at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

3. Accounts Receivable

	2017 $	2016 $
Trade receivables	2,025,670	1,835,728
Grain contracts receivables	738,453	527,258
Long-term employee receivables	9,734	12,944
HST/GST receivable	29,966	17,407
Less provision for doubtful accounts	(58,029)	(142,455)
	2,745,794	2,250,882

4. Inventories for Sale

	2017 $	2016 $
Feed grain	219,831	380,672
Soybean	154,402	24,093
Milling wheat	140,453	-
Corn	16,944	7,677
Extruded and roasted soybean	17,433	30,709
Extruded barley	4,295	1,545
Soybean meal	28,886	17,268
	582,244	461,964

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

5. Short-term Investments

	2017 $	2016 $
Grain options, at cost	265,077	175,141
Provision for gain (loss) in fair value	(170,776)	40,230
	94,301	215,371

Grain options are for 29 soybean put options purchased for $50,639, expiring in October 2017, 50 corn put options purchased for $38,068, expiring in November 2017, 146 wheat put options purchased for $173,987, expiring November 2017 and 2 Canadian dollar call options purchased for $2,383 expiring December 2017. Transaction fees totalled $8,796 (2016 - $9,277).

6. Cash and Bank Advances

	2017 $	2016 $
Cash	3,912	8,197
Bank advances	(3,359,674)	(2,291,665)
	(3,355,762)	(2,283,468)

Bank advances consist of a revolving line of credit, fully guaranteed by the province, in an amount not exceeding $8 million together with interest at the rate of prime less 0.25 percent.

There are no repayment terms. Advances are repayable upon expiry of the province's guarantee on July 31, 2018, or on demand, whichever comes first.

7. Accounts Payable and Accrued Liabilities

	2017 $	2016 $
Accounts payable	184,991	144,913
Salaries and benefits payable	109,381	118,733
Accrued vacation pay	36,391	37,948
Accrued grain purchases	102,243	29,525
	433,006	331,119

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

Notes to Financial Statements
July 31, 2017

8. Employee Future Benefits

a) Sick Leave

All unionized employees are credited 1.25 days per month for months in which the employee works at least ten days for use as paid absences in the year, due to illness or injury. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's earned credits. The maximum accumulation is 1,612.5 or 1,720 hours depending on the applicable agreement. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. Most non-unionized employees follow similar provisions. A liability has not been calculated and no accrual has been recorded in these financial statements based on analysis which indicated the liability was not significant.

b) Accrued Retirement Allowance

Employees earn two weeks pay for every year of service worked before June 1, 2003, and one week for every year thereafter to a maximum of forty weeks pay. All employees who have five or more years of continuous service are entitled to this benefit on termination, provided such termination meets eligibility criteria. The accrued retirement allowance includes the obligation at year-end and any unamortized actuarial gains or losses. These gains and losses are amortized over eleven years. The cost of the retirement allowance, as indicated in the reconciliation below, is included in the statement of operations and is allocated to salaries and benefits and interest expense.

	2017 $	2016 $
Balance, beginning of year	109,918	86,137
Current service cost	9,527	10,363
Interest accrued on liability	3,908	5,648
Amortization of actuarial loss	7,770	7,770
Less payments made	(55,520)	-
Balance, end of year	75,603	109,918

The obligation for the retirement allowance as at July 31, 2017, is based on an actuarial valuation for accounting purposes as at July 31, 2016 with adjustments based on additional activity during the year. The liability is unfunded. Unamortized actuarial losses totalled $40,062 at July 31, 2017 (2016 - $47,832).

The economic assumptions used in the valuation are:

Wages and salary escalation	2.50%
Discount rate	2.90%

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

8. Employee Future Benefits (continued...)

c) Pension - Defined Benefit

Permanent employees of the Corporation participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost-of-living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the province. The Corporation's annual portion of contributions to the Plan for the period was $28,353 (2016 - $28,341). Any unfunded liability of the Plan is the responsibility of the province and, therefore, no liability has been recognized in these financial statements. For additional information on the Plan, including any surplus or deficit, see the province's consolidated financial statements.

d) Pension - Defined Contribution

Five employees of the Corporation participate in a defined contribution plan. The Corporation matches the employee contributions to a maximum of five percent of the employee's salary. The Corporation's liability is limited to its required contribution in accordance with the employment contract. The Corporation's share of contributions for the period was $14,239 (2016 - $12,321).

e) Insured Benefits

The Public Sector Group Insurance Plan provides life insurance, long-term disability, health, and dental benefits to eligible employees of the Corporation. The Plan is administered by a multi-employer, multi-union Board of Trustees who are responsible for any unfunded liabilities of the plan. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period. The total for the period is $23,091 (2016 - $18,926).

9. Operating Deficit

Distributions due to pool participants are dependent on the current year's operating results. Distributions to pool participants are recorded to cost of goods sold. Initial and interim payments are made during the year based on budgeted figures. Final distributions to pool participants are determined by the Board based on actual results.

	2017 $	2016 $
Earnings before distributions	8,645,031	11,349,757
Distributions to participants	8,881,595	11,399,433
Annual operating deficit	(236,564)	(49,676)

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

10. Long-term Debt

Long-term debt is comprised of the following:	2017	2016
Demand loan payable to Scotiabank, bearing interest at a Banker's Acceptance fee of 1.00 percent, subject to a minimum fee of $500 per availment, repayable in monthly principal amounts of $16,944 plus interest, due November 2017, amortized over 15 years.	2,675,538	2,895,810

Debt is secured by a full guarantee provided by the province. The guarantee from the province expires January 1, 2021. There is a general security agreement to the bank over all present and future corporate property with appropriate insurance coverage with loss, if any, payable to the bank.

Anticipated principal repayments over the next year and thereafter are as follows:

Year	Amount $
2018	203,328
Thereafter	2,472,210
	2,675,538

Interest expense for the year on outstanding long-term debt was $52,229 (2016 - $57,618).

11. Tangible Capital Assets

	Elevator Equipment $	Computer Hardware and Software $	Motor Vehicles $	2017 Total $	2016 Total $
Cost					
Opening balance	5,946,295	86,693	444,858	6,477,846	6,118,289
Additions	41,407	-	-	41,407	450,640
Disposals	(39,857)	-	-	(39,857)	(91,083)
Closing balance	5,947,845	86,693	444,858	6,479,396	6,477,846
Accumulated Amortization					
Opening balance	1,469,076	82,525	247,292	1,798,893	1,626,520
Amortization	239,558	2,501	30,286	272,345	263,456
Disposals	(39,857)	-	-	(39,857)	(91,083)
Closing balance	1,668,777	85,026	277,578	2,031,381	1,798,893
Net Book Value	4,279,068	1,667	167,280	4,448,015	4,678,953

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

12. Contractual Obligations

The Corporation has entered into future contracts for the purchase of grain from producers. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts. Future pool prices are estimated. Actual costs to the Corporation to purchase pooled contracts are not determinable at this time. Current prices used in the estimates are based on inventory values at year-end.

	2017 $
Open market - future contracts	3,450,066
Pool participants - future contracts	1,855,050
	5,305,116

13. Related Party Transactions

The Corporation had the following transactions and balances with the Province of Prince Edward Island:

The Corporation paid expenses of $1,464 (2016 - $7,097) to the Minister of Finance.

The province provides elevator facilities to the Corporation at an annual nominal fee of one dollar.

The Corporation received revenues of $17,800 from the Province of Prince Edward Island.

Office accommodation costs and network support incurred by the province on behalf of the Corporation are not reflected in these financial statements.

During the year, two Board members had ownership in organizations that had sales to the Corporation totalling $186,831. There was one Board member who had contracts worth $30,075 to sell product to the Corporation subsequent to year-end.

One Board member provided services during the year to the Corporation totalling $5,143.

These transactions were entered into in the normal course of business and on the same terms as unrelated parties.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

14. Gross Profit

	2017 $	2016 $
Open Market Grain		
Sales	12,510,671	10,439,768
Cost of goods sold	11,469,121	9,560,081
Gross profit	1,041,550	879,687
Pooled Grain		
Sales	10,421,920	12,718,860
Cost of goods sold	9,724,055	12,184,922
Gross profit	697,865	533,938
Total Gross profit	1,739,415	1,413,625

15. Other Income

	2017 $	2016 $
Handling and drying	665,258	679,606
Storage fees	15,793	14,727
Custom extruding	126,306	101,763
Custom roasting	72,748	81,220
Miscellaneous	16,741	23,016
Interest	35,929	35,593
Investment gain (loss)	(14,988)	171,864
Project grants	17,800	4,261
Freight	107,721	72,047
Gain on disposal of tangible capital assets	-	10,260
	1,043,308	1,194,357

16. General Expenses

General expenses include travel, professional fees, advertising, and supplies.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

17. Risk Management

The Corporation is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include credit, liquidity, and market risk. Market risk is comprised of foreign exchange, interest rate, and price risk.

a) Credit Risk

Credit risk is the risk that the Corporation will suffer a financial loss because another party will fail to discharge an obligation. Credit risk arises primarily from the Corporation's accounts receivable. The Corporation's accounts receivable balance, its maximum exposure, is noted on the statement of financial position.

The Corporation has a collection policy and monitoring processes intended to mitigate potential credit losses. The Corporation maintains provisions for potential credit losses that are assessed on an on-going basis. The provision for doubtful accounts is disclosed in Note 3.

The Corporation considers trade receivables that are neither past due nor impaired to be of good credit quality. Trade receivables past due but unimpaired are as follows:

	2017 $
30-60 days	251,684
61-90 days	22,864
More than 90 days	176,702
	451,250

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to convert financial assets to cash in order to meet financial liabilities. This risk is mitigated by monitoring the level of financial assets in relation to amounts due and implementing fiscal restraint when necessary. The Corporation has committed a line of credit that it can access to meet liquidity needs (Note 6). A maturity analysis has not been prepared as all financial instruments, except employee future benefits, are due within one year. The only financial instruments with fixed maturity dates are short-term investments and long-term debt.

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

17. Risk Management (continued...)

c) Foreign Exchange Risk

Foreign exchange risk arises from the holding of cash and investments denominated in foreign currency (US). Risk is measured by considering the impact on fluctuations of foreign exchange rates on transactions and year-end balances. The Corporation does not hedge this currency risk as it is considered insignificant. The carrying amounts of the Corporation's foreign currency denominated financial assets are its maximum exposure to foreign exchange risk, and the balances at July 31, 2017, are as follows:

	2017		2016	
	(Cdn$)	(US$)	(Cdn$)	(US$)
Cash	2,812	2,252	7,096	5,442
Short-term investments	94,301	75,531	215,371	165,025

The approximate sensitivity due to changes in foreign exchange rates between the Canadian and the US dollar is summarized in the table below. The change is due to the effect of exchange rate changes on the Corporation's financial instruments denominated in US dollars, calculated based on year-end holdings.

	2017
	5% increase/decrease in US to CDN FX rate
Change	+/- $3,777

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

17. Risk Management (continued...)

d) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is subject to interest rate risk relating to bank advances and long-term debt. Maximum exposures are noted on the statement of financial position.

The Corporation mitigates this risk by monitoring fluctuations in interest rates and evaluating the impact on meeting debt service requirements. Risk is measured by considering the impact on fluctuations of interest rates on year-end balances.

The approximate sensitivity due to changes in interest rates is summarized in the table below, calculated based on the average debt balances for the year.

	2017
	1% increase/decrease in interest rate
Change	+/- $65,768

e) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Price risk exists in the short-term investments.

The Corporation owns inventory at year-end that is classified as a commodity, and the market prices fluctuate on a daily basis. The Corporation manages this fluctuation by using short-term investments to protect the future sale price of inventories for sale. The maximum exposure for short-term investments is the carrying amount. Risk is measured by considering market value price fluctuations on option holdings.

The approximate sensitivity due to changes in the market value of the options is summarized in the table below, calculated based on year-end holdings.

	2017
	10% increase/decrease in market value of options
Change	+/- $9,430

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION
Notes to Financial Statements
July 31, 2017

18. Subsequent Events

Subsequent to year-end, the wheat put options were sold or expired for $176,865 for a gain of $2,878, the corn put options were sold for $41,032 for a gain of $2,964, the Canadian dollar put options were sold for $8,003 for a gain of $5,620, and the soybean put options expired for a loss of $50,639, resulting in a total net loss of $39,177 on these options. This amount does not include any applicable transaction fees.

19. Budgeted Figures

Budgeted figures provided for comparative purposes were derived from the estimates approved by the Board of Directors.

P.E.I. Housing Corporation

Audited Financial Statements for P.E.I. Housing Corporation for the year ended March 31, 2018 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

PRINCE EDWARD ISLAND HUMAN RIGHTS COMMISSION

Financial Statements
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Commissioners is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Human Rights Commission to meet as required.

On behalf of the Prince Edward Island Human Rights Commission

Brenda J. Picard, Q.C.
Executive Director

June 19, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Human Rights Commission

I have audited the financial statements of the **Prince Edward Island Human Rights Commission,** which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus (deficit), changes in net financial assets (debt), and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risk 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2018, and the results of its operations, changes in net financial assets (debt), and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 19, 2018

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION

Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets		
Cash	45,212	25,001
Accounts receivable	825	731
	46,037	25,732
Liabilities		
Accounts payable and accrued liabilities (Note 3)	45,135	42,087
Net Financial Assets (Debt)	902	(16,355)
Non Financial Assets		
Prepaid expenses	6,110	2,963
Accumulated Surplus (Deficit)	7,012	(13,392)

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Human Rights Commission

Chairperson

Commissioner

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION

Statement of Operations and Accumulated Surplus (Deficit)
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Revenues			
Grants - Province of Prince Edward Island	504,470	440,821	412,000
Other grants (Note 7)	-	33,150	3,225
	504,470	473,971	415,225
Expenses			
Commissioner per diems (Note 6)	34,680	17,314	17,692
Conferences and training	6,000	4,058	3,282
Equipment	2,040	2,205	1,370
Hearing expenses	4,000	-	2,166
Dues and fees	3,570	3,873	3,700
Miscellaneous	2,550	1,459	1,601
Office and special projects	10,200	11,870	10,847
Photocopying	4,080	3,459	4,449
Professional fees	510	300	300
Project - Made in PEI	1,020	-	302
Project - Canada 150 (Note 7)	-	30,000	-
Rent	23,460	23,000	22,625
Salaries and benefits (Note 8)	394,000	344,469	357,553
Travel - staff	7,140	3,662	6,045
- commissioners	8,160	5,654	4,819
Telephone	3,060	2,244	2,453
	504,470	453,567	439,204
Annual Surplus (Deficit)	-	20,404	(23,979)
Accumulated Surplus (Deficit), beginning of year		(13,392)	10,587
Accumulated Surplus (Deficit), end of year		7,012	(13,392)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION

Statement of Changes in Net Financial Assets (Debt)
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Net Financial Assets (Debt), beginning of year	(16,355)	(16,355)	5,041
Changes in year:			
Annual surplus (deficit)	-	20,404	(23,979)
Prepaid expenses	-	(3,147)	2,583
Change in Net Financial Assets (Debt)	-	17,257	(21,396)
Net Financial Assets (Debt), end of year	(16,355)	902	(16,355)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND HUMAN RIGHTS COMMISSION

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Annual surplus (deficit)	20,404	(23,979)
Changes in:		
Accounts receivable	(94)	490
Accounts payable and accrued liabilities	3,048	(16,061)
Prepaid expenses	(3,147)	2,583
Cash provided (used) by operating activities	20,211	(36,967)
Cash, beginning of year	25,001	61,968
Cash, end of year	45,212	25,001

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND HUMAN RIGHTS COMMISSION

Notes to Financial Statements
March 31, 2018

1. Purpose of the Organization

The Prince Edward Island Human Rights Commission (the Commission) is a corporate body established under section 16(1) of the *Human Rights Act* of Prince Edward Island. The Commission is responsible for administering and enforcing the *Human Rights Act* and providing education and public information in the field of human rights. The Commission also inquires into and endeavours to effect a settlement of any complaint of a violation of the *Human Rights Act* filed with the Commission as prescribed by the Act.

The Commission is a non taxable entity under the provisions of the federal *Income Tax Act.*

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards. Since the Commission has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

The following accounting policies are considered significant.

a) Cash

Cash consists of balances on deposit with a financial institution.

b) Accounts Receivable

Accounts receivable are recorded at cost less any specific provision when collection is in doubt.

c) Prepaid Expenses

Prepaid expenses are charged to expense over the periods expected to benefit.

d) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recorded for all amounts due for work performed and goods or services received during the year.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost provided the threshold of $2,000 is met and are amortized on a straight-line basis over the estimated useful life. Tangible capital asset purchases that do not meet the threshold are expensed. No capital assets have been recognized because purchases did not meet the threshold for capitalization.

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

f) Revenues

Transfers from the Province of Prince Edward Island (revenues from non-exchange transactions) are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made.

Revenues from other grants are recognized in the period in which the transaction or event that gave rise to the revenue occurred. Revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

g) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

h) Financial Instruments

Financial instruments consist of accounts receivable, accounts payable, and accrued liabilities. They are carried at cost or amortized cost, less any provisions on accounts receivable. Provisions are calculated on a specific basis. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value.

i) Use of Estimates and 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include accrued liabilities, sick leave, retiring allowance, and allocation of expenses to projects.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the difference could be material.

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION
Notes to Financial Statements
March 31, 2018

3. Accounts Payable and Accrued Liabilities

	2018 $	2017 $
Accounts payable	759	816
Accounts payable - Province of Prince Edward Island	36,095	35,678
Accrued vacation pay	8,281	5,593
	45,135	42,087

4. Related Party Transactions

The Commission had the following transactions with the Province of Prince Edward Island:

	2018 $	2017 $
Grants from the province	440,821	412,000
Other grants (Note 7)	5,000	-

Included in salaries and benefits is salary expense of $118,169 (2017 - $115,714) and benefit expenses of $20,378 (2017 - $20,214) related to staff seconded from the province.

5. Contractual Obligations

The Commission has entered into a number of multi-year contracts which will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	2019 $	2020 $	2021 $
Future operating lease payments	25,820	8,570	1,410

6. Commissioner Per Diems

Commissioner per diems include panels of inquiry, reviews, meetings, educational presentations, training and seminars, and other Commission business.

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION

Notes to Financial Statements
March 31, 2018

7. Project - Canada 150

The Commission received funding from the Minister of Canadian Heritage and the Province of Prince Edward Island for a project related to Canada 150 celebrations. Revenue was recognized in accordance with the terms of the agreements. Total revenue recognized for the project during the year and included with other grants was $30,000, of which $25,000 was from the Minister of Canadian Heritage and $5,000 was from the province. Total expenses recognized related to the project were $30,000.

8. Employee Benefits

a) Sick Leave

All employees are credited 1.5 days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been recorded in these financial statements based on an analysis which indicated the liability was not significant.

b) Pension Benefits

Employees of the Commission participate in a defined contribution pension plan. The Commission makes contributions amounting to 8.09 percent on that part of the salary on which Canada Pension Plan contributions are made and 9.75 percent on salary when Canada Pension Plan contributions are not required. The employee is not required to match or contribute to the plan. These contributions are paid to a Registered Retirement Savings Plan (RRSP) as selected by the employee. The plan is managed by the employees.

During the year, the Commission incurred $22,028 (2017 - $22,855) in expenses for contributions to this plan. This defined contribution pension plan has been terminated as of March 31, 2018 and replaced with the Civil Service Superannuation Fund pension plan, as described in note 10.

c) Retirement Allowance

The Commission provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is equal to one week's pay for every year of service to a maximum of 30 weeks. The benefit costs and liabilities related to the allowance are the responsibility of the Commission. The province has agreed to fund these liabilities. The Commission has not estimated the liability and no liability has been recognized in these financial statements.

PRINCE EDWARD ISLAND
HUMAN RIGHTS COMMISSION
Notes to Financial Statements
March 31, 2018

9. Financial Management

The Commission's risk exposure, as a result of the financial instruments on its statement of financial position at March 31, 2018, is limited to liquidity and credit risk. The Commission's financial instruments are not subject to significant market risk.

Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet all its cash outflow obligations as they come due. This risk is mitigated by monitoring the level of financial assets in relation to amounts due and implementing fiscal restraint when necessary.

Credit Risk

The Commission is exposed to credit risk with respect to accounts receivable. The Commission mitigates this risk through a regular monitoring process. The Commission has no impaired accounts receivable at March 31, 2018.

10. Subsequent Events

Effective April 1, 2018, the Civil Service Superannuation Act General Regulations were amended to include the Prince Edward Island Human Rights Commission as a participating employer to which the Act applies. As a result, beginning April 1, 2018, employees of the Commission will participate in the Civil Service Superannuation Fund pension plan.

11. Budgeted Figures

Budgeted figures provided for comparative purposes have been approved by the Commission.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

Financial Statements
March 31, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the accompanying financial statements of the **Prince Edward Island Liquor Control Commission** which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income and changes in retained earnings, and the statement of cash flow 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 International Financial Reporting 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2018, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

B. Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 28, 2018

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Assets		
Current Assets		
Cash	2,729,751	1,418,231
Accounts receivable (Note 5)	1,069,766	812,848
Inventory (Note 6)	8,438,917	8,212,031
Prepaid expenses	149,850	158,318
	12,388,284	10,601,428
Non Current Assets		
Property, plant, and equipment (Note 7)	5,661,426	5,380,606
Total Assets	18,049,710	15,982,034
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	4,595,905	2,683,746
Due to the Province of Prince Edward Island (Note 15)	11,686,322	11,336,043
Deferred revenue	266,978	233,871
Current portion of obligations under finance leases (Note 12)	26,684	24,734
Current portion of debentures payable (Note 9)	194,251	203,135
	16,770,140	14,481,529
Non Current Liabilities		
Obligations under finance leases (Note 12)	764,152	790,836
Debentures payable (Note 9)	515,418	709,669
	1,279,570	1,500,505
Total Liabilities	18,049,710	15,982,034

(The accompanying notes are an integral part of these financial statements.)

Authorized on behalf of the Prince Edward Island Liquor Control Commission

Chair

Commissioner

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION

Statement of Comprehensive Income and Changes in Retained Earnings
for the year ended March 31, 2018

	2018	2017
	$	$
Revenue		
Sales (Note 13)	78,650,510	74,769,681
Cost of goods sold (Note 6)	44,066,928	41,378,246
Gross profit	34,583,582	33,391,435
Expenses		
Depreciation	770,646	886,562
Insurance and property taxes (Note 15)	229,752	208,282
Interest on long-term debt (Notes 9, 15)	30,410	40,290
Interest on finance leases (Note 12)	64,768	106,199
Operating leases (Note 12)	902,148	823,751
Other operating expenses (Note 16)	1,340,825	1,010,147
Repairs and maintenance	835,756	745,795
Salaries and benefits (Notes 14, 15)	10,144,124	9,831,120
Store and office expenses	706,979	577,694
Travel	144,243	114,753
Utilities	831,616	754,038
	16,001,267	15,098,631
Income from operations	18,582,315	18,292,804
Other income (Note 3(c))	2,812,443	2,528,294
Loss on disposal of non current assets	(9,134)	-
Loss on finance lease	(7,891)	(29,053)
Comprehensive income	21,377,733	20,792,045
Retained earnings, beginning of year	-	-
Distributions to the Province of Prince Edward Island (Note 15)	21,377,733	20,792,045
Retained earnings, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Comprehensive income for the year	21,377,733	20,792,045
Loss on disposal of non current assets	9,134	-
Loss on finance lease	7,891	29,053
Depreciation	770,646	886,562
	22,165,404	21,707,660
Change in working capital:		
Accounts receivable	(256,918)	(146,811)
Inventory	(226,886)	(348,196)
Prepaid expenses	8,468	2,203
Accounts payable and accrued liabilities	1,912,159	76,842
Deferred revenue	33,107	76,543
Cash provided by operating activities	23,635,334	21,368,241
Financing Activities		
Payments to the Province of Prince Edward Island	(21,027,457)	(22,406,204)
Payments under finance leases	(24,734)	(112,303)
Debenture repayments	(203,135)	(354,173)
Cash used by financing activities	(21,255,326)	(22,872,680)
Investing Activities		
Acquisition of property, plant, and equipment	(1,068,488)	(384,533)
Cash used by investing activities	(1,068,488)	(384,533)
Change in cash	1,311,520	(1,888,972)
Cash, beginning of year	1,418,231	3,307,203
Cash, end of year	2,729,751	1,418,231
Supplementary disclosure		
Interest paid	98,214	154,423

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

1. General Information and Nature of Operations

The Prince Edward Island Liquor Control Commission (the Commission) is a wholly owned Crown corporation of the Province of Prince Edward Island responsible for managing the importation, sale, and distribution of beverage alcohol throughout Prince Edward Island. The head office is located at 3 Garfield Street in Charlottetown with outlets in various locations across the province.

2. Statement of Compliance and Approval

The financial statements of the Commission have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Commissioners on June 19, 2018.

3. Summary of Significant Accounting Policies

a) International Financial Reporting Standards (IFRS)

The financial statements have been prepared using the accounting policies specified by IFRS, issued and in effect as of March 31, 2018. The significant accounting policies used in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all of the periods presented.

An overview of the standards, amendments, and interpretations on the conversion to IFRS, which are issued but not yet in effect, are presented in Note 3(g).

b) Presentation of the Financial Statements

The financial statements are presented in accordance with International Accounting Standard 1 (IAS 1), "*Presentation of Financial Statements*". The Commission has elected to present a single statement of comprehensive income. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Commission.

c) Revenue Recognition

Revenue is derived from the sale of goods and other income from the rendering of services. Reconciliation between gross receipts and revenue is shown in Note 13.

Revenue is measured by reference to the fair value of the consideration received or receivable by the Commission for the goods or services supplied, exclusive of sales tax, deposits, and health tax.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

3. **Summary of Significant Accounting Policies (continued...)**

c) **Revenue Recognition (continued...)**

Sales

Revenue from the sale of goods is recognized when the amount of revenue can be reliably measured, collection is probable, the costs incurred or to be incurred can be reliably measured, and when significant risks and rewards of ownership have been transferred to the buyer.

Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken legal title and possession of the goods.

Other Income

Other income includes permit, license, and marketing fees, and limited time offer promotions. Revenue from other income is recognized when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the Commission, the stage of completion can be reliably measured, and the costs incurred to date and the costs required to complete the transaction can be reliably measured.

Deferred Revenue

The Commission sells gift cards to its customers and initially records the amount to deferred revenue. Revenue is recognized as the gift cards are redeemed. If, in the opinion of management, the likelihood of the gift card being redeemed is remote then the revenue will be recognized immediately.

d) **Expenses**

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

e) **Inventory**

Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventory costs include the purchase price, duty and excise taxes, and standard freight rates for goods received.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

3. Summary of Significant Accounting Policies (continued...)

f) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment losses. All capital asset additions over $1,000 are capitalized. Capital assets are broken down into components when the components are significant and have differing useful lives than the rest of the asset. Depreciation is calculated on a straight line basis at the following rates:

Asset	**Rate**
Buildings	2.5%,3.33%,5%,6.66%
Leased property	5%
Equipment	20%
Vehicles	20%
Leasehold improvements	5% and 10%
Financial information system	20% and 100%

In the year of acquisition, one half of the depreciation rate is applied.

g) International Financial Reporting Standards Not Yet In Effect

At the date of issuance of these statements certain new standards, amendments, and interpretations to existing standards have been published but are not yet in effect. The Commission has chosen not to adopt these early, as allowed by IFRS. Management anticipates that all relevant pronouncements will be adopted as the Commission's policy is to adopt in the first period following the effective date. A list of applicable pronouncements and their effective dates are as follows:

IFRS 9 Financial Instrument: Recognition and Measurement permits two classifications for financial assets - fair value through profit or loss and amortized cost. *IFRS 9* has an effective date of the first fiscal period beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers provides a more structured approach to measuring and recognizing revenues from contracts with customers. *IFRS 15* has an effective date of the first fiscal period beginning on or after January 1, 2018.

IFRS 16 Leases requires lessees to recognize assets and liabilities for all leases with a term greater than one year in length with an effective date of the first fiscal period beginning on or after January 1, 2019.

The estimated impact of the above pronouncements on the financial statements has not been determined at this time.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

3. Summary of Significant Accounting Policies (continued...)

h) Finance Leases

A property lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership to the lessee. The Commission currently leases two such properties that are required to be set up as a leased property asset and an obligation under finance lease liability based on IAS 17 *Leases*. The values of finance lease assets and liabilities are determined using the lower of the net present value of future lease payments and the estimated fair market value of property leased. The estimated fair market value is calculated using an income based approach which converts expected future income of the property to present market value using market established capitalization rates. The asset is then depreciated over the useful life of the asset and the liability over the life of the lease, which includes all renewal options. The Commission's depreciation policy has been disclosed in Note 3(f). The liability is amortized using the effective interest rate method. Lease payments made during the year are allocated to interest on finance leases and a reduction in the obligation under finance leases.

i) Capital Management

The Commission's objective when managing capital is to keep minimal capital on hand. This objective is achieved by accruing all comprehensive income to the Province of Prince Edward Island and transferring it on a continuous basis as excess capital becomes available.

j) Cash

Cash consists of cash on hand and amounts on deposit with financial institutions.

k) Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable are recorded at cost less any provision when collection is in doubt. Accounts payable and accrued liabilities are recorded for all amounts due for work performed and goods or services received during the fiscal year.

4. Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. The actual results may materially differ from management's estimation. Items requiring the use of significant estimates include property, plant, and equipment carried at $5,661,426 (2017 - $5,380,606), accrued liabilities of $938,705 (2017 - $720,387), standard inventory freight rates of $253,198 (2017 - $246,360) and obligations under finance leases of $790,836 (2017 - $815,570).

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

5. Accounts Receivable

	2018 $	2017 $
Trade receivables	990,611	732,425
Province of Prince Edward Island	79,155	80,423
	1,069,766	812,848

All amounts in the accounts receivable balance are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The receivable from the Province of Prince Edward Island primarily relates to a wage reimbursement for one employee on secondment to the Commission. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset is expected to be paid within the year, such that the time value of money is not significant.

All of the Commission's trade and other receivables have been reviewed for indications of impairment. It is management's assessment that an allowance of $63,479 (2017 - $62,105) is required to fairly state the value of trade receivables. The trade receivables are shown net of the allowance.

6. Inventory

	2018 $	2017 $
Warehouses	4,404,367	4,935,945
Stores	3,541,913	3,276,086
In-transit	492,637	-
	8,438,917	8,212,031

Inventories recognized in the statement of financial position consist of liquor products held for sale. In 2018, a total of $44,066,928 of inventories was included in the statement of comprehensive income as a cost of goods sold (2017 - $41,378,246).

In-transit inventory consists of beverage alcohol that has been customs cleared at the dock in Halifax as part of a consolidated load destined for three liquor boards in the Maritimes. The Commission owns the inventory in this case after it has been cleared at the point of entry into Canada.

There were no write-downs of inventories. No reversals of previous write-downs were recognized as a reduction of expense in 2018 or 2017. None of the inventories are pledged as security for liabilities.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

Notes to Financial Statements
March 31, 2018

7. Property, Plant, and Equipment

The Commission's property, plant, and equipment is comprised of land, buildings, leased property, equipment, vehicles, leasehold improvements, and a financial information system. The carrying amounts are as follows for the current fiscal year:

	Land $	Buildings $	Leased Property $	Equipment $	Vehicles $	Leasehold Improve-ments $	Financial Information System $	2018 Total $
Cost								
Balance, April 1, 2017	63,908	6,238,109	881,797	3,265,060	235,067	6,128,572	3,947,424	20,759,937
Additions	-	-	-	286,462	-	490,518	291,508	1,068,488
Disposals	-	(8,370)	-	(107,666)	-	(411,917)	-	(527,953)
Balance, March 31, 2018	63,908	6,229,739	881,797	3,443,856	235,067	6,207,173	4,238,932	21,300,472
Accumulated Depreciation								
Balance, April 1, 2017	-	3,539,503	125,001	2,852,012	209,148	5,059,371	3,594,296	15,379,331
Depreciation	-	169,364	44,090	181,126	17,350	214,280	144,436	770,646
Disposals	-	(3,900)	-	(103,004)	-	(404,027)	-	(510,931)
Balance, March 31, 2018	-	3,704,967	169,091	2,930,134	226,498	4,869,624	3,738,732	15,639,046
Net Book Value, March 31, 2018	63,908	2,524,772	712,706	513,722	8,569	1,337,549	500,200	5,661,426

The Commission has not pledged any of its property, plant, and equipment as security.

The carrying amounts are as follows for the previous fiscal year:

	Land $	Buildings $	Leased Property $	Equipment $	Vehicles $	Leasehold Improve-ments $	Financial Information System $	2017 Total $
Cost								
Balance, April 1, 2016	63,908	6,182,921	1,415,130	3,074,186	235,067	6,044,885	3,892,640	20,908,737
Additions	-	55,188	-	190,874	-	83,687	54,784	384,533
Disposals	-	-	(533,333)	-	-	-	-	(533,333)
Balance, March 31, 2017	63,908	6,238,109	881,797	3,265,060	235,067	6,128,572	3,947,424	20,759,937
Accumulated Depreciation								
Balance, April 1, 2016	-	3,354,243	147,578	2,650,201	182,304	4,818,400	3,433,376	14,586,102
Depreciation	-	185,260	70,756	201,811	26,844	240,971	160,920	886,562
Disposals	-	-	(93,333)	-	-	-	-	(93,333)
Balance, March 31, 2017	-	3,539,503	125,001	2,852,012	209,148	5,059,371	3,594,296	15,379,331
Net Book Value, March 31, 2017	63,908	2,698,606	756,796	413,048	25,919	1,069,201	353,128	5,380,606

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

8. Accounts Payable and Accrued Liabilities

	2018 $	2017 $
Trade payables and accruals	4,416,508	2,436,455
Province of Prince Edward Island	179,397	247,291
	4,595,905	2,683,746

9. Debentures Payable

	2018 $	2017 $
Point of Sale System, repayable in equal annual installments of $52,747 including interest, 1.81%, matures February 5, 2021.	152,683	201,778
Charlottetown (Oak Tree), repayable in equal annual installments of $16,409 including interest, 5.28%, matures June 27, 2017.	-	15,586
Charlottetown (Head Office and Warehouse), repayable in equal annual installments of $31,393 including interest, 4.37%, matures January 20, 2020.	58,898	86,510
Stratford, repayable in equal annual installments of $86,542 including interest, 4.20%, matures September 13, 2020.	239,254	312,665
O'Leary, repayable in equal annual installments of $49,488 including interest, 4.07%, matures January 2, 2024.	258,834	296,265
Total	709,669	912,804
Less current portion	194,251	203,135
Long-term portion	515,418	709,669

All debentures are payable to the Province of Prince Edward Island.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

9. Debentures Payable (continued...)

Principal repayments for the next five years and thereafter are as follows:

Fiscal Year	Amount $
2019	194,251
2020	201,213
2021	177,053
2022	43,906
2023	45,693
Thereafter	47,553
	709,669

10. Financial Instruments

Financial Assets

The Commission's financial assets include cash and accounts receivable. Cash has been classified as fair value through profit and loss and receivables have been classified as loans and receivables.

Cash is designated as held for trading and it is measured at fair value. Any gains or losses from this measurement are recognized through profit or loss.

Loans and receivables are financial assets with a fixed or determinate payment that are not quoted on an active market. These are measured at amortized cost using the effective interest rate method less a provision for any impairment. Discounting has been omitted as any effect on the carrying balance is not significant.

Financial Liabilities

The Commission's financial liabilities consist of accounts payable, accrued liabilities, amounts due to the Province of Prince Edward Island, obligations under finance leases, and debentures payable. These liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Fair Value

Financial assets and liabilities are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods is based on classification as held-for-trading, loans and receivables, and other financial liabilities.

Financial assets and liabilities recorded in the statement of financial position at fair market value are categorized based on the fair value hierarchy of inputs. The Level 1 hierarchy is unadjusted quoted prices in active markets for identical assets and liabilities. This level of inputs is used to measure fair value of cash.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

10. Financial Instruments (continued...)

Fair Value (continued...)

Fair values for accounts receivable, accounts payable, accrued liabilities, and amounts due to the Province of Prince Edward Island approximate their carrying amounts due to their short-term nature.

The fair values of debentures payable and obligations under finance leases are not materially different from their carrying value as there has not been a significant fluctuation in interest rates.

Transaction Costs

Transaction costs for fair value through profit or loss instruments are recognized as profit or loss immediately while transaction costs for other financial instruments form part of the original value of the financial instrument.

De-recognition

De-recognition of a financial instrument occurs when the contractual rights to the cash flow generated by the asset expire, when the financial asset and substantially all of the risks and rewards are transferred to a third party, or when the obligation in the contract is discharged, cancelled, or expires.

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	2018 $	2017 $
Financial Assets		
Financial assets at fair value through profit or loss, designated as held for trading		
Cash	2,729,751	1,418,231
Loans and receivables measured at amortized cost		
Accounts receivable (Note 5)	1,069,766	812,848
	3,799,517	2,231,079

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

10. Financial Instruments (continued...)

	2018 $	2017 $
Financial Liabilities		
Other financial liabilities measured at amortized cost		
Non current		
Obligations under finance leases (Note 12)	764,152	790,836
Debentures payable (Note 9)	515,418	709,669
	1,279,570	1,500,505
Current		
Due to the Province of Prince Edward Island	11,686,322	11,336,043
Accounts payable and accrued liabilities (Note 8)	4,595,905	2,683,746
Current portion of obligations under finance leases (Note 12)	26,684	24,734
Current portion of debentures payable (Note 9)	194,251	203,135
	16,503,162	14,247,658
	17,782,732	15,748,163

A description of the Commission's risk management objectives and policies for financial instruments is included in Note 11.

11. Financial Risk Management

The Commission is exposed to various risks in relation to financial instruments. The Commission's financial assets and liabilities by category are summarized in Note 10. The main types of risks are market, credit, and liquidity risk.

Market Risk

Market risk consists of three types: currency, interest rate, and price risk. The Commission's market risk management focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Commission's financial performance. In common with many organizations that purchase in foreign currencies, the Commission may be exposed to a marginal degree of currency risk. Management has mitigated the exposure to this risk by limiting the number of purchase transactions originating in foreign currency.

The Commission's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowing is at fixed rates.

The Commission's financial instruments are not subject to significant price risk.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

11. Financial Risk Management (continued...)

Credit Risk

Credit risk is the risk the Commission will incur a loss because a customer fails to meet an obligation. The Commission is exposed to this risk for financial instruments classified as loans and receivables by granting credit to customers. The Commission's maximum exposure to credit risk is limited to the carrying amount of loans and receivables recognized at the reporting date as summarized below:

	2018 $	2017 $
Loans and receivables	1,069,766	812,848

The Commission has mitigated its exposure to this risk through the limited extension of credit and its contractual relationships with its business partners. The Commission's management considers that an allowance of $63,479 (2017 - $62,105) is required for the above loans and receivables to be fairly stated. The loans and receivables are shown net of the allowance.

Some of the unimpaired trade and other receivables are past due as at the reporting date. The aging of unimpaired trade and other receivables is as follows:

	2018 $	2017 $
Current	336,259	273,098
Less than 30 days	325,408	166,697
30 - 60 days	251,722	173,978
60 days - 1 year	76,480	123,576
More than 1 year	79,897	75,499
	1,069,766	812,848

With respect to trade and other receivables, the Commission is not exposed to any significant credit risk exposure to any single supplier or country of origin. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables to be good.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

11. Financial Risk Management (continued...)

Liquidity Risk

Liquidity risk is the risk that the Commission would be unable to meet its obligations. The Commission manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day outlook. Net cash requirements are compared to available borrowing facilities in order to determine any surplus or shortfall.

The Commission's objective is to maintain cash and marketable securities to meet its liquidity requirements for a minimum 30 day period. This objective was met for the reporting period. Funding for long-term liquidity needs are secured by adequate amounts of committed credit facilities. The Commission's existing cash resources, trade receivables, and cash generated from operations significantly exceed the current cash outflow requirements.

The Commission's contractual financial liabilities as at March 31, 2018 mature as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	4,595,905	-	-	-
Due to the Province	11,686,322	-	-	-
Obligations under finance leases	13,342	13,342	129,547	634,605
Debentures	76,494	117,757	467,866	47,552
	16,372,063	131,099	597,413	682,157

The Commission's contractual financial liabilities as at March 31, 2017, matured as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	2,683,746	-	-	-
Due to the Province	11,336,043	-	-	-
Obligations under finance leases	11,994	12,740	120,058	670,778
Debentures	88,997	114,138	616,423	93,246
	14,120,780	126,878	736,481	764,024

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

12. Leases and Commitments

The Commission leases twelve retail outlets and one warehouse. Eleven (2017 - twelve) of those leases are classified as operating leases and two (2017 - two) retail outlets are classified as finance leases.

Finance Leases

The following are the future minimum lease payments and present values for the finance leases as at March 31, 2018:

	Within 1 Year $	1 to 5 Years $	After 5 Years $	2018 Total $	2017 Total $
Minimum lease payments	89,502	358,008	970,772	1,418,282	1,507,784
Present value	82,874	274,601	433,361	790,836	815,570

The present value was calculated by discounting the minimum lease payments using the estimated interest rates implicit in the lease over the same period as the length of the lease including any renewal options. The estimated interest rates that are implicit in the leases are 7.27 and 9.27 percent.

Operating Leases

The following are the Commission's future minimum lease payments for the operating leases:

	Within 1 Year $	1 to 5 Years $	After 5 Years $	Renewal Options $	Total $
March 31, 2018	530,726	1,692,646	1,010,389	978,760	4,212,521
March 31, 2017	542,915	1,797,260	1,389,244	1,920,760	5,650,179

Total future minimum operating lease payments include lease renewal options which can be exercised by the Commission for periods above their current lease contract. Lease payments recognized as an expense during the period are $902,148 (2017 - $823,751). Dependent on the terms of the lease, other costs incurred by the Commission associated with property leases generally include insurance, taxes, repairs and maintenance, and leasehold improvements.

Commitments

The Commission has entered into contracts with various suppliers for hardware maintenance, software support services, and security services. The total of these contracts is $543,244 and they expire between one and four years.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

13. Sales

	2018 $	2017 $
Gross receipts	114,030,030	108,007,179
Less taxes collected and remitted		
Provincial Health Tax	20,007,923	19,151,917
Harmonized Sales Tax	15,371,597	14,085,581
Sales	78,650,510	74,769,681

14. Employee Benefits

a) Pension Benefits

Permanent employees of the Commission participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost of living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The Commission's annual portion of contributions to the Plan of $431,851 (2017 - $425,896) was paid by the province and is not reflected in these financial statements. Any unfunded liability of the Plan is the responsibility of the province and therefore no liability has been recognized in these financial statements. For additional information on the Plan, see the province's consolidated financial statements.

b) Retiring Allowance

The Commission provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the province and are not included in these financial statements.

c) Sick Leave

Classified employees are credited 1.25 (1.5 - excluded employees) days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the province. Salary expense is included in these financial statements.

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Notes to Financial Statements
March 31, 2018

15. Related Party Transactions

These financial statements include the results of normal operating transactions with various provincial departments, Crown corporations, and agencies with which the Commission is related. Operating transactions with related parties, such as insurance and property taxes of $229,752 (2017 - $208,282) and interest on debentures of $30,410 (2017 - $40,290), are recorded at rates as determined by the Province of Prince Edward Island.

Key management received $620,955 (2017 - $594,147) during the year for salaries and benefits. Post-employment benefits are the responsibility of the province and are not included in these financial statements.

The Commission's employee salaries and benefits are paid by the province and subsequently reimbursed by the Commission.

Comprehensive income earned during the period is payable to the province. The outstanding amount due to the province at year-end is $11,686,322 (2017 - $11,336,043).

16. Other Operating Expenses

Other operating expenses include debit and credit card fees, consulting, legal, vehicle, and security expenses. Included as an expense for the current year is a provision for bad debt of $1,374 (2017 - $0).

17. Cannabis Operations

The Commission's expenses at March 31, 2018 include approximately $211,000 relating to the establishment of cannabis operations.

Subsequent to year-end, Treasury Board authorized the Commission to fund any salary costs incurred to support the launch of recreational cannabis distribution and sales as well as any fit-up costs for the new cannabis store locations. Treasury Board also authorized that these salary and fit-up costs will be reimbursed by the PEI Cannabis Management Corporation when it is established.

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Financial Statements
March 31, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Prince Edward Island Lotteries Commission

I have audited the accompanying financial statements of the **Prince Edward Island Lotteries Commission** which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive income, changes in shareholder equity (deficit), and cash flow 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 International Financial Reporting 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2018, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

B Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 21, 2018

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Assets		
Current Assets		
Accounts receivable (Note 11)		
Atlantic Lottery Corporation Inc.	278,439	468,030
Non Current Assets		
Investment in Interprovincial Lottery Corporation	1	1
Investment in Atlantic Lottery Corporation (Note 8)	270,025	-
	270,026	1
Total Assets	548,465	468,031
Liabilities and Shareholder Equity (Deficit)		
Current Liabilities		
Accounts payable		
Province of Prince Edward Island	278,439	468,030
Non Current Liabilities		
Investment in Atlantic Lottery Corporation Inc. (Note 8)	-	2,228,930
	278,439	2,696,960
Shareholder Equity (Deficit)		
Contributed surplus (Note 5)	101	101
Accumulated other comprehensive income (loss)	104,876	(542,419)
Retained earnings (deficit)	165,049	(1,686,611)
	270,026	(2,228,929)
Total Liabilities and Shareholder Equity	548,465	468,031

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Lotteries Commission

Chairman

Member

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Statement of Comprehensive Income
for the year ended March 31, 2018

	2018	2017
	$	$
Revenues		
Distributions of Atlantic Lottery Corporation Inc. net profit (Note 15)		
Lottery ticket sales	4,617,273	4,794,594
Video lottery sales	12,326,096	11,219,288
Entertainment centres net profit (loss)		
Red Shores at Charlottetown Driving Park	1,982,682	2,134,439
Red Shores at Summerside Raceway	(147,039)	(203,913)
	18,779,012	17,944,408
Expenses		
Grants to the harness racing industry (Note 10)	3,010,529	2,902,617
Grant to the City of Charlottetown (Note 12)	400,000	400,000
Responsible Gaming Strategy (Note 13)	209,972	147,179
Other	50,000	5,000
	3,670,501	3,454,796
Net income	15,108,511	14,489,612
Other comprehensive income		
Commission share of other comprehensive income of Atlantic Lottery Corporation Inc. (Note 8)	600,478	1,478,662
Comprehensive income	15,708,989	15,968,274

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Statement of Changes in Shareholder Equity (Deficit)
for the year ended March 31, 2018

	Contributed Surplus $	Accumulated Other Comprehensive Income (Loss) $	Retained Earnings (Deficit) $	2018 Shareholder Equity (Deficit) $
Balance, beginning of year	101	(542,419)	(1,686,611)	(2,228,929)
Net income	-	-	15,108,511	15,108,511
Other comprehensive income	-	647,295	(46,817)	600,478
Comprehensive income	-	647,295	15,061,694	15,708,989
Distributions to the Province of Prince Edward Island	-	-	(13,210,034)	(13,210,034)
Balance, end of year	101	104,876	165,049	270,026

	Contributed Surplus $	Accumulated Other Comprehensive (Loss) $	Deficit $	2017 Shareholder Deficit $
Balance, beginning of year	101	(1,000,207)	(4,605,981)	(5,606,087)
Net income	-	-	14,489,612	14,489,612
Other comprehensive income	-	457,788	1,020,874	1,478,662
Comprehensive income	-	457,788	15,510,486	15,968,274
Distributions to the Province of Prince Edward Island	-	-	(12,591,116)	(12,591,116)
Balance, end of year	101	(542,419)	(1,686,611)	(2,228,929)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Statement of Cash Flow
March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Cash received from Atlantic Lottery Corporation Inc.	18,968,603	17,297,806
Cash paid to the harness racing industry	(3,010,529)	(2,902,617)
Cash paid to the City of Charlottetown	(400,000)	(400,000)
Cash paid for the Responsible Gaming Strategy	(209,972)	(147,179)
Cash paid for other	(50,000)	(5,000)
Cash provided by operating activities	15,298,102	13,843,010
Financing Activities		
Distributions to the Province of Prince Edward Island	(13,399,606)	(11,944,514)
Deficit repayment (Note 14(b))	(1,898,496)	(1,898,496)
Cash used by financing activities	(15,298,102)	(13,843,010)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

1. Nature of Operations

The Government of Prince Edward Island operates no lotteries but the province, through its ownership of the Prince Edward Island Lotteries Commission (the Commission), is a shareholder in the Atlantic Lottery Corporation Inc. (ALC) and the Interprovincial Lottery Corporation (ILC). ALC is jointly owned by the four Atlantic Provinces or their lottery agency with each having 25 percent ownership. ALC is responsible to develop, organize, undertake, conduct, and manage lotteries in Atlantic Canada. ALC also markets, and handles regionally, the products of the ILC, which is jointly owned by the ten Canadian provinces. Net profits (losses) of ALC and ILC are distributed to the shareholders.

An agreement between the Commission and ALC provides for ALC to develop, organize, conduct, manage, and operate gaming entertainment centres as agent for and on behalf of the Commission. In the event this agreement is terminated, all assets held by ALC on behalf of the Commission shall be transferred to the Commission and any related loans or other liabilities shall be assumed by and become obligations of the Commission.

ALC's net profit is distributed to each of the four Atlantic Provinces or their lottery agency in accordance with the Amended and Restated Unanimous Shareholders' Agreement. Distributions during the year are based on the estimated net profit for each province, less any distributions made by ALC on behalf of the provinces, with an adjustment subsequent to year-end to reflect the actual net profit for the year.

The Commission is owned by the Province of Prince Edward Island and is therefore a non-taxable entity under the provisions of the federal *Income Tax Act*. The head office of the Commission is located at:

Office of the Minister of Finance
Second Floor South, Shaw Building
95 Rochford Street, P.O. Box 2000
Charlottetown, PE, C1A 7N8

2. Statement of Compliance and Approval

The financial statements of the Commission have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Commissioners on June 21, 2018.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

3. Summary of Significant Accounting Policies

a) International Financial Reporting Standards (IFRS)

The financial statements have been prepared using the accounting policies specified by IFRS, issued and in effect as of March 31, 2018. The significant accounting policies used in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all of the periods presented.

An overview of the standards, amendments, and interpretations on the conversion to IFRS, which are issued but not yet in effect, are presented in Note 3(e).

b) Presentation of the Financial Statements

The financial statements are presented in accordance with International Accounting Standard 1 (IAS 1), "*Presentation of Financial Statements*". The Commission has elected to present a single statement of comprehensive income. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Commission.

c) Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred.

d) Investments

Investment in the Atlantic Lottery Corporation Inc. (ALC) is an equity investment accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and subsequently the carrying amount is increased or decreased to recognize the Commission's share of income or losses from the investment and reduced by distributions received. Income and losses from the investment are recognized in the statement of comprehensive income.

Investment in the Interprovincial Lottery Corporation (ILC) is an equity investment with no quoted price on an active market whose fair value cannot be reliably measured. Investment in ILC is therefore carried at cost.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

3. Summary of Significant Accounting Policies (continued...)

e) International Financial Reporting Standards Not Yet in Effect

At the date of authorizing these statements, certain new standards, amendments, and interpretations to existing standards have been published but are not yet in effect. The Commission has chosen not to early adopt as allowed by International Financial Reporting Standards (IFRS). Management anticipates that all relevant pronouncements shall be adopted as the Commission's policy in the first period following their effective date. A list of applicable pronouncements and their effective dates are as follows:

IFRS 9 Financial Instruments: Recognition and Measurement permits two classifications for financial assets - fair value through profit or loss and amortized cost. *IFRS 9* has an effective date of the first fiscal period beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers provides a more structured approach to measuring and recognizing revenues arising from contracts with customers. *IFRS 15* has an effective date of the first fiscal period beginning on or after January 1, 2018.

IFRS 16 Leases requires lessees to recognize assets and liabilities for all leases with a term greater than one year in length with an effective date of the first fiscal period beginning on or after January 1, 2019.

Management is currently reviewing these changes.

f) Financial Risk Management Objectives and Policies

The Commission's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements, and actions. As part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk in managing the Commission's exposure.

4. Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires the use of judgments, assumptions, and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, and the reported amounts of revenues and expenses during the reporting periods presented.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

4. Significant Accounting Judgments and Estimates (continued...)

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date that reflects the most probable set of economic conditions and planned courses of action.

Items requiring the use of significant estimates include provisions for doubtful accounts of $102,042 (2017 - $102,042), and amounts recorded in Atlantic Lottery Corporation Inc. (ALC) financial statements such as the useful lives of tangible and intangible assets, impairment of financial and non financial assets, accrued liabilities, employee future benefits, development costs, fair value of financial instruments, liabilities for unclaimed prizes, and Player Loyalty Program which all impact the net distribution and allocation of undistributed income or loss to the Commission. Actual results could differ from the estimates made by management in these financial statements, and these differences, which may be material, could require adjustments in subsequent reporting periods.

5. Contributed Surplus

Contributed surplus represents amounts paid by the Province of Prince Edward Island on behalf of the Commission to the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

6. Financial Instruments

Financial instruments reported on the Commission's statement of financial position are classified as follows:

Accounts receivable	Loans and receivables
Accounts payable	Other financial liabilities

All financial instruments are initially recognized at fair market value. Subsequent measurement of financial instruments is dependent on their classification.

Loans and receivables are financial assets with fixed or determinate payments that are not quoted on an active market. They are measured at amortized cost using the effective interest rate method less a provision for any impairment. Due to their short-term nature, they are considered to be carried at amounts which approximate their fair value.

Other financial liabilities are financial liabilities that are measured at amortized cost using the effective interest rate method. Due to their short-term nature, they are considered to be carried at amounts which approximate their fair value.

The Commission has adopted a policy of recognizing all transaction costs in comprehensive income as incurred.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

7. Financial Risk Management

Credit risk management
The Commission is exposed to credit risk through its trade receivables. The Commission mitigates this risk through a regular monitoring process. Credit risk is also mitigated due to the fact that most of the non impaired receivables are due from the associate company Atlantic Lottery Corporation. Allowance for doubtful accounts is reviewed at each financial statement date. The Commission has an impaired receivable totalling $102,042 (2017 - $102,042) as described in Note 11.

Liquidity risk management
Liquidity risk is the risk that the Commission will not be able to meet all its cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows. The Commission does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Commission has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of operations. All current liabilities are fully funded by the current assets of the Commission.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures, and methods used to measure the risk.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

8. Investment in Atlantic Lottery Corporation Inc. (ALC)

The Commission uses the equity method to account for its investment in ALC which involves recognizing its share of income and losses less distributions. ALC reported the following results in its financial statements:

	2018 $ (in thousands)	2017 $ (in thousands)
Current assets	64,429	68,155
Non current assets	184,823	191,547
Current liabilities	(112,230)	(112,010)
Non current liabilities	(103,257)	(130,855)
Shareholder equity	33,765	16,837
Commission portion of shareholder equity (deficit)	270	(2,229)

	2018 $ (in thousands)	2017 $ (in thousands)
Revenues (net)	756,157	760,078
Expenses	(284,719)	(286,988)
Other losses	(52,213)	(51,158)
Net income	419,225	421,932
Other comprehensive income	2,808	11,474
Comprehensive income	422,033	433,406
Income allocated to shareholders	(419,200)	(422,021)
Undistributed income to shareholders	2,833	11,385
Commission portion of undistributed income	600	1,479

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

9. Gaming Entertainment Centres

On behalf of the province, the Atlantic Lottery Corporation Inc. (ALC) constructed and operates Red Shores Racetrack & Casino at Charlottetown Driving Park. ALC's consolidated financial statements include capital assets related to the Charlottetown gaming entertainment centre having a net book value of $14,890,059 as at March 31, 2018 (2017 - $15,054,442). Included in this are assets of $750,000 relating to the construction of a stabling barn and parking lot at Red Shores Racetrack & Casino at Charlottetown Driving Park. ALC is carrying a loan of $432,571 related to the stabling barn, with a fixed interest rate of 3.5 percent, maturing in November 2018.

ALC commenced operating Red Shores at Summerside Raceway in August 2009, occupying facilities which are being leased from the City of Summerside. ALC's consolidated financial statements include capital assets related to the Summerside gaming entertainment centre having a net book value of $1,277,515 as at March 31, 2018 (2017 - $1,586,481). This amount includes leasehold improvements of $724,813 (2017 - $845,316), but it does not include any amount for future lease payments. ALC's consolidated financial statements report the lease as an operating lease having future minimum lease payments of $335,000 for each of the next five years and minimum future aggregate lease payments to the end of the 15 year lease term totalling $2,149,532. These amounts are included in the operating lease commitments amounts disclosed in Note 14(c).

ALC is carrying a loan related to the Charlottetown and Summerside gaming entertainment centres in the amount of $7,337,000 (2017 - $8,067,000) amortized over 20 years, repayable in monthly installments of principal plus interest at variable interest rates and hedged by a fixed interest rate swap bearing interest at 3.14 percent, beginning August 2016 and maturing August 2026.

ALC is recovering its debt amortization costs through depreciation charges which, along with the loan interest and Summerside centre lease charges, are included in the cost of operating the gaming entertainment centres. ALC's profit distributions to the Commission are adjusted to reflect any profit or loss resulting from its operation of the gaming entertainment centres and the stabling barn.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

10. Grants to the Harness Racing Industry

Grants to the harness racing industry provided through the Commission consist of the following:

	2018 $	2017 $
Grant to PEI Harness Racing Industry Association	2,100,000	2,100,000
Grant to Prince County Horsemen's Club	136,554	95,000
Grant to Maritime Provinces Harness Racing Commission	125,501	112,604
Grant to support the World Driving Championship	75,000	-
Grants for sales tax due from pari-mutuel wagering	573,474	595,013
	3,010,529	2,902,617

11. Accounts Receivable

	2018 $	2017 $
Atlantic Lottery Corporation Inc.	278,439	468,030
Harness Racing PEI Inc.	102,042	102,042
	380,481	570,072
Less: Provision for doubtful accounts	(102,042)	(102,042)
	278,439	468,030

12. Grant to the City of Charlottetown

The grant to the City of Charlottetown is pursuant to an arrangement between the City and the Province of Prince Edward Island, whereby the City was to receive $400,000 per annum for ten years beginning with the year ended December 31, 2005. The original agreement ended in December 2014. Treasury Board authorized a five year extension of the agreement for fiscal year 2015-16 to 2019-20. This amount is subject to adjustment if the Charlottetown gaming entertainment centre operates less than 300 days in a given year.

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

13. Responsible Gaming Strategy

Implementation of the Province's Responsible Gaming Strategy began in 2010. The objective of the strategy is to prevent and reduce problems associated with gaming, while maximizing its potential social and economic aspects for Islanders.

The following is a summary of the Responsible Gaming Strategy costs incurred by the Commission:

	2018 $	2017 $
Gaming Strategy - Consulting Services	-	1,350
Activities carried out by:		
The Department of Health and Wellness	209,972	145,829
	209,972	147,179

14. Commitments

a) Responsible Gaming Strategy

The Commission has committed a maximum of $300,000 on an annual basis to support the implementation of the Responsible Gaming Strategy.

b) Deficit Repayment

In 2012, ALC reported a shareholder deficiency as a result of various adjustments required in the conversion of its accounting framework to International Financial Reporting Standards. The most significant portion of the deficit related to the employee future benefit liability. The Commission entered into an arrangement with ALC to withhold $158,208 monthly from its profit distribution in order to fund its portion of ALC's deficit. The arrangement commenced effective September 15, 2013 and the total amount remaining to be withheld between April 1, 2018 and March 31, 2019 is $1,898,496.

c) Operating Leases

The Commission, as a shareholder in ALC is responsible for a portion of the leases entered into by ALC. The Commission's portion of ALC's minimum future annual lease payments are as follows:

Fiscal Year	Amount $
2019	722,400
2020	739,400
2021	740,400
2022	742,400
Thereafter	2,679,000

PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

14. Commitments (continued...)

d) Other Commitments

The Commission, as a shareholder in ALC is responsible for a portion of multiple agreements for infrastructure services, application services, and project services entered into by ALC. The Commission's portion of ALC's annual payments for other commitments over the next five years are as follows:

Fiscal Year	Amount $
2019	1,518,600
2020	1,325,900
2021	675,100
2022	273,100
2023	114,600

15. Related Party Transactions

The Commission is owned by the Province of Prince Edward Island. Any excess revenues over expenses of the Commission are distributed to the province as shown on the statement of changes in shareholder equity (deficit). Other transactions with the province, its Crown corporations, and agencies are recorded at rates as determined by the province.

There are resources provided to the Commission by the Province of Prince Edward Island such as office facilities, support services, salaries, and employee future benefits. These costs are assumed by the province and not reflected in these financial statements.

The Commission does not have a separate bank account. All transactions are processed through the province's bank account.

The following is a summary of operations conducted by the Atlantic Lottery Corporation Inc. (ALC) on behalf of the Commission. Net profits were distributed to the Commission as follows:

	Lottery Ticket Sales $	Video Lottery Sales $	Red Shores Charlottetown $	Red Shores Summerside $	2018 $	2017 $
Gross profit	11,596,791	16,623,778	15,380,384	2,723,669	46,324,622	45,381,683
Expenses	(6,979,518)	(4,297,682)	(13,397,702)	(2,870,708)	(27,545,610)	(27,437,275)
Net profit	4,617,273	12,326,096	1,982,682	(147,039)	18,779,012	17,944,408

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of net profit attributable to the Commission as determined by the net profit of ALC in accordance with ALC's financial reporting framework.

PRINCE EDWARD ISLAND LOTTERIES COMMISSION
Notes to Financial Statements
March 31, 2018

16. Pensions and Employee Benefits

Atlantic Lottery Corporation Inc. participates in a multiple-employer defined benefit contributory pension plan. ALC also provides certain post-employment healthcare benefits, long service awards, extended health and dental benefits, life insurance, and ad-hoc supplementary pensions. The portion of expenditures allocated to the Commission through ALC's profit distributions related to pensions is $619,005 (2017 - $759,295) and $183,275 (2017 - $161,493) related to employee benefits.

In addition to the transactions above, ALC also made special pension payments during the year of $5.3 million (2017 - $11.8 million). The Commission's portion of these special payments is funded through monthly withholdings from future profit distribution as stated in Note 14(b).

17. Capital Management

The Commission's capital is its equity which consists primarily of the outstanding investment in the Atlantic Lottery Corporation Inc. The objective when managing capital is to provide an adequate return to enable it to meet its funding obligations. The Commission sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Commission may reduce its funding contributions to the province. The Commission is not subject to any externally imposed capital requirements or financial debt covenants and does not presently utilize any quantitative measures to maintain capital.

Prince Edward Island Museum and Heritage Foundation

Financial Statements

March 31, 2018

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

ArsenaultBestCameronEllis
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Member of The AC Group of Independent Accounting Firms

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June 29, 2018

Independent Auditor's Report

To the Board of Governors of
Prince Edward Island Museum and Heritage Foundation

We have audited the accompanying financial statements of **Prince Edward Island Museum and Heritage Foundation,** which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, remeasurement gains, changes 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.

Auditor's 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 auditor's 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion
In common with many charitable organizations, the Foundation derives revenues from admissions, special events, donations and other activities, the completeness of which is not susceptible of conclusive audit verification. Accordingly our verification of such revenue was limited to an accounting for the amounts recorded in the revenue of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus and cash flows from operations for the years ended March 31, 2018 and 2017, financial assets as at March 31, 2018 and 2017 and accumulated surplus as at April 1 and March 31 for both 2018 and 2017.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Prince Edward Island Museum and Heritage Foundation** as at March 31, 2018, and the results of its operations, remeasurement gains and losses, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian accounting standards for the public sector.

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Chartered Professional Accountants

Prince Edward Island Museum and Heritage Foundation

Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets (note 9)		
Financial assets		
Cash	168,215	207,436
Accounts receivable (notes 3 and 12)	63,906	53,690
Investments (note 4)	1,112,427	1,034,818
	1,344,548	1,295,944
Liabilities		
Accounts payable and accrued liabilities (notes 5 and 12)	29,534	24,117
Deferred revenue (note 6)	2,130	2,288
	31,664	26,405
Net financial assets	1,312,884	1,269,539
Non-financial assets		
Inventory (note 7)	66,274	28,703
Tangible capital assets (schedule)	367,367	218,762
	433,641	247,465
Accumulated surplus	1,746,525	1,517,004
Accumulated surplus consists of		
Accumulated surplus (notes 8 and 9)	1,621,014	1,418,637
Accumulated remeasurement gains	125,511	98,367
	1,746,525	1,517,004

Approved by the Board of Directors

Carolyn McKillop Board Chair

Marilyn McDonald Director

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Prince Edward Island Museum and Heritage Foundation

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018

	(unaudited) Budget $	2018 $	2017 $
Revenues			
Province of Prince Edward Island - operating grants (notes 10 and 12)	1,193,922	1,139,307	1,176,831
Government of Canada grant (note 11)	35,500	40,740	47,170
Memberships and donations	33,000	37,773	29,347
Admissions and special events	242,000	283,724	243,505
Publishing	26,000	18,653	9,505
Investment income	25,000	23,719	28,201
Other income	6,000	18,139	32,862
	1,561,422	1,562,055	1,567,421
Expenses			
Artifact collection and equipment	1,000	1,084	4,830
Federal projects (note 11)	47,301	55,526	64,069
Insurance, taxes and interest	15,125	16,513	14,538
Inventory (recovery)	-	-	(970)
Lease (note 12)	28,800	27,187	31,091
Office	33,500	37,741	36,238
Other operating expenses	80,350	102,946	90,189
Public programs	32,500	47,742	54,150
Publishing	45,000	20,134	26,132
Repairs and maintenance	30,000	50,938	33,660
Travel	6,000	7,129	6,067
Utilities	80,000	94,302	82,543
Wages and benefits (note 13)	1,161,846	1,056,101	1,092,526
	1,561,422	1,517,343	1,535,063
Operating surplus	-	44,712	32,358
Other revenue (expense)			
Province of Prince Edward Island - capital grant (notes 10 and 12)		168,940	195,520
Amortization		(11,275)	(5,189)
		157,665	190,331
Annual surplus		202,377	222,689
Accumulated surplus - Beginning of year		1,418,637	1,195,948
Accumulated surplus - End of year		1,621,014	1,418,637

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Prince Edward Island Museum and Heritage Foundation

Statement of Remeasurement Gains

For the year ended March 31, 2018

	2018 $	2017 $
Accumulated remeasurement gains - Beginning of year	98,367	54,414
Unrealized gains attributable to:		
Equity investments	27,144	46,607
Amounts reclassified to the Statement of Operations:		
Investment income	-	(2,654)
Accumulated remeasurement gains - End of year	125,511	98,367

Prince Edward Island Museum and Heritage Foundation

Statement of Changes in Net Financial Assets

For the year ended March 31, 2018

	2018 $	2017 $
Net financial assets - Beginning of year	1,269,539	1,187,689
Changes in year		
Annual surplus	202,377	222,689
Unrealized gains	27,144	46,607
Unrealized gains transferred to investment income	-	(2,654)
Change in inventory	(37,571)	5,539
Amortization of tangible capital assets	11,275	5,189
Increase in tangible capital assets	(159,880)	(195,520)
Change in net financial assets	43,345	81,850
Net financial assets - End of year	1,312,884	1,269,539

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Prince Edward Island Museum and Heritage Foundation

Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Annual surplus	202,377	222,689
Item not affecting cash		
Amortization on tangible capital assets	11,275	5,189
	213,652	227,878
Net change in non-cash working capital items		
Increase in accounts receivable	(10,216)	(16,557)
Decrease (increase) in inventory	(37,571)	5,539
Increase in accounts payable and accrued liabilities	5,417	9,014
Decrease in deferred revenue	(158)	(120)
	171,124	225,754
Investing activities		
Acquisition of tangible capital assets	(159,880)	(195,520)
Decrease (increase) in investments	(50,465)	69,688
	(210,345)	(125,832)
Change in cash	(39,221)	99,922
Cash - Beginning of year	207,436	107,514
Cash - End of year	168,215	207,436

Prince Edward Island Museum and Heritage Foundation
Notes to Financial Statements
March 31, 2018

1 Nature of operations

The Prince Edward Island Museum and Heritage Foundation is a corporate body established under the *Museum Act* whose purpose is to study, collect, preserve, interpret and protect the human and natural heritage of Prince Edward Island for the use, benefit and enjoyment of the people of the Province.

The Museum is a registered charitable organization under the federal *Income Tax Act* and is exempt from taxation.

2 Summary of significant accounting policies

Basis of accounting

The financial statements of the Foundation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Standards Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

Cash

Cash includes cash on hand and balances on deposit at banks.

Accounts receivable

Accounts receivable are recorded at cost less an appropriate provision when collection is in doubt.

Inventory

Inventory held for resale including books, magazines and gift store items are recorded at the lower of cost or net realizable value. In the year of publishing, 10 percent of the original value is written down, if published in the first half of the fiscal year. A write down in the first year is not applied if published in the second half of the fiscal year. Books and magazines published by the Foundation are written down by 20 percent of their original value annually to approximate net realizable value.

Investments

Equity investments quoted in an active market are recorded at fair value. All other investments are valued at cost or amortized cost less any write-down associated with a loss in value that is other than a temporary decline.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recorded for all amounts due for work performed and goods or services received during the year.

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

Deferred revenue

Deferred revenue represents revenue received for subscriptions and books for which expenditures will occur beyond the year end date. Revenue is recognized in the period in which the expenditures occur.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development. Interest is not capitalized. Assets less than $5,000 are expensed during the year.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their useful lives as follows:

Buildings	25 years
Equipment	5 years
Leaseholds	5 years
Vehicles	5 years

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Fully amortized capital assets are reported at a nominal value of $1.

Contributed capital assets are recorded at the estimated value at the time of donation. Estimate value is determined using appraised value, if available, or tax assessed value.

Works of Art and historical treasures are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. The Museum and Heritage Foundation holds numerous artifacts, the nature of these items include: material culture from Mi'kmaq ethno-historic and pre-contact archaeological household articles; 18th, 19th and 20th century Canadian furniture; textiles which includes clothing, rugs, tools and marine artifacts. The Museum also holds a large body of archival documents which includes maps, paintings, drawings, photographs and books.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Revenue recognition

Revenues are recognized in the period in which the transaction or event that gave rise to the revenue occurred, so long as the transaction can be reasonably measured and collection is reasonably assured. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Prince Edward Island Museum and Heritage Foundation
Notes to Financial Statements
March 31, 2018

Government grants (revenues from non-exchange transactions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met and reasonable estimates of the amounts can be made.

Expenses

Expenses are reported on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred.

Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities.

All financial assets other than equity investments are recorded at cost or amortized cost, less any provisions. Equity investments are valued at fair value and are categorized as level 1 for the purpose of describing the basis of the inputs used to measure fair value. Level 1 reflects unadjusted quoted prices in active markets for identical assets or liabilities. Unrealized gains and losses from changes in the fair value of equity investments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is recognized in the statement of operations.

Management estimates

The presentation of financial statements in conformity with Canadian accounting standards for the public sector, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Significant estimates include the valuation of accounts receivable and useful life of tangible capital assets. Actual results could differ from those estimates.

3 Accounts receivable

	2018 $	2017 $
General	13,009	18,643
Province of Prince Edward Island	50,897	35,047
	63,906	53,690

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

4 Investments

	2018 $	2017 $
Investments at cost and amortized cost:		
Guaranteed investment certificates:		
ICICI Bank Canada, yield 2.31%, maturing January 16, 2019	90,000	90,000
Equitable Bank, yield 2.12%, maturing May 21, 2019	40,000	40,000
B2B Bank, yield 2.1%, maturing September 25, 2019	40,000	-
HSBC Bank, yield 2.55%, maturing January 16, 2020	90,000	90,000
National Bank of Canada, yield 2.31%, maturing May 21, 2020	35,000	35,000
General Bank of Canada, yield 2.35%, maturing September 25, 2020	40,000	-
Canadian Western Trust, yield 2.37%, maturing September 25, 2021	40,000	-
Natcan Trust Company, yield 1.97%, maturing December 8, 2021	60,000	60,000
National Bank of Canada, yield 1.97%, maturing December 8, 2021	60,000	60,000
Homequity Bank, yield 2.02%, maturing March 28, 2022	100,000	100,000
Equitable Bank, yield 2.64%, maturing September 26, 2022	40,000	-
Home Trust Company, yield 3.3%, maturing March 28, 2023	100,000	-
ICICI Bank Canada, yield 3.25%, maturing March 28, 2023	9,000	-
Pacific and Western, yield 2.25%, matured September 22, 2017	-	87,600
B2B Bank, yield 1.80%, matured February 5, 2018	-	49,000
LBC Trust, yield 2.30%, matured February 14, 2018	-	83,000
	744,000	694,600
Souris Credit Union Shares	6	6
Total investments at cost and amortized cost (market value of investments $750,602; 2017 - $703,913)	744,006	694,606
Equity investments at fair value:		
Mutual Funds		
Russell Cdn. Equity Pool	50,392	49,931
Russell US Equity Pool	74,301	68,647
Russell Overseas Equity Pool	27,235	24,589
	151,928	143,167

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

Common shares		
Bank of Nova Scotia	39,680	38,900
National Bank of Canada	15,766	14,518
Nutrien Ltd.	12,178	11,360
Power Corp of Canada	19,845	21,087
Toronto-Dominion Bank	26,320	23,980
	113,789	109,845
Foreign securities		
Cisco Systems	24,872	20,226
International Business Machines Corp.	21,749	25,523
Microsoft Corp.	41,166	30,714
Novo Nordisk	14,917	10,737
	102,704	87,200
Total equity investments at fair value	368,421	340,212
Total investments	1,112,427	1,034,818

5 Accounts payable and accrued liabilities

	2018 **$**	**2017** **$**
General	29,038	23,687
Province of Prince Edward Island	496	430
	29,534	24,117

6 Deferred revenue

	2018 **$**	**2017** **$**
Subscriptions	2,130	2,288

7 Inventory

	2018 **$**	**2017** **$**
Publishing inventory - amortized cost	50,188	12,537
Gift shop/book inventory - at cost	16,086	16,166
	66,274	28,703

Prince Edward Island Museum and Heritage Foundation
Notes to Financial Statements
March 31, 2018

8 Accumulated surplus

Accumulated surplus consists of:

	2018 $	2017 $
Unrestricted surplus	153,023	119,990
Equity in tangible capital assets	347,996	190,331
Endowment fund assets	1,119,995	1,108,316
	1,621,014	1,418,637

Reconciliation of equity in tangible capital assets:

	2018	2017
Equity in tangible capital assets - beginning of year	190,331	-
Capital grants received during the year (note 10)	168,940	195,520
Amortization during the year	(11,275)	(5,189)
Equity in tangible capital assets - end of year	347,996	190,331

Equity in tangible capital assets represents the capital grants that have been received for the sole purpose of financing the Foundation's tangible capital asset additions. Equity in tangible capital assets will be reduced annually by the amortization expense associated with those tangible capital asset additions.

9 Endowment fund

The Endowment Fund is a component of Prince Edward Island Museum and Heritage Foundation. The Endowment Fund is a special purpose fund established by an agreement between the Province of Prince Edward Island and the Foundation with the objective of preserving the historical heritage of the Province of Prince Edward Island. The investments, administration, and control of expenses of the Fund are governed by three Trustees:

- The Minister of the Department of Finance of the Province of Prince Edward Island;
- The Chief Justice of Prince Edward Island, and
- The Chairman of the Board of Governors of the Foundation.

The Trustees approve annually an allocation of the net income derived from the Fund investments to the Foundation for operations or capital projects that meet the objectives of the Foundation. The capital portion of the Fund may also be used for the benefit of the Foundation provided there is unanimous agreement by the Trustees and consent by the Lieutenant Governor-in-Council, and provided the objectives of the Foundation are met. Normally, only the income from investments is expended. Any unspecified bequests received over $5,000 are added to the Endowment Fund assets. Endowment Fund assets are included in the assets of the Foundation in the statement of financial position.

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

	2018 $	2017 $
Endowment fund assets - Beginning of year	1,108,316	1,080,200
Amounts reclassified to the Statement of Operations	-	(2,654)
Revenue	50,679	74,770
Expense	(39,000)	(44,000)
Endowment fund assets - End of year	1,119,995	1,108,316

Endowment fund assets are included in the following accounts on the statement of financial position:

	2018 $	2017 $
Cash	967	64,186
Accounts receivable	6,601	9,312
Investments	1,112,427	1,034,818
	1,119,995	1,108,316

10 Grants - Province of Prince of Edward Island

	2018 $	2017 $
Operating grants:		
Department of Education, Early Learning and Culture - operating grant	1,128,924	1,156,522
Department of Economic Development and Tourism	-	2,001
Prince Edward Island Employment Development Agency	10,383	18,308
	1,139,307	1,176,831
Capital grants:		
Department of Education, Early Learning and Culture - capital grant	168,940	195,520

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

11 Government of Canada

	2018 Revenue $	2018 Expenses $	2017 Revenue $	2017 Expenses $
Projects				
Canadian Museum Association Young Canada Works	40,740	55,526	37,170	46,971
Canadian Heritage Museums Assistance Program - Collections	-	-	10,000	17,098
	40,740	55,526	47,170	64,069

12 Related party transactions

The Foundation is a Provincial Government agency and as such is considered related to all entities in the government reporting entity.

Accounts receivable at year end include $50,897 (2017 - $35,047) from the Province. Accounts payable at year end include $496 (2017 - $430) to the Province.

Certain costs and assets provided by the Province of Prince Edward Island such as museum sites, operating and administrative costs, insurance and certain employee wages and benefit costs are assumed by the Province and are not reflected in the Foundation's financial statements.

Included in grants from the Province were $1,018,576 (2017 - $1,059,621) for employee wages and benefits, $114,818 (2017 - $114,046) for other operating grants, $168,940 (2017 - 195,520) for capital grants, and $5,913 (2017 - $3,164) for office expenses. The Foundation has also entered into a lease agreement with Finance PEI, payments made were $26,977 (2017 - $28,355).

Transactions with the Province of Prince Edward Island are recorded at amounts as determined by the Province.

The Foundation operates various properties owned by the Province. The Foundation did not incur any expenses for capital repairs on these properties.

Prince Edward Island Museum and Heritage Foundation
Notes to Financial Statements
March 31, 2018

13 Employee future benefits

Sick leave

Classified employees are credited 1.25 (excluded employees - 1.5) days per month for use as paid absence in the year, due to illness or injury. Under existing employment agreements employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current years allocation. Accumulated sick days for sick leave compensation cease on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the Province. Salary expense is included in these financial statements.

Pension

Permanent employees of the Foundation participate in the Province of Prince Edward Island's Civil Service Superannuation Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service. The Plan is administered by the Province of Prince Edward Island. The Foundation's annual portion of contributions to the Plan was $52,138 (2017 - $63,148) and are paid by the Province and recognized on the financial statements of the Province. Any unfunded liability is the responsibility of the Province and therefore no liability has been recognized in these financial statements.

Retirement allowance

The Foundation provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the Province and are not included in these financial statements.

14 Financial risk management objectives and policies

Prince Edward Island Museum and Heritage Foundation's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Prince Edward Island Museum and Heritage Foundation manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

Prince Edward Island Museum and Heritage Foundation
Notes to Financial Statements
March 31, 2018

(a) Credit risk

Credit risk is the risk of financial loss to the Foundation if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Foundation's accounts receivable and investments.

The Foundation's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The Foundation's maximum exposure to credit risk at the reporting date was:

	2018 **$**	**2017** **$**
Cash	168,215	207,436
Accounts receivable	63,906	53,690
Investments	1,112,427	1,034,818
	1,344,548	1,295,944

(b) Liquidity risk

Liquidity risk is the risk that the Foundation may not be able to meet its financial obligations as they come due. Specifically, the Foundation needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities as they come due. The Foundation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The Foundation's financial liabilities of $29,534 are expected to be repaid within one year.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Foundation's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Foundation does not hold or operate in foreign currency and thus market risk is derived from interest rate and price risk. The Foundation is exposed to interest rate and price risk because of the investments held by the Foundation. The Foundation is not exposed to commodity price risk. To manage its price risk arising from marketable securities, the company diversifies its portfolio.

Prince Edward Island Museum and Heritage Foundation

Notes to Financial Statements

March 31, 2018

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Foundation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Foundation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

15 Lease commitments

The Foundation has entered into a five-year lease agreement with Finance PEI to lease storage space at West Royalty Industrial Park commencing July 1, 2016. The lease expires on June 30, 2021. Lease payments in the next four years are as follows:

	$
Year ending March 31, 2019	28,890
2020	28,890
2021	28,890
2022	7,223

16 Budgeted figures

Budgeted figures have been provided for comparative purposes and were derived from estimates approved by the board of governors.

Prince Edward Island Museum and Heritage Foundation

Schedule of Tangible Capital Assets

As at and for the year ended March 31, 2018 **Schedule**

	Cost			Accumulated amortization			2018
	Beginning $	Additions $	Ending $	Beginning $	Amortization $	Ending $	Net book value $
Land	21,608	-	21,608	-	-	-	21,608
Buildings	555,958	159,880	715,838	358,805	11,275	370,080	345,758
Equipment	1	-	1	-	-	-	1
Leaseholds	10,220	-	10,220	10,220	-	10,220	-
Vehicles	36,968	-	36,968	36,968	-	36,968	-
	624,755	159,880	784,635	405,993	11,275	417,268	367,367

	Cost			Accumulated amortization			2017
	Beginning $	Additions $	Ending $	Beginning $	Amortization $	Ending $	Net book value $
Land	21,608	-	21,608	-	-	-	21,608
Buildings	360,438	195,520	555,958	354,637	4,168	358,805	197,153
Equipment	1	-	1	-	-	-	1
Leaseholds	10,220	-	10,220	9,199	1,021	10,220	-
Vehicles	36,968	-	36,968	36,968	-	36,968	-
	429,235	195,520	624,755	400,804	5,189	405,993	218,762

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

P.E.I. Pension Plan for Members of the Legislative Assembly

Audited Financial Statements for P.E.I. Pension Plan for Members of the Legislative Assembly for the year ended December 31, 2017 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

P.E.I. Public Trustee

Audited Financial Statements for P.E.I. Public Trustee for the year ended March 31, 2018 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

Prince Edward Island Regulatory and Appeals Commission

Financial Statements

For the Year Ended March 31, 2018

FITZPATRICK & CO.
Accountants • Advisors

Independent Auditor's Report

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

We have audited the accompanying financial statements of Prince Edward Island Regulatory and Appeals Commission which comprise the statement of financial position as at March 31, 2018 and the statements of operations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit is 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 auditor's 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 circumstance, but not for the purposes 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 council, 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 Prince Edward Island Regulatory and Appeals Commission as at March 31, 2018 and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Fitzpatrick & Company

Chartered Professional Accountants

Charlottetown, PE
June 14, 2018

FITZPATRICK & CO.
127 St. Peters Road, Suite 201, Charlottetown, PE C1A 5P3 | P 902.628.9000 | F 902.628.8808 | fitzandco.ca

Prince Edward Island Regulatory and Appeals Commission
Statement of Financial Position

As at March 31, 2018, with comparative figures for 2017

		2018		2017
Financial Assets				
Cash (note 2)	$	173,822	$	311,153
Accounts receivable (note 3)		240,316		131,193
Investments (note 4)		875,420		906,682
		1,289,558		1,349,028
Liabilities				
Accounts payable and accrued liabilities (note 5)		1,306,886		1,296,266
Employee future benefits (note 6)		215,782		266,012
Leasehold improvements and inducements		64,000		80,000
		1,586,668		1,642,278
Net financial assets		(297,110)		(293,250)
Non-Financial Assets				
Prepaid expenses		887		2,136
Tangible capital assets (note 7)		121,316		198,790
		122,203		200,926
Commitments (note 8)				
Pension costs and obligations (note 9)				
Accumulated deficit (note 11)	$	(174,907)	$	(92,324)

Approved on Behalf of the Commission;

_______________, Commissioner _______________, Commissioner

J. Scott MacKenzie Doug Clow

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Operations

For the Year Ended March 31, 2018, with comparative figures for 2017

	Budget (note 13)	2018	2017
Revenue:			
Assessment - Province of PEI	$ 1,200,000	$ 1,200,000	$ 1,200,000
Assessments on public utilities (note 10)	472,000	606,268	472,499
Licenses - petroleum products	320,000	320,105	320,060
Permits - land and property division	530,000	571,645	558,163
Assessments on auto insurance	225,000	225,630	225,197
Investment and other income (note 14)	27,700	26,349	28,005
	2,774,700	2,949,997	2,803,924
Operating expenses:			
Advertising	43,000	16,273	17,209
Amortization	155,000	156,445	191,288
Cleaning	8,160	8,311	8,096
Computer maintenance and supplies	131,700	135,709	112,300
Education and development	40,000	28,726	16,339
Insurance	13,300	10,712	12,675
Office expenses	43,100	41,854	37,659
Part-time commissioners	29,500	12,411	19,317
Postage	4,800	3,191	3,607
Professional fees	361,500	244,944	260,651
Publications	21,500	18,993	22,251
Recoverable hearing expenses (note 10)	-	133,962	-
Rent	166,000	165,854	165,854
Repairs and maintenance	2,500	2,599	872
Salaries and employee benefits	2,106,818	1,978,296	1,937,963
Telephone	20,000	11,860	13,147
Travel	80,020	62,439	48,021
	3,226,898	3,032,579	2,867,249
Annual deficit	(452,198)	(82,582)	(63,325)
Accumulated deficit, beginning of year	-	(92,325)	(29,000)
Accumulated deficit, end of year	$ -	$ (174,907)	$ (92,325)

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Change in Net Financial Assets

As at March 31, 2018, with comparative figures for 2017

	Budget (note 13)	2018	2017
Annual deficit	$ (452,198)	$ (82,582)	$ (63,325)
Acquisition of tangible capital assets	(110,000)	(78,970)	(146,156)
Amortization of tangible capital assets	155,000	156,445	191,288
Increase (use) of prepaid expenses	-	1,247	(355)
	(407,198)	(3,860)	(18,548)
Net financial assets, beginning of year	(293,250)	(293,250)	(274,702)
Net financial assets, end of year	$ (700,448)	$ (297,110)	$ (293,250)

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Cash Flows

For the Year Ended March 31, 2018, with comparative figures for 2017

	2018	2017
Cash flows from operating activities:		
Cash receipts from government transfers and customers	$ 2,694,884	$ 2,816,201
Cash paid to suppliers and employees	(2,796,535)	(2,704,281)
Interest received	12,028	13,831
	(89,623)	125,751
Cash flows from capital activities:		
Purchase of tangible capital assets	(78,970)	(146,157)
Cash flows from investing activities:		
Decrease in investments	31,262	233,945
Net (decrease) increase in cash	(137,331)	213,539
Cash, beginning of year	311,153	97,614
Cash, end of year	$ 173,822	$ 311,153

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

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

The Commission is incorporated under the Island Regulatory and Appeals Commission Act of Prince Edward Island. The Commission is primarily engaged in the general supervision of public utilities, petroleum distributors, land and property appeals, Office of the Director of Residential Rental Property, auto insurance rate regulation and the hearing of appeals for property and sales tax disputes. The Commission is also responsible for recommending decisions under the Lands Protection Act. The Commission is a non-taxable entity under the provisions of the Income Tax Act.

1. Significant accounting policies:

a) Basis of accounting:

The financial statements of Prince Edward Island Regulatory and Appeals Commission are the representations of management prepared in accordance with Canadian Public Sector Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts directly attributable to acquisition or construction of the tangible capital assets. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Rate
Computer equipment	3 years
Furnishings and equipment	5 years
Leasehold improvements	5 years

c) Vacation pay, retirement allowance, and sick time:

Vacation pay is recorded as a liability when earned.

The Commission records an annual expense based on the change in the actuarially determined obligation for retirement allowance benefits, net of payments during the year.

The Commission records an annual expense based on the change in the actuarially determined obligation for sick time, net of sick time taken in excess of sick time earned during the year.

d) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

1. Significant accounting policies: (continued)

e) Pension costs:

Employees of the Commission belong to the Civil Service Superannuation Plan which is a multi-employer contributory defined benefit pension plan and is accounted for as a defined contribution plan. Employees' contributions and matching employer's contributions are transferred to the Civil Service Superannuation Fund. These contributions are expensed as incurred. Future actuarial liabilities assumed by the Province of Prince Edward Island are not reflected in these financial statements.

f) Investments:

Investments consist of Guaranteed Investment Certificates and are recorded at cost plus accrued interest.

g) Leasehold improvements and inducements:

Costs incurred or paid by landlords to renovate the Commission's premises are recorded as leasehold improvements and amortized over the life of the lease.

h) Revenue recognition:

All revenues other than investment income are recorded in the period in which the transactions or events that give rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Commission discharges the obligations that led to the collection of funds. Investment income is recorded in the period in which the interest is earned.

i) Use of estimates:

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash:

	2018	2017
Cash	$ 156,669	$ 301,043
Cash held in trust for deposit guarantees	17,153	10,110
	$ 173,822	$ 311,153

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

3. Accounts receivable:

	2018	2017
Trade receivables	$ 197,162	$ 93,896
HST receivables	42,347	35,535
Other receivables	807	1,762
	$ 240,316	$ 131,193

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 0.72% to 2.00% and maturity dates ranging from April 2018 to April 2019.

5. Accounts payable and accrued liabilities:

	2018	2017
Province of Prince Edward Island - accumulated surplus	$ 1,072,630	$ 1,072,630
Trade	96,934	84,101
Vacation pay	89,858	74,868
Accrued sick leave	30,311	54,557
Deposit guarantees - Director of Residential Rental Property	17,153	10,110
	$ 1,306,886	$ 1,296,266

6. Employee future benefits:

Certain employees are eligible for retiring pay as defined by the Collective Bargaining Agreement with the Government of Prince Edward Island. This plan provides retiring pay to employees who meet the eligibility requirements outlined in the Agreement. The retiring pay entitlement is equal to either one week or two weeks of pay for each year of service and the maximum will vary depending on the particular employee group. These benefits are unfunded. An analysis of the components of, and changes in, employee future benefits is as follows:

Retirement allowance	2018	2017
Balance, beginning of year	$ 266,012	$ 243,851
Current service cost	18,888	27,085
Accrued interest	8,733	7,733
Retirement pay	(86,093)	(13,801)
Loss on valuation	8,242	1,144
	$ 215,782	$ 266,012

The 2018 retirement allowance balances are based on an independent actuarial valuation estimate dated April 1, 2017. The Commission projects the total liability in the years between the tri-annual actuarial valuations.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

6. Employee future benefits: (continued)

The economic assumptions used in determining the actuarial value of accrued retirement allowances were developed by reference to the expected long-term market conditions. Significant actuarial assumptions used in the valuations and projections on the actuarial report which was completed on April 1, 2017, are primarily the same with exception of the discount rate. The discount rate has been updated to reflect market rate changes which is consistent with the Province's cost of borrowing. The remaining assumptions are below:

	2018	2017
Discount rate	3.26%	3.26%
Expected inflation rate	2.20%	3.00%
Expected average remaining service life	5 years	9 years

Employees that become ineligible for retiring benefits may become entitled to severance benefits calculated under similar methods.

During the 2018 fiscal period, three employees retired, resulting in a decrease in the obligation of $ 86,093 (2017 - $ 13,801).

7. Tangible capital assets:

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Computer equipment	$ 625,175	$ 526,771	$ 98,404	$ 165,914
Furnishings and equipment	97,235	74,323	22,912	32,876
	$ 722,410	$ 601,094	$ 121,316	$ 198,790

8. Commitments:

The Commission has an operating lease for its premises at $ 15,154 per month plus common area charges, under a lease expiring March 31, 2022.

The minimum annual lease payment to the expiry date is $ 181,848.

9. Pension costs and obligations:

The Commission participate in the multi-employer contributory defined benefit pension plan as defined by the Civil Service Superannuation Act. This plan provides a pension on retirement based on 2% of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and 2% of the career average salary indexed with cost of living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The plan is administered by the Province of Prince Edward Island and the responsibility for any unfunded liability is that of the Province.

During the year, the Commission contributed $ 279,309 (2017 - $ 288,523) to the defined benefit pension plan on behalf of employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

10. Recoverable hearing expenses:

During the current year the Commission incurred costs of $ 133,962 for expert consulting and other expenses related to a public utility application and hearing. These costs and expenses were recovered by way of an increased assessment on the public utility.

11. Accumulated surplus:

The Commission segregates its accumulated surplus in the following categories:

		2018		2017
Capital fund	$	121,316	$	198,790
Operating fund		(496,223)		(491,114)
Reserve		200,000		200,000
	$	(174,907)	$	(92,324)

Capital fund:

The capital fund represents amounts already spent and invested in tangible capital assets.

Reserve:

On April 1, 2013, an agreement was signed with the Province of Prince Edward Island effective until March 31, 2016. Under this agreement, the Commission has agreed to refund the accumulated surplus to the Province, at the discretion of the Province, for any fiscal year by March 31 of the year following the end of the fiscal year for which the accumulated surplus is calculated. On January 26, 2015, the Commission received a legal opinion from independent counsel which raises concerns about the obligations of the Commission to the Province of Prince Edward Island regarding the transfer of accumulated surplus as recognized in these financial statements. In addition, legal counsel in the current year provided an opinion that it is not necessary for the Commission to have a new agreement with the Province. As a result, it is unknown at the time of this report whether the accumulated surplus (note 5) will be payable to the Province.

Under the previous agreement, the Commission was allowed to retain a one time $ 200,000 reserve of its accumulated surplus to cover net costs exceeding the annual assessments agreed to under this agreement. Although a new agreement is not in place, the reserve fund will be unchanged.

12. Financial instruments risk:

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk arising from its accounts receivable.

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 Commission is exposed to interest risk arising from its pension and sick leave liability.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

13. Budget:

A reconciliation of the 2018 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements is as follows:

		2018
Commission budgeted annual deficit	$	452,198
Less:		
Capital expenditures		110,000
	$	342,198

14. Investment and other income:

		2018		2017
Investment income	$	12,028	$	13,831
Police commission		8,400		8,400
Rental fees		5,885		5,688
Other		36		86
	$	26,349	$	28,005

15. Contingent liabilities:

Throughout the year, a third party has been paying for benefits for an employee of the commission. Due to changes in circumstances, it is highly likely that the commission will have to repay these amounts. While this event is probable, at the date of this report an estimate for the financial impact cannot be reasonably determined.

PRINCE EDWARD ISLAND
SELF-INSURANCE AND
RISK MANAGEMENT FUND

Financial Statements
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

Treasury Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Self-Insurance and Risk Management Fund and can meet when required.

On behalf of the Prince Edward Island Self-Insurance and Risk Management Fund

Dan Campbell, CFA
Secretary to Treasury Board

Marie Kemp
Insurance Officer

June 27, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Members of Treasury Board

I have audited the financial statements of the **Prince Edward Island Self-Insurance and Risk Management Fund**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2018, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 27, 2018

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND

Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets		
Accounts receivable (Note 4)	198,377	237,827
Due from the Province of Prince Edward Island (Note 5)	18,613,751	16,822,110
	18,812,128	17,059,937
Liabilities		
Accounts payable and accrued liabilities	37,606	13,712
Reserve for unsettled claims (Note 7)	8,058,183	7,791,913
	8,095,789	7,805,625
Net Financial Assets	10,716,339	9,254,312
Non Financial Assets		
Prepaid expenses	56,655	56,655
Accumulated Surplus	10,772,994	9,310,967

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of Treasury Board:

Chair

Member

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Revenues			
Insurance premiums (Note 8)	4,926,300	4,941,628	4,746,199
Grant in lieu of interest (Note 5)	175,000	175,000	175,000
Claim recoveries (Note 9)	100,000	167,329	228,542
	5,201,300	5,283,957	5,149,741
Expenses			
Claims (Note 7)	2,000,000	2,026,525	1,906,948
Consulting	150,000	133,924	175,325
Insurance premiums (Note 10)	1,460,000	1,446,890	1,439,471
Office and travel	15,000	9,622	9,371
Salary and benefits	205,100	204,969	197,349
	3,830,100	3,821,930	3,728,464
Annual Surplus	1,371,200	1,462,027	1,421,277
Accumulated Surplus, beginning of year		9,310,967	7,889,690
Accumulated Surplus, end of year		10,772,994	9,310,967

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND

Statement of Changes in Net Financial Assets
for the year ended March 31, 2018

	Budget 2018	2018	2017
	$	$	$
Net Financial Assets, beginning of year	9,254,312	9,254,312	7,833,035
Change in year:			
Annual surplus	1,371,200	1,462,027	1,421,277
Net Financial Assets, end of year	10,625,512	10,716,339	9,254,312

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND
Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities		
Annual surplus	1,462,027	1,421,277
Changes in:		
Accounts receivable	39,450	(132,407)
Due from the Province of Prince Edward Island	(1,791,641)	(1,797,324)
Accounts payable and accrued liabilities	23,894	75
Reserve for unsettled claims	266,270	508,379
Cash provided by operating activities	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND
Notes to Financial Statements
March 31, 2018

1. Nature of Operations

The Prince Edward Island Self-Insurance and Risk Management Fund (the Fund) was established under Part II of the *Financial Administration Act*. The Fund provides risk management services as well as general liability, errors and omissions, primary property, crime, and automobile liability insurance for government entities. The Fund has risk management obligations that cause it to incur expenses related to claims. The Fund is administered by Treasury Board.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards. Since the Fund has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

The following is a summary of the significant accounting policies used in the preparation of these financial statements.

a) Reserve for Unsettled Claims

The reserve for unsettled claims represents management's best estimate of the total costs, including investigation, litigation, and the projected final settlement of specific claims incurred as of the financial statement date. It also includes a general reserve to cover possible claims incurred as of the financial statement date but not yet reported to management.

b) Prepaid Expenses

Prepaid expenses include payments for insurance and are expensed over the periods expected to benefit.

c) Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred.

d) Recoveries

Recoveries represents management's best estimate of the full amount of costs that can be recovered or are receivable, less any amounts that are uncollectible. Claim recoveries include amounts recovered or receivable from both first and third parties in relation to individual claims.

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

e) Use of Estimates and Measurement Uncertainty

The preparation of the Fund's 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

The items requiring the use of significant estimates are the reserve for unsettled claims and claim recoveries. The reserve for unsettled claims arises from estimates of anticipated costs such as professional expenses and damages to settle claims that are currently open. The amount also represents an estimate for those incidents that have been incurred but not reported to management as of the financial statement date. At March 31, 2018, the reserve for unsettled claims and claim recoveries were valued based on an actuarial review. The estimates were determined using accepted actuarial practices. After consultation with the Fund's actuary, management approved these estimates.

3. Financial Instruments

Financial instruments consist of accounts receivable, amounts due from the Province of Prince Edward Island, and accounts payable and accrued liabilities. They are carried at cost, less any provisions on accounts receivable. Provisions are calculated on a specific basis. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value. The Fund is exposed to market, credit, and liquidity risk in relation to their financial instruments as disclosed in Note 11.

4. Accounts Receivable

	2018	2017
	$	$
Recoveries	186,525	233,079
Other	11,852	4,748
	198,377	237,827

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2018

5. Due from the Province of Prince Edward Island

The amount Due from the Province of Prince Edward Island of $18,613,751 (2017 - $16,822,110) includes $6,887,571 that was invested in Provincial Deposit Receipts until March 31, 1997. At that time, Treasury Board directed the investment be redeemed and replaced by a non-interest bearing account receivable from the province. In lieu of interest on investments, an annual payment of $175,000 is paid by the province to the Fund. The Fund does not maintain its own bank account. All transactions of the Fund are processed through the province's bank account with the net change reflected in the Due from the Province of Prince Edward Island account.

6. Employee Future Benefits

a) Sick Leave

Under existing employment agreements, employees are credited 1.25 days per month for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the province. Salary expense is included in the financial statements.

b) Pension

Permanent employees of the Fund participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary times the number of years pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost of living adjustments after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The Fund's annual portion of the contributions to the Plan are paid by the province and recognized on the province's financial statements. Any unfunded liability is the responsibility of the province and therefore no liability has been recognized in these financial statements.

c) Retirement Allowance

The fund provides a retirement allowance to its classified employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the province and not included in these financial statements.

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND
Notes to Financial Statements
March 31, 2018

7. Reserve for Unsettled Claims

	Liability $	Property $	Auto $	Total 2018 $	Total 2017 $
Reserve, beginning of year	7,559,777	159,375	72,761	7,791,913	7,283,534
Changes in year:					
Settlement costs paid	(595,377)	(164,991)	(93,075)	(853,443)	(709,241)
Professional fees paid	(875,628)	(14,966)	(16,218)	(906,812)	(689,328)
Increase in claims expense	1,734,676	141,095	150,754	2,026,525	1,906,948
Net change in reserve	263,671	(38,862)	41,461	266,270	508,379
Reserve, end of year	7,823,448	120,513	114,222	8,058,183	7,791,913

8. Revenue - Insurance Premiums

	2018 $	2017 $
General liability, errors, and omissions	2,390,982	2,288,171
Primary property and crime	1,752,884	1,668,841
Automobile liability	633,663	637,687
General government	164,099	151,500
	4,941,628	4,746,199

9. Claim Recoveries

	2018 $	2017 $
General liability, errors, and omissions	115,462	10,567
Change in estimated recoveries	(20,819)	84,910
	94,643	95,477
Primary property and crime	97,421	74,838
Change in estimated recoveries	(15,729)	32,527
	81,692	107,365
Automobile liability	1,000	3,947
Change in estimated recoveries	(10,006)	21,753
	(9,006)	25,700
	167,329	228,542

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND
Notes to Financial Statements
March 31, 2018

10. Insurance Premiums Expense

	2018 $	2017 $
General liability, errors, and omissions	718,120	718,120
Primary property and crime	579,620	567,871
Automobile liability	149,150	153,480
	1,446,890	1,439,471

11. Financial Management

The Fund is exposed to market, credit, and liquidity risk from its financial instruments. An analysis of these risks is provided below.

Market Risk

Market risk is comprised of currency, interest rate, and price risk. The Fund does not hold or operate in foreign currency and thus market risk is derived from interest rate and price risk. Changes in interest rates significantly impact insurance companies and thus could increase the cost of premiums paid by the Fund. This risk is mitigated through the use of independent consultants and brokers to negotiate rates from reputable insurers and to monitor the market place for changes that could impact the Fund.

Credit Risk

The Fund is exposed to credit risk with respect to accounts receivable. The Fund mitigates this risk through a regular monitoring process. Credit risk is also mitigated due to the fact that the majority of the receivables are due from the Province of Prince Edward Island who controls 100 percent of the Fund. The Fund has no impaired accounts receivable at March 31, 2018.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet all its cash outflow obligations as they come due. The Fund mitigates this risk by monitoring the level of its financial assets and the growth of the same and by purchasing excess insurance to provide additional liability coverage on individual claims.

The self retention limits for the Fund per claim in the current fiscal year were:

Liability	$5,000,000	and	$1,000,000 (Medical Malpractice)
Property	$ 250,000	and	$ 100,000 (Health PEI), $25,000 (QEH)
Auto	$1,000,000		

PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND
Notes to Financial Statements
March 31, 2018

11. Financial Management (continued...)

Additional coverage from excess insurers:

Liability	$10,000,000	and	$ 19,000,000 (Medical Malpractice)
Property	$50,000,000	and	$304,985,216 (QEH)
Auto	$19,000,000		

12. Related Party Transactions

Premiums collected and first party claims paid are with government entities. Certain costs incurred by the province on behalf of the Fund are not reflected in these financial statements. These costs include office accommodations, equipment and support, other employee benefits, and administrative expenses.

13. Budgeted Figures

Budgeted figures provided for comparative purposes have been approved by the Advisory committee.

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2018

MRSB

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MRSB

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the P.E.I. Student Financial Assistance Corporation are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MRSB Chartered Professional Accountants, independent external auditors appointed by the company. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the P.E.I. Student Financial Assistance Corporation

Chief Executive Officer

MRSB

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS:

Report on the Financial Statements

We have audited the accompanying financial statements of P.E.I. Student Financial Assistance Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net 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 as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants, 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.

Auditor's 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 auditor's 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 the Corporation as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

MRSB Chartered Professional Accountants

CHARLOTTETOWN, P.E.I.

JUNE 28, 2018

1

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
Financial Assets		
Accounts receivable - Note 4	$ 1,606	$ 699,266
Student loans receivable - Note 5	23,681,029	23,681,597
Due from related party - Note 6	2,912,961	3,708,159
	26,595,596	28,089,022
Liabilities		
Bank indebtedness - Note 7	181,606	1,703,375
Operating loan - Note 8	26,200,000	26,200,000
Accounts payable and accrued liabilities	87,141	50,040
Deferred revenue	99,838	108,596
	26,568,585	28,062,011
Net Assets - Statement 3	27,011	27,011
Accumulated Surplus	$ 27,011	$ 27,011
Financial Position		
Accumulated surplus - Statement 2	$ 27,011	$ 27,011

APPROVED ON BEHALF OF THE BOARD:

_____________________________ **Director**

_____________________________ **Director**

(Notes 1 to 12 are an integral part of these financial statements)

MRSB

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P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Operating grant - Note 9	$ 6,765,000	$ 5,193,755	$ 5,606,846
Disability support grant	590,000	610,787	666,583
SYnC program grant	-	6,735	697,334
Interest	-	751	699
	7,355,000	5,812,028	6,971,462
Expenditures			
Community Service bursaries	125,000	108,170	93,930
Disability support	590,000	487,342	570,850
George Coles bursaries	1,600,000	1,365,400	1,492,600
George Coles Grad bursaries	630,000	616,800	574,800
Information technology upgrades	250,000	133,068	273,224
Interest on operating loan - Note 9	300,000	309,993	223,727
Island Skills/Student awards	1,080,000	794,400	908,800
Processing and administration	435,000	418,955	441,833
Professional fees	20,000	12,785	12,432
Provision for loan losses	1,025,000	444,016	446,869
Relief programs	1,300,000	1,114,364	1,237,035
SYnC program	-	6,735	697,334
	7,355,000	5,812,028	6,973,434
Excess (deficiency) of revenues over expenditures	$ -	-	(1,972)
Accumulated Surplus - Beginning of Year		27,011	28,983
Accumulated Surplus - End of Year		$ 27,011	$ 27,011

(Notes 1 to 12 are an integral part of these financial statements)

MRSB

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ (1,972)
Increase (decrease) in Net Assets	$ -	-	(1,972)
Net Assets - Beginning of Year		27,011	28,983
Net Assets - End of Year		$ 27,011	$ 27,011

(Notes 1 to 12 are an integral part of these financial statements)

MRSB

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P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
CASH FLOW STATEMENT
YEAR ENDED MARCH 31, 2018

	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenditures	$ -	$ (1,972)
(Increase) decrease in accounts receivable	697,660	(691,000)
(Increase) decrease in student loans receivable	568	(307,863)
Increase (decrease) in accounts payable and accrued liabilities	37,101	(354,816)
Increase (decrease) in deferred revenue	(8,758)	108,596
	726,571	(1,247,055)
Cash Flows from Financing Activity		
Advance from related party	795,198	45,745
Increase (decrease) in cash	1,521,769	(1,201,310)
Cash - Beginning of Year	(1,703,375)	(502,065)
Cash - End of Year	$ (181,606)	$ (1,703,375)

	2018	2017
Supplemental disclosure of cash flow information		
Interest received	$ 751	$ 699
Interest paid	309,993	223,727

(Notes 1 to 12 are an integral part of these financial statements)

MRSB

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. Description of Entity

P.E.I. Student Financial Assistance Corporation is a Crown corporation established January 1, 2011 under the Prince Edward Island Student Financial Assistance Act with the primary function of administering the Prince Edward Island student loans portfolio. The Corporation's financial results are included in the public accounts of the Province of Prince Edward Island.

2. Basis of Preparation

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred or services performed.

3. Accounting Policies

Cash

Cash is comprised of bank indebtedness.

Accounts Receivable

Accounts receivable arise from government funding receivable and accrued interest on student loans. An allowance for possible losses has been calculated through discussions with management and assessment of the other circumstances influencing the collectibility of amounts. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Student Loans Receivable

Student loans receivable are stated at the principal amount less any related allowances recorded for loss. Interest income is accounted for on the accrual basis for all Class B loans to October 1, 2012, except those approved for interest relief. No interest revenue is recognized on loans returned to the Crown corporation as the collectibility of these loans is not reasonably assured.

Class A loans are defined as an advance or the aggregate of all advances made to a borrower who provides evidence confirming his or her status as an eligible student and which continues until the last day of the twelfth month following the period of study end date or on consolidation and entering repayment.

Class B loans are defined as an advance or the aggregate of all advances made to the borrower net of any payments made by or on behalf of the borrower calculated on the first day of the thirteenth month following the period of study end date or on consolidation and entering repayment.

MRSB

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

3. Accounting Policies (cont'd)

Allowance for Possible Losses

A general provision is recorded for student loans receivable on the basis that collectibility of loans receivable can be specifically identified. The general provision is based on past performance of student loans, management's judgment and the maturity and financial strength of the borrowers.

Revenue Recognition

Interest revenue is recognized on a time proportionate basis.

Other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying or exchange amount and student loans receivable that are valued at cost less any impairment, as appropriate.

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations and accumulated surplus.

Financial assets measured at amortized cost on a straight-line basis include accounts receivable, student loans receivable and amounts due from related party.

Financial liabilities measured at amortized cost on a straight-line basis include bank indebtedness, operating loan and accounts payable and accrued liabilities.

Transaction costs on the acquisition, sale or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

3. Accounting Policies (cont'd)

Management Estimates

The presentation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported. The following are areas in which management makes significant accounting estimates:

- *The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and*
- *The amounts recorded as a allowance for possible losses. This amount represents an accumulation of loans which, in the opinion of management, may become uncollectible over the course of the next year or operating cycle.*

4. Accounts Receivable

	2018	2017
Interest receivable	$ 1,606	$ 1,932
Government funding receivable	-	697,334
	$ 1,606	$ 699,266

5. Student Loans Receivable

	Total Loans	Allowance for Possible Losses	Net Loans
2018			
Class A	$ 10,607,073	$ 1,535,975	$ 9,071,098
Class B	17,238,944	2,629,013	14,609,931
Loans returned to the Crown corporation	9,247,848	9,247,848	-
	$ 37,093,865	$ 13,412,836	$ 23,681,029
2017			
Class A	$ 12,235,059	$ 1,770,851	$ 10,464,208
Class B	15,580,452	2,363,063	13,217,389
Loans returned to the Crown corporation	9,171,389	9,171,389	-
	$ 36,986,900	$ 13,305,303	$ 23,681,597

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

5. Student Loans Receivable (cont'd)

Continuity of allowance for possible losses

	2018	2017
Allowance for possible losses - beginning of year	$ 13,305,303	$ 13,426,726
Recovery of impaired loans - current year	(614,353)	(864,255)
Provision for impaired loans - current year	620,742	726,501
Net change in loans returned to the Crown corporation	76,459	(59,067)
Net change in Severe Permanent Disability loans	24,685	75,398
Allowance for possible losses - end of year	$ 13,412,836	$ 13,305,303

6. Due From Related Party

	2018	2017
Province of Prince Edward Island	$ 2,912,961	$ 3,708,159

The Province of Prince Edward Island is related to P.E.I. Student Financial Assistance Corporation by virtue of common influence by the Government of Prince Edward Island.

7. Bank Indebtedness

	2018	2017
Royal Bank of Canada - bank account with overdraft protection is included in the pooling agreement which covers all government accounts. No interest is charged provided the cumulative total of all accounts is positive.	$ 181,606	$ 1,703,375

8. Operating Loan

	2018	2017
Prince Edward Island Provincial Treasury - Province of PEI Treasury Board interest rate to Crown corporations on advances; interest accrued daily and payable quarterly; due on demand; unsecured.	$ 26,200,000	$ 26,200,000

9. Related Party Transactions

During the year, interest of $309,993 (2017 - $223,727) was paid to and a grant of $5,193,755 (2017 - $5,606,846) was received from the Province of Prince Edward Island, a related party.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

The Province has assumed the responsibility for certain operating costs that are shared with other departments, such as insurance, management salaries and benefits. During the year, the Province paid $304,858 in salaries on behalf of the Crown corporation. These expenditures have not been reflected in the Corporation's financial statements.

MRSB

P.E.I. STUDENT FINANCIAL ASSISTANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

10. Financial Instruments

The Corporation's financial instruments consist of accounts receivable, student loans receivable, amount due from related party, bank indebtedness, operating loan and accounts payable and accrued liabilities.

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2018.

Liquidity risk

Liquidity risk is the risk that the Corporation may not have cash available to satisfy financial liabilities as they come due. The Corporation actively maintains a committed operating loan to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Corporation is exposed to interest rate risk through student loan consolidation agreements based on a floating interest rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Corporation manages and controls interest rate risk primarily by managing asset and liability maturities.

Credit risk

Credit risk is the risk that a borrower will fail to meet their obligation to the P.E.I. Student Financial Assistance Corporation. Providing credit facilities to eligible borrowers is the Corporation's primary source of earnings and is the area where the Corporation is exposed to the most significant risk. Approval of these facilities is based on the borrower's eligibility to repay principal and interest over the term of the facility.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted.

11. Budget Figures

The budget figures presented on Statement 2 are used for internal purposes only and have not been subject to audit or review by the external auditor.

12. Prior Period Adjustment

During the current year audit, it was discovered that the loans returned to the Crown corporation, as well as the offsetting allowance, had been overstated in the prior period as the balance used included loans that had been rehabilitated and moved back to Class B loans. As a result, the loans returned to the Crown corporation balance and the offsetting allowance both had to be reduced by $583,409 as at March 31, 2017. The adjustment had no net impact on the financial statement balances for the prior period, with the exception of the figures disclosed in Note 5 related to loans returned to the Crown corporation.

P.E.I. Teachers' Superannuation Fund

Audited Financial Statements for P.E.I. Teachers' Superannuation Fund for the year ended June 30, 2017 were not provided to the Office of the Comptroller as required by Section 70 (4) of the Financial Administration Act. Unaudited, draft financial statements were used in the preparation of the Public Accounts.

Grant Thornton

Financial Statements

Public Schools Branch

March 31, 2018

Public Schools Branch

Contents

Management's Responsibility For Financial Reporting

March 31, 2018

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Public Schools Branch and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Public Schools Branch

John Cummings

Director of Corporate Services

Coordinator of Corporate Services

Grant Thornton

Independent auditors' report

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2nd Floor, Royal Bank Building
220 Water Street, PO Box 1660
Summerside, PE
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To the Board of Directors
of the Public Schools Branch

We have audited the accompanying financial statements of the Public Schools Branch, which comprise the financial position as at March 31, 2018, and statements of operations and changes in net financial assets and cash flows for the period 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.

Auditor's 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 auditor's 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.

GrantThornton

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 Public Schools Branch as at March 31, 2018, and the results of its operations for the period then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Summerside, Prince Edward Island

June 25, 2018

Chartered Professional Accountants

Public Schools Branch
Statements of operations and changes in net financial assets

Year Ended March 31	Page	2018	%	2017	%
Revenue					
Transfers from the Department of Education					
Salaries and benefits		**$ 193,953,624**	**90.5**	$ 190,071,470	90.7
Maintenance and operation		**10,132,300**	**4.7**	9,811,100	4.7
Transportation		**2,732,800**	**1.3**	2,632,795	1.3
Instructional supplies		**2,276,102**	**1.1**	2,214,500	1.1
Administration		**1,652,701**	**0.8**	1,659,200	0.7
Renovations and equipment		**1,076,900**	**0.5**	1,076,900	0.5
Special program funding and recoveries		**2,158,430**	**1.0**	1,869,026	0.9
Other revenue (Note 3)		**145,390**	**0.1**	223,310	0.1
		214,128,247	**100.0**	209,558,301	100.0
Expenses (Note 4)	Page				
Salaries and benefits	13	**193,874,165**	**90.5**	190,092,623	90.7
Maintenance and operation	14	**12,391,144**	**5.8**	11,880,873	5.6
Transportation	15	**3,246,090**	**1.6**	2,930,092	1.4
Instructional	16	**2,241,199**	**1.0**	2,427,075	1.1
Administration	17	**1,503,860**	**0.7**	1,557,240	0.7
Renovations and equipment	18	**873,396**	**0.4**	677,981	0.5
		214,129,854	**100.0**	209,565,884	100.0
Excess expenses		**$ (1,607)**		$ (7,583)	

	2018	2017
Net financial assets, beginning of period	**$ 3,899**	$ 11,482
Excess expenses	**(1,607)**	(7,583)
Net financial assets, end of period	**$ 2,292**	$ 3,899

See accompanying notes to the financial statements.

Public Schools Branch
Statement of financial position

March 31	2018	2017
Financial assets		
Cash	$ **4,109,985**	$ 5,346,599
Receivables		
Department of Education	**9,702,251**	7,916,402
Trade and other	**2,130,529**	1,517,566
Department of Education - post-employment benefits	**44,517,128**	41,872,865
Department of Education - deferred salary plan	**1,040,806**	1,071,774
Restricted cash	**100,000**	100,000
Trust funds (Note 5)	**269,744**	267,719
	$ **61,870,443**	$ 58,092,925
Financial liabilities		
Payables and accruals		
General	$ **2,348,442**	$ 2,275,121
Salaries and benefits	**7,185,492**	5,687,556
Department of Education	**4,003,788**	3,394,200
Deferred revenue (Note 6)	**2,402,751**	3,419,791
Post-employment benefits (Note 7)	**44,517,128**	41,872,865
Deferred salary program	**1,040,806**	1,071,774
Deferred revenue	**100,000**	100,000
Trust funds (Note 5)	**269,744**	267,719
	61,868,151	58,089,026
Net assets	$ **2,292**	$ 3,899

Contingency (Note 9)

On behalf of the Board

E S Nario Chairperson Harvey MacEwen Trustee

See accompanying notes to the financial statements.

Public Schools Branch
Statement of cash flows

Year Ended March 31	**2018**	2017
(Decrease) increase in cash and cash equivalents		
Operating activities		
Excess expenses	**$ (1,607)**	$ (7,583)
Change in non-cash working capital:		
Receivables	**(5,012,107)**	(4,794,596)
Payables	**4,796,165**	5,238,721
Deferred revenue	**(1,017,040)**	(684,022)
Net decrease in cash and cash equivalents	**(1,234,589)**	(247,480)
Cash and cash equivalents,		
Beginning of period	**5,714,318**	5,961,798
End of period	**$ 4,479,729**	$ 5,714,318

Components of cash and cash equivalents:		
Unrestricted cash and cash equivalents	**$ 4,109,985**	$ 5,346,599
Restricted cash and cash equivalents	**369,744**	367,719
	$ 4,479,729	$ 5,714,318

See accompanying notes to the financial statements.

Public Schools Branch
Notes to the financial statements

March 31, 2018

1. Nature of operations

The Board has the responsibility to provide primary and secondary education requirements for English speaking students in Prince Edward Island. The Entity is funded by the Department of Education, Early Learning and Culture of Prince Edward Island (the Department).

2. Summary of significant accounting policies

Basis of accounting
The Entity prepares its financial statements in accordance with Canadian Public Sector Accounting Standards.

Revenue recognition
The Entity follows the deferral method of accounting for grants for special projects. Grants restricted for special projects are recognized as revenue in the year in which the related expenses are incurred. The unexpended portion of grants received for specific purchases is deferred and used for the related future purchases. Unrestricted amounts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met. To the extent that transfer stipulations give rise to an obligation that meets the definition of a liability, transfers are recognized as deferred revenue.

Retirement allowances
The Public Schools Branch records an annual expense based on the change in the actuarially determined obligation for retirement allowance benefits, net of payments during the year. Funds to settle the obligation which are a liability of the Entity will be reimbursed by the Department at the time of payment. Therefore, a receivable from the Department is recorded for the entire retirement allowance amount.

Retirement allowances are provided to employees on death or retirement if the employee has 10 years of continuous service (5 years for excluded member). The retirement allowance is for so many days per year of service with maximums which vary based on union affiliation.

Vacation pay
Vacation entitlements are expensed as earned.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks, net of bank overdraft.

Public Schools Branch
Notes to the financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

Pension plans

Instructional employees of the Entity are members of the Teacher Superannuation Pension Plan of the Province of Prince Edward Island. The expense of the Entity is limited to current year contributions as any shortfall in funding of the pension plan is the responsibility of the Province of Prince Edward Island. Amounts paid to this plan during the year were $11,239,990 (2017 - $11,006,902)

Non-instructional employees are members of the Prince Edward Island Education Sector Pension Plan with both defined benefit/defined contribution components. The expense of the Entity is limited to a matching contribution equal to the employee's portion.

Certain non-instructional employees of the Entity are members of the Civil Service Superannuation Pension Plan of the Province of Prince Edward Island. The expense of the Entity is limited to current year contributions as any shortfall in funding of the pension plan is the responsibility of the Province of Prince Edward Island. Amounts paid to this plan during the year were $2,427,175 (2017 - $2,568,631)

Workers' compensation claims

The Public Schools Branch is a registered employer with the Worker's Compensation Entity of Prince Edward Island for instructional and non-instructional staff. The Entity records an annual expense based on payroll assessments in accordance with the Workers' Compensation Act.

Deferred salary plan

Teachers employed with the Public Schools Branch can participate in a program that allows them to defer a portion of their annual salary and take a paid leave of absence. The deferral results in a liability to the teachers, which is satisfied during the paid leave of absence. Funds to settle the obligation, which are a liability of the Board, will be reimbursed by the Department, and therefore there is an offsetting receivable due from the Department.

Measurement uncertainty and the use of estimates

Canadian public sector accounting standards require 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 year.

Measurement uncertainty that may be material to these financial statements exists for the liability for employee future benefits of $44,517,128 (2017 - $41,872,865) because actual experience may differ significantly from actuarial assumptions.

Public Schools Branch
Notes to the financial statements
March 31, 2018

2. Summary of significant accounting policies (cont'd)

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. While best estimates are used for reporting items to subject to measurement uncertainty, it is reasonably possible that changes in future conditions, occurring within one fiscal year, could require material changes in the amounts recognized or disclosed.

3. Other revenue

	2018	2017
Miscellaneous	$ **24,307**	$ 31,350
Rentals	**61,669**	73,845
School overage reimbursements	**59,414**	118,115
	$ **145,390**	$ 223,310

4. Expenses by department

The following is a summary of the expenses reported on the statement of operations by department excluding employee benefits:

	2018	2017
Instructional	**$ 141,466,119**	$ 137,390,570
Administration	**8,002,918**	7,999,696
Transportation	**10,312,600**	9,741,602
Maintenance and operations	**22,064,486**	21,267,116
Employee benefits	**32,283,731**	33,166,900
	$ 214,129,854	$ 209,565,884

5. Trust funds

Trust funds are comprised of contributions from various sources that are administered by the Entity. The interest that is earned on the contributions may be disbursed for specified educational purposes. Investments are recorded at cost and are comprised of GIC's. Cost approximates fair market value.

Public Schools Branch
Notes to the financial statements
March 31, 2018

6. Deferred revenue

	2018	2017
Funds designated for:		
Capital funding	$ **175,000**	$ 763,500
Special program funding	**1,565,725**	1,636,700
Staff professional development	**75,929**	76,181
Maintenance work	**574,919**	941,232
Student leadership and school development	**11,178**	2,178
	$ **2,402,751**	$ 3,419,791

7. Post-employment benefits

An analysis of the components of, and changes in, post-employment benefits liabilities is as follows:

	2018	2017
Retirement allowance		
Balance, April 1, 2017 (2017 - April 1, 2016)	$ **42,336,197**	$ 38,521,253
Amortization of actuarial gain	**693,661**	1,054,066
Current service cost	**3,063,272**	3,066,501
Interest accrued	**1,440,491**	1,425,133
Less: payments made	**(2,370,430)**	(1,730,756)
Balance, March 31, 2018 (2017 – March 31, 2017)	**45,163,191**	42,336,197
Vacation pay	**815,027**	971,514
	45,978,218	43,307,711
Less: current portion	**(1,461,090)**	(1,434,846)
	$ **44,517,128**	$ 41,872,865
Unamortized actuarial adjustment	$ **(5,175,287)**	$ (7,051,384)

Public Schools Branch
Notes to the financial statements
March 31, 2018

7. Post-employment benefits (cont'd)

The retirement allowance balances are based on an independent actuarial valuation dated April 1, 2017, provided to the Pension and Benefits Division of the Province Of Prince Edward Island Civil Service Commission. The report was subsequently amended for a change in the discount rate to be used in the valuation of the liability the amendment was dated April 1, 2018. The Province Of Prince Edward Island projects the total liability in the years between the tri-annual actuarial valuations. The amendment dated April 1, 2018 is reflected in the 2018 projection prepared by the Province of Prince Edward Island.

The economic assumptions used in determining the actuarial value of accrued retirement allowances were developed by reference to expected long term market conditions. Significant actuarial assumptions used in the valuations and projections are:

Discount rate	3.30% per annum
Expected inflation rate	2.25% per annum
Expected average remaining service life	13 years

8. Grant allocations figures

The Entity's activities are funded by the Department. The annual grant allocation from the Department provides details as to the funding allocations for each operational area with the exception of salaries. The grant for salaries is for an approved number of full time employees for the Entity. Funding for the approved number of positions is provided by The Department but the actual dollar value of the approved positions is not included in the identified grant. Since a dollar value was not provided for salaries, the grant associated with this expenditure has been excluded from the financial statements, the following figures are the operational budget allocations provided by the Department compared to the actual results for 2018:

	Grant allocation by category March 31, 2018	Actual expenditures by category March 31, 2018
Administration	$ 1,652,701	$ 1,503,860
Renovations and equipment	1,076,900	873,396
Instructional	2,276,100	2,241,199
Maintenance and operations	10,132,300	12,391,144
Transportation	2,732,800	3,246,090
Professional development	40,200	40,200

Public Schools Branch
Notes to the financial statements
March 31, 2018

9. Contingency

The Board has elected to self-insure itself related to collision coverage. During the year, no events were reported in accordance with the policies of the collision contingency fund.

The Board has received funding from the Department to fund expenditures which qualify for the collision contingency fund. These funds are being deferred on the balance sheet and unspent funds are reported as restricted cash.

10. Comparative figures

Certain of the figures on the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

Public Schools Branch
Schedule of salaries and benefits expenses

Year Ended March 31	2018	2017
Board administration support	$ 1,554,469	$ 1,671,880
Board management	1,608,980	1,534,870
Instructional	124,370,441	121,116,715
Maintenance and operation	8,799,945	8,680,515
School administration support	3,335,609	3,241,939
Educational assistants and youth service workers	14,854,481	13,839,606
Transportation	7,066,510	6,810,885
Benefits	27,086,653	27,650,503
	188,677,088	184,546,913
Retirement allowance	5,197,077	5,545,710
	$ 193,874,165	$ 190,092,623

Note:

Board administration support includes board office, clerical and secretarial staff.

Board management includes director of Public Schools Branch; directors and leaders of student services, human resources, corporate services; coordinators for financial services, property services and transportation and property and transportation management and supervisors.

Instructional salaries include consultants, principals, vice-principals, department heads, and teachers.

Maintenance and operations salaries include building, janitorial and maintenance staff.

School administration support includes school secretarial staff.

Transportation salaries include bus driver staff.

Benefits include the employer's share of Canada pension and employment insurance, group insurance, workers' compensation premiums, pension and teacher superannuation premiums.

Public Schools Branch
Schedule of maintenance and operation expenses

Year Ended	2018	2017
Building repairs	$ 1,724,010	$ 1,610,808
Contract cleaning	-	3,207
Electricity	3,155,410	3,171,697
Fire and safety	44,003	33,946
Fuel - heating	4,226,428	3,990,779
Ground maintenance	138,459	89,677
Insurance	549,246	526,350
Miscellaneous	51,773	47,298
Property taxes	35,431	38,777
Rentals	230,708	216,019
Service contracts and professional services	85,165	79,288
Service vehicles	106,766	109,069
Sewer and water	320,565	307,432
Snow removal	720,505	750,201
Supplies	581,886	507,493
Travel	15,233	6,050
Waste disposal	405,556	392,782
	$ 12,391,144	$ 11,880,873

Public Schools Branch
Schedule of transportation expenses

Year Ended March 31	2018	2017
Bus parts and repairs	**$ 1,374,630**	$ 1,202,487
Communications	**14,830**	-
Contracted services	**123,431**	121,789
Extra-curricular transportation	**(1,128)**	-
Fuel	**1,478,749**	1,345,072
Insurance	**185,516**	177,354
Professional services	**6,874**	16,666
Snow removal	**51,568**	57,533
Supplies	**1,342**	900
Travel	**10,278**	8,291
	$ 3,246,090	$ 2,930,092

Public Schools Branch
Schedule of instructional expenses

Year Ended March 31		**2018**		2017
Academic supplies	$	**472,124**	$	474,475
Art		**30,071**		37,009
Computer literacy		**1,041**		7,796
Curriculum programs		**502,425**		554,982
Duplicating supplies		**373,276**		387,468
English and language arts		**11,850**		10,091
French		**11,652**		6,532
Guidance and resource		**661**		401
Home economics and family living		**51,683**		56,775
Industrial arts		**38,320**		37,683
Library and resource centres		**156,891**		218,870
Mathematics		**8,422**		10,190
Music		**106,859**		166,339
Physical education		**104,241**		102,831
Science		**43,250**		46,954
Student services		**99,517**		109,333
Vocational education		**228,916**		199,346
	$	**2,241,199**	$	2,427,075

Public Schools Branch
Schedule of administration expenses

Year Ended March 31	2018	2017
Advertising	$ **9,613**	$ 7,479
Courier services	**31,475**	36,005
Equal chances for learning	**21,600**	26,083
Graduation	**25,046**	21,928
Insurance	**365,291**	347,935
Miscellaneous	**11,329**	2,287
Office supplies	**78,090**	73,720
Postal services	**19,257**	25,787
Professional development	**81,786**	147,234
Professional services	**173,074**	191,292
Public, staff and student relations	**73,727**	59,254
Telephone	**303,558**	339,375
Travel	**282,736**	249,039
Trustees remuneration	**23,068**	26,511
Trustees travel and other	**4,210**	3,311
	$ **1,503,860**	$ 1,557,240

Public Schools Branch
Schedule of renovations and equipment expenses

Year Ended March 31		**2018**		2017
Audio-visual equipment	$	**132,128**	$	114,737
Classroom furniture and equipment		**112,540**		88,791
Computer equipment		**275,154**		248,991
Maintenance equipment		**68,404**		32,145
Miscellaneous equipment		**142,858**		86,453
Musical instruments		**8,723**		17,990
Office furniture and equipment		**56,146**		42,379
Playground		**77,443**		46,495
	$	**873,396**	$	677,981

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2018

BDO

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PO Box 1347
Summerside PE C1N 4K2 Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Summerside Regional Development Corporation Ltd.

We have audited the accompanying financial statements of Summerside Regional Development Corporation Ltd., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net debt, and cash flow 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.

Auditor's 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 auditor's 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.

BDO

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Summerside Regional Development Corporation Ltd. as at March 31, 2018 and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Summerside, Prince Edward Island
June 28, 2018

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
Financial Assets		
Cash	**$ 322,574**	$ 358,479
Accounts receivable	**24,431**	170,895
	347,005	529,374
Liabilities		
Accounts payable and accrued liabilities	**166,231**	318,299
Long-term debt (Note 2)	**12,139,612**	14,108,720
	12,305,843	14,427,019
Net debt	**(11,958,838)**	(13,897,645)
Non-financial Assets		
Tangible capital assets (Note 3)	**12,784,488**	14,730,756
Leasehold inducements less accumulated amortization of $1,101,820; 2017 - $1,033,790	**984,840**	1,123,951
Prepaid expenses	**9,264**	16,030
	13,778,592	15,870,737
Accumulated surplus	**$ 1,819,754**	$ 1,973,092

Summerside Regional Development Corporation Ltd.

____________________________ Director

____________________________ Director

The accompanying notes are an integral part of these financial statements

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	Budget	**2018**	2017
Income			
Property income	$ 1,957,400	**$ 1,984,690**	$ 2,016,282
Interest income	2,000	**3,799**	2,769
	1,959,400	**1,988,489**	2,019,051
Expenses			
Property operating expenses	525,250	**505,313**	602,491
Property taxes	203,700	**200,044**	214,297
Amortization	766,400	**755,922**	695,977
General and administration	311,000	**292,804**	295,385
Promotion and development	20,200	**7,563**	20,365
Interest on long-term debt	526,800	**533,258**	487,244
	2,353,350	**2,294,904**	2,315,759
Loss before other income	(393,950)	**(306,415)**	(296,708)
Other income			
Gain on sale of tangible capital assets	-	**153,077**	-
Annual deficit	(393,950)	**(153,338)**	(296,708)
Accumulated surplus, beginning of year	1,973,092	**1,973,092**	2,269,800
Accumulated surplus, end of year	$ 1,579,142	**$ 1,819,754**	$ 1,973,092

The accompanying notes are an integral part of these financial statements

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
Annual deficit	**$ (153,338)**	$ (296,708)
Purchase of tangible capital assets	**-**	(1,081,274)
Amortization of tangible capital assets	**616,811**	538,885
Proceeds on sale of tangible capital assets	**1,329,457**	-
Amortization of leasehold inducements	**139,111**	157,092
Decrease (increase) in prepaid expenses	**6,766**	(2,716)
Decrease (increase) in net debt	**1,938,807**	(684,721)
Net debt, beginning of year	**(13,897,645)**	(13,212,924)
Net debt, end of year	**$ (11,958,838)**	$ (13,897,645)

The accompanying notes are an integral part of these financial statements

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
Operating activities		
Cash received from customers	**$ 2,131,153**	$ 1,981,554
Cash paid to suppliers and employees	**(1,151,025)**	(1,280,225)
Interest earned	**3,799**	2,769
Interest paid	**(533,258)**	(487,244)
	450,669	216,854
Financing activities		
Proceeds from long-term debt	**-**	1,239,850
Repayment of long-term debt	**(646,723)**	(407,013)
	(646,723)	832,837
Capital activities		
Purchase of tangible capital assets	**-**	(1,081,274)
Proceeds on sale of tangible capital assets	**160,149**	-
	160,149	(1,081,274)
Decrease in cash	**(35,905)**	(31,583)
Cash, beginning of year	**358,479**	390,062
Cash, end of year	**$ 322,574**	$ 358,479

The accompanying notes are an integral part of these financial statements

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. Significant Accounting Policies

(a) Management's responsibility for the financial statements

The financial statements of the Summerside Regional Development Corporation Ltd. are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board. The Corporation's mandate is to develop new and under-utilized properties, that advance the economic development goals of Summerside. The Corporation is a non-taxable entity under the provisions of the Income Tax Act.

(b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for the use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net debt for the year.

(c) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as indicated in Note 3.

(d) Leasehold inducements

Leasehold inducements relate to incentives paid to tenants as part of their lease agreements. The incentives are being amortized using the straight-line method over the terms of the applicable lease.

(e) Revenue recognition

Revenue from rental properties is recognized over the term of the leases when collection is reasonable assured and performance is substantially complete.

Interest income is recorded in the period earned.

Government assistance relating to general operations are recorded as revenue in the period in which they are received. Grants relating to the delivery of specific programs are recorded as revenue in the period in which they relate.

Government assistance relating to capital expenditures are recognized as revenue in the period in which events giving rise to the transfer occur, providing the assistance is authorized, the amount can be reasonably estimated, any eligibility criteria have been met and there are no stipulations that give rise to a possible obligation.

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. Significant Accounting Policies (continued):

(f) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs are charged to the financial instrument for those measured at amortized cost. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

(g) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates include determining the useful lives of tangible capital assets for amortization purposes. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Long-term Debt

	2018	2017
Finance PEI loan payable, interest at 5.00% per annum, repayable in monthly payments of $ 31,802 including interest, due in and amortized to July, 2031. As security the company has provided a promissory note, an assignment of the sub-sublease, corporate guarantee, and 1st position general security agreement on all assets at the location in Slemon Park, PE	**$ 3,671,189**	$ 3,864,312
Atlantic Canada Opportunities Agency loan payable, interest at 0.00% per annum, repayable in monthly payments of $13,900, due in and amortized to June, 2025	**1,209,300**	1,376,100

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. Long-term Debt (continued)

Prince Edward Island Century 2000 Fund Inc. loan repaid during the year	-	1,322,385
Prince Edward Island Century 2000 Fund Inc. loan payable, interest at 4.64% per annum, repayable in monthly payments of $39,434 including interest, due August 2021 and amortized to August 2046. As security the company has provided a promissory note and a first collateral mortgage on land and buildings located at 109 Water Street, 268 Water Street and 250-262 Water Street, Summerside, PE, assignment of property insurance, and assignment of lease(s) and rent(s)	**7,259,123**	7,545,923
	$ 12,139,612	$ 14,108,720

The aggregate required principal repayments of long-term debt for each of the years subsequent to March 31, 2018 are as follows: 2019 - $508,800; 2020 - $525,800; 2021 - $543,600; 2022 - $562,300; 2023 - $581,900.

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

3. Tangible Capital Assets

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Holman Centre				
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Pavement	10,000	6,000	4,000	5,000
Building	8,797,239	1,796,952	7,000,287	7,232,703
109 Water Street				
Land	61,958	-	61,958	61,958
Pavement	70,922	70,922	-	-
Building	694,185	513,626	180,559	195,320
268 Water Street				
Land	5,400	-	5,400	5,400
Building	218,450	58,177	160,273	165,874
105 Industrial Crescent				
Land	-	-	-	58,371
Building	-	-	-	1,264,014
Furniture and equipment	88,408	83,739	4,669	7,780
Other properties held for development	336,848	-	336,848	343,920
Test Cell	5,520,989	640,496	4,880,493	5,240,415
Marina	1	-	1	1
	$15,954,400	$ 3,169,912	$12,784,488	$ 14,730,756

The estimated useful lives used to calculate amortization on the above capital assets are as follows:

Buildings	40 years
Pavement	10 years
Equipment	5 and 10 years
Test Cell	15 years

SUMMERSIDE REGIONAL DEVELOPMENT CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

4. Related Party Transactions

Included in accounts receivable and accounts payable and accrued liabilities are the following amounts due to and from related parties:

	2018	2017
Accounts payable and accrued liabilities		
Due to the Province of Prince Edward Island	**$ 89,998**	$ 241,299

The Province of Prince Edward Island is the sole shareholder of the Summerside Regional Development Corporation Ltd.

The long-term debt of $10,930,312 (2017 - $12,732,620) is due to the Province of Prince Edward Island, Crown Corporations or their subsidiaries. The company incurred interest of $579,249 (2017 - $595,493) on this debt during the year.

During the year the company recorded property income of $997,365 (2017 - $1,018,860), from the Province of Prince Edward Island, Crown Corporations or their subsidiaries; and sold the 105 Industrial Crescent property to the Province of Prince Edward Island for settlement of long-term debt in the amount of $ 1,322,385.

5. Comparative Figures

Certain of the prior year figures have been restated to conform to the presentation adopted for the current year.

SUPREME COURT
OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS

Financial Statements
March 31, 2018

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Attorney General is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Attorney General appoints a Finance Committee who reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Supreme Court of Prince Edward Island Trust Accounts and can meet as required.

On behalf of the Supreme Court of Prince Edward Island Trust Accounts

Kerrilee MacConnell
Court Services Manager and Deputy Registrar

July 11, 2018

Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Honourable Jordan Brown
Attorney General
Province of Prince Edward Island

I have audited the financial statements of the **Supreme Court of Prince Edward Island Trust Accounts**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Accounts as at March 31, 2018, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B Jane MacAdam

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
July 11, 2018

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS

Statement of Financial Position
March 31, 2018

	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents (Note 3)	255,360	259,313
Accounts receivable	157	82
	255,517	259,395
Liabilities		
Trust accounts (Note 4)	172,287	178,722
Net Financial Assets and Accumulated Surplus	83,230	80,673

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Supreme Court of Prince Edward Island Trust Accounts

Attorney General

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2018

	2018	2017
	$	$
Revenues		
Interest income	2,557	1,651
Expenses	-	-
Annual surplus	2,557	1,651
Accumulated surplus, beginning of year	80,673	79,022
Accumulated surplus, end of year	83,230	80,673

(The accompanying notes are an integral part of these financial statements.)

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS
Statement of Changes in Net Financial Assets
for the year ended March 31, 2018

	2018	2017
	$	$
Net Financial Assets, beginning of year	80,673	79,022
Changes in year:		
Annual surplus	2,557	1,651
Net Financial Assets, end of year	83,230	80,673

(The accompanying notes are an integral part of these financial statements.)

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS

Statement of Cash Flow
for the year ended March 31, 2018

	2018	2017
	$	$
Cash provided (used) by:		
Operating Activities:		
Annual surplus	2,557	1,651
Changes in:		
Accounts receivable	(75)	21
Trust account disbursements	(6,435)	(33,432)
Cash provided (used) by operating activities	(3,953)	(31,760)
Cash and cash equivalents, beginning of year	259,313	291,073
Cash and cash equivalents, end of year	255,360	259,313
Supplementary disclosure		
Interest received	1,344	1,024

(The accompanying notes are an integral part of these financial statements.)

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS
Notes to Financial Statements
March 31, 2018

1. Nature of Operations

The Supreme Court of Prince Edward Island maintains trust accounts for money paid into the Court pursuant to section 28 of the *Judicature Act*, as a result of a court order or in anticipation of settlement of a litigious matter.

A Finance Committee, appointed by the Minister of Justice and Public Safety and Attorney General pursuant to subsection 30(1) of the *Judicature Act*, is responsible for the control and management of the trust accounts. This responsibility includes the investment of trust account money and the payment of interest on the accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2018, have been prepared in accordance with Canadian public sector accounting standards.

Since there are no unrealized gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

The following accounting policies are considered significant.

a) Cash and Cash Equivalents

Cash and cash equivalents include deposits with a financial institution that are subject to an insignificant risk of change in value and funds on deposit with the Province of Prince Edward Island which are carried at cost plus accrued interest.

b) Accounts Receivable

Accounts receivable are recorded at cost less any provision when collection is in doubt.

c) Revenues

Revenues are recognized in the period in which the transaction or event that gave rise to the revenue occurred. All revenue is recorded on an accrual basis, except when the accrual cannot be determined with a reasonable degree of certainty or when estimation is impracticable.

d) Expenses

Expenses are reported on an accrual basis and are recognized in the period in which the transaction or event which gave rise to the expense occurred. The cost of all goods consumed and services received during the year is expensed.

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS
Notes to Financial Statements
March 31, 2018

2. Summary of Significant Accounting Policies (continued...)

e) Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, and trust accounts. They are carried at cost or amortized cost which approximates their fair value.

3. Cash and Cash Equivalents

	2018 $	2017 $
Cash	123,696	128,786
Funds on deposit - Province of Prince Edward Island*	131,664	130,527
	255,360	259,313

*Interest is earned at the Province's floating call loan rate which ranged from .50 to 1.25 percent during the year ending March 31, 2018 and was 0.50 percent during the year ending March 31, 2017.

4. Trust Accounts

Trust accounts represent amounts paid into the Court pursuant to section 28 of the *Judicature Act* plus interest earned. Amounts outstanding are due on demand.

5. Related Party Transactions

Resources such as office facilities, support services, salaries, and employee future benefits are provided by the Province of Prince Edward Island. These costs are assumed by the Province and are not reflected in these financial statements.

6. Financial Management

Risk exposure, as a result of the financial instruments on the statement of financial position at March 31, 2018, is limited to market risk and liquidity risk. Financial instruments are not subject to significant credit risk.

Market Risk

Market risk is limited to interest rate risk. There are no holdings, operations, or activities in foreign currency. Revenue is earned through interest from funds on deposit and the bank balance. Risk is mitigated by placing funds on deposit with the Province of Prince Edward Island.

SUPREME COURT OF PRINCE EDWARD ISLAND
TRUST ACCOUNTS
Notes to Financial Statements
March 31, 2018

6. Financial Management (continued...)

Liquidity Risk

Liquidity risk is the risk that funds will not be available to meet all cash outflow obligations as they come due. This risk is mitigated by monitoring the level of financial assets.

7. Budgeted Figures

Due to the nature of trust activities and administrative expenses paid for by the Province of Prince Edward Island, budgets are not prepared.

Tourism PEI

Financial Statements
March 31, 2018

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Tourism PEI on matters of financial reporting and internal controls. Management provides the Board with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Tourism PEI

____

Cheryl Paynter, CPA, CA
Chief Executive Officer

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants & Business Advisors
Prince Edward Place
18 Queen Street, Suite 100
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (902) 368-3100
Fax (902) 566-5074
www.acgca.ca

July 17, 2018

Independent Auditor's Report

To the Minister of Economic Development and Tourism

We have audited the accompanying financial statements of **Tourism PEI**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net debt 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.

Auditor's 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 auditor's 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Tourism PEI** 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.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Tourism PEI

Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets		
Financial assets		
Cash	1,780,595	1,495,017
Accounts receivable (notes 3 and 5)	909,296	795,491
Due from Province of Prince Edward Island (note 2)	7,371	55,283
	2,697,262	2,345,791
Liabilities		
Accounts payable and accrued liabilities (note 5)	2,702,913	2,294,673
Deferred revenue (note 4)	141,142	155,309
	2,844,055	2,449,982
Net debt	(146,793)	(104,191)
Inventory	135,563	90,621
Prepaid expenses	11,230	13,570
	146,793	104,191
Accumulated surplus	-	-

Approved by the Corporation

______________________________ Minister

Tourism PEI

Statement of Operations

For the year ended March 31, 2018

	2018	2018	2017
	Budget (unaudited) $	**Actual $**	**Actual $**
Revenue			
Grants from Province of Prince Edward Island	13,982,500	13,590,419	13,602,659
Marketing	650,000	660,979	684,399
Visitor Services	95,000	104,618	92,109
Brookvale Ski Park	412,500	470,926	444,051
Park Operations	1,010,000	1,184,588	1,074,809
Golf Operations	3,407,700	3,974,616	3,762,116
Book PEI fees	35,000	33,160	37,550
	19,592,700	20,019,306	19,697,693
Expenses (Schedule)			
Finance and Administration	424,800	362,356	755,320
Parks Administration	358,600	354,729	350,973
Park Operations	2,797,900	3,011,697	2,701,994
Brookvale	799,600	1,075,196	876,558
Golf Operations	4,090,100	4,518,117	4,380,290
Strategy and Evaluation	3,297,500	2,930,844	2,937,980
Regulation and Compliance	205,200	180,878	181,014
French Services	138,900	136,640	78
Digital Marketing	794,000	789,201	663,606
Visitor Services	795,600	825,676	716,536
Advertising and Public Relations	4,191,100	4,374,179	4,582,501
Media Relations/Editorial	332,800	256,465	321,048
Fulfillment	413,800	353,019	380,544
Publications	411,000	356,906	359,634
Travel/Trade Sales	541,800	493,403	489,617
	19,592,700	20,019,306	19,697,693
Operating surplus	-	-	-

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Tourism PEI

Statement of Changes in Net Debt

For the year ended March 31, 2018

	2018 $	2017 $
Operating surplus	-	-
Acquisition of inventory	(135,563)	(90,621)
Acquisition of prepaid expenses	(11,230)	(13,570)
Consumption of inventory	90,621	129,343
Use of prepaid expenses	13,570	2,390
	(42,602)	27,542
Decrease (increase) in net debt	(42,602)	27,542
Net debt - Beginning of year	(104,191)	(131,733)
Net debt - End of year	(146,793)	(104,191)

Tourism PEI

Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Operating surplus	-	-
Net change in non-cash working capital items		
Increase in accounts receivable	(113,805)	(51,601)
Decrease (increase) in due from the Province of Prince Edward Island	47,912	(55,283)
Decrease (increase) in inventory	(44,942)	38,722
Decrease (increase) in prepaid expenses	2,340	(11,180)
Increase (decrease) in accounts payable and accrued liabilities	408,240	(113,577)
Increase (decrease) in deferred revenue	(14,167)	23,359
Decrease in due to the Province of Prince Edward Island	-	(133,604)
Net change in cash	285,578	(303,164)
Cash - Beginning of year	1,495,017	1,798,181
Cash - End of year	1,780,595	1,495,017

Tourism PEI
Notes to Financial Statements
March 31, 2018

Tourism PEI became a Crown corporation effective March 31, 1999 under the Tourism PEI Act passed by the Government of Prince Edward Island on June 8, 1999. The objectives of Tourism PEI are to carry out tourism related activities of the Province of Prince Edward Island.

The financial results of the corporation are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities and due from the Province of Prince Edward Island.

All financial assets and financial liabilities are initially recognized at fair value and subsequently measured at cost or amortized cost

Cash

Cash consists of cash on hand and bank balances.

Due to/from the Province of Prince Edward Island

Current operations:

Excess revenue (expense) for the year for Tourism PEI is recorded as a reduction (increase) in Grants from Province of Prince Edward Island and as an amount due to (from) the Province of Prince Edward Island.

Inventory

Inventory is valued at the lower of cost, determined using the average cost method, and market. Market is defined as net realizable value.

Revenue recognition and government assistance

Grants from the Province of Prince Edward Island are recorded as revenue when authorized. Revenue from marketing activities is recorded when billed and revenue from Brookvale ski park, park operations, services and fees is recorded when earned as services are provided.

Revenue from golf operation is recognized when goods or services are delivered to the customer and ultimate collection is reasonably assured.

Deferred revenue is recorded when fees have been collected but the service has not been delivered.

Tourism PEI
Notes to Financial Statements
March 31, 2018

Expenses

Expenses are recorded in the period in which the related goods and services are consumed except for certain marketing related expenditures, recorded in marketing expenses, that are recorded in the period the goods and services are acquired and a liability incurred and program grant expenditures, recorded in Strategy and Evaluation, that are recorded in the period in which the funds are approved for disbursement and a corresponding liability incurred.

Vacation pay and pension liabilities

The staff of Tourism PEI are employees of the Province of Prince Edward Island. Direct costs for employees of the Province of Prince Edward Island allocated to Tourism PEI are charged to the company on a per-payroll basis. Since the staff are employees of the Province, accrued vacation pay and pension obligations are liabilities of the Province and not the corporation and no liability for these costs has been accrued by the corporation as at March 31, 2018.

Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Actual amounts could differ.

2 Due from the Province of Prince Edward Island

	2018 $	2017 $
Current operations		
Excess expenditures for the year - Tourism PEI	(7,371)	(55,283)

3 Accounts receivable

	2018 $	2017 $
Accounts receivable	653,787	626,166
HST receivable	387,414	301,230
Less: allowance for doubtful accounts	(131,905)	(131,905)
	909,296	795,491

Tourism PEI

Notes to Financial Statements
March 31, 2018

4 Deferred revenue

	2018 $	2017 $
Gift certificates	78,853	96,652
Prepaid golf passes and fees	62,289	58,657
	141,142	155,309

5 Related party transactions

During the year, the corporation utilized office premises from a Department of the Province of Prince Edward Island for nil (2017 - nil) consideration.

Tourism PEI utilizes the provincial parks, including Brookvale Ski Park, the provincial golf courses, the provincial day parks and the full service campgrounds, as well as the Visitor Information Centres in carrying out its mandate. Tourism PEI paid rent of nil (2017 - nil) to utilize these facilities.

Included in accounts receivable is $1,593 (2017 - $531) due from departments of the Province of Prince Edward Island. Included in accounts payable and accrued liabilities is an amount of $1,956 (2017 - $10,081) due to departments of the Province of Prince Edward Island and $40,923 (2017 - $47,846) due to a provincial Crown corporation.

6 Commitments

(a) Tourism PEI has entered in various contracts resulting in the following commitments for the next five years:

	$
Year ending March 31, 2019	2,012,090
2020	1,549,014
2021	479,300
2022	200,000
2023	200,000

(b) The minimum annual lease payments required over the next year under operating leases for equipment and software expiring in November 2018 and October 2021 are as follows:

	Equipment $
Year ending March 31, 2019	30,944
2020	5,600
2021	5,600
2022	5,600

Tourism PEI

Notes to Financial Statements
March 31, 2018

There is a requirement to pay the corporation's pro rata share, based on rental space, of the operating costs, including property taxes, of the clubhouse premises in Brudenell, which amounted to $39,356 (2017 - $39,356).

7 Financial risk management objectives and policies

Tourism PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Tourism PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable.

Accounts receivable includes trade receivables, HST receivable and other accrued receivables.

Tourism PEI's maximum exposure to credit risk is $909,296, its carrying value of accounts receivable as noted on the statement of financial position.

Details of the carrying value of accounts receivable that are past due at the financial statement date are as follows:

	Current $	Up to 90 days overdue $	Over 90 days overdue $	Allowance for doubtful accounts $	2018 Total $
Accounts receivable					
Trade receivables	400,457	36,703	108,887	(131,905)	414,142
HST receivable	387,414	-	-	-	387,414
Other receivables	107,740	-	-	-	107,740
	895,611	36,703	108,887	(131,905)	909,296

Tourism PEI

Notes to Financial Statements
March 31, 2018

	Current $	Up to 90 days overdue $	Over 90 days overdue $	Allowance for doubtful accounts $	2017 Total $
Accounts receivable					
Trade receivables	398,916	2,762	113,913	(131,905)	383,686
HST receivable	301,230	-	-	-	301,230
Other receivables	110,575	-	-	-	110,575
	810,721	2,762	113,913	(131,905)	795,491

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities and due to the Province of Prince Edward Island as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The company's financial liabilities total $2,844,055 and are expected to be repaid within one year.

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Tourism PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Tourism PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Tourism PEI

Consolidated Schedule of Expenses by Type

For the year ended March 31, 2018 **Schedule**

2018

	Salaries and benefits $	Operating Goods and Services $	Total $
Finance and Administration	230,899	131,457	362,356
Parks Administration	276,859	77,870	354,729
Park Operations	1,956,176	1,055,521	3,011,697
Brookvale	646,988	428,208	1,075,196
Golf Operations	2,391,090	2,127,027	4,518,117
Strategy and Evaluation	480,769	2,450,075	2,930,844
Regulation and Compliance	121,920	58,958	180,878
French Services	-	136,640	136,640
Digital Marketing	260,295	528,906	789,201
Visitor Services	710,164	115,512	825,676
Advertising and Public Relations	323,172	4,051,007	4,374,179
Media Relations/Editorial	113,565	142,900	256,465
Fulfillment	130,215	222,804	353,019
Publications	145,126	211,780	356,906
Travel/Trade Sales	159,821	333,582	493,403
	7,947,059	12,072,247	20,019,306

2017

	Salaries and benefits $	Operating Goods and Services $	Total $
Finance and Administration	235,629	519,691	755,320
Parks Administration	288,640	62,333	350,973
Park Operations	2,136,874	565,120	2,701,994
Brookvale	557,200	319,358	876,558
Golf Operations	2,990,382	1,389,908	4,380,290
Strategy and Evaluation	374,613	2,563,367	2,937,980
Regulation and Compliance	122,600	58,414	181,014
French Services	-	78	78
Digital Marketing	184,845	478,761	663,606
Visitor Services	626,245	90,291	716,536
Advertising and Public Relations	326,605	4,255,896	4,582,501
Media Relations/Editorial	157,407	163,641	321,048
Fulfillment	121,762	258,782	380,544
Publications	139,012	220,622	359,634
Travel/Trade Sales	156,906	332,711	489,617
	8,418,720	11,278,973	19,697,693

Financial Statements

Workers Compensation Board of Prince Edward Island

December 31, 2017

Safety Matters @Work

Workers Compensation Board of PEI

Contents

Independent auditor's report

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To the members of the Board of the

Workers Compensation Board of Prince Edward Island

We have audited the accompanying financial statements of the Workers Compensation Board of Prince Edward Island, which comprise the statements of financial position as at December 31, 2017, and the statements of comprehensive income, changes in fund balance 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 International Financial Reporting 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.

Auditor's 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 auditor's 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Charlottetown, Prince Edward Island

April 27, 2018

Chartered Professional Accountants

Workers Compensation Board of Prince Edward Island
Statements of comprehensive income

Year ended December 31	Notes	**2017**	2016
Revenues			
Current assessments		**$ 33,583,140**	$ 34,845,458
Self-insured employers	12	**766,736**	856,757
Investments	4	**23,706,062**	23,124,275
Interest on receivables		**31,939**	338,677
Recoverable administration fees and interest charges to self-insured employers	12	**233,392**	280,635
		58,321,269	59,445,802
Expenses			
Claims cost expenses			
Expected increase	11	**9,251,000**	9,422,000
Experience gains	11	**(11,632,000)**	(9,875,000)
Claims and administrative costs incurred	11	**22,040,000**	22,181,000
Latent occupational disease costs incurred	11	**(220,000)**	(126,000)
Claims costs incurred for self-insured employers	12	**766,736**	856,757
		20,205,736	22,458,757
Administration expenses			
Administration (Page 32)		**7,684,178**	7,246,835
Workers' Advisor Program	14	**325,856**	173,308
Employers' Advisor Program	14	**102,076**	130,316
Appeals Tribunal	14	**235,712**	109,940
		8,347,822	7,660,399
Other expenses			
Investment management expenses	4	**1,188,959**	987,959
Bad debt expense		**153,596**	153,717
		1,342,555	1,141,676
Total expenses		**29,896,113**	31,260,832
Operating income		**28,425,156**	28,184,970
Distribution to employers (Note 15)		**(21,301,088)**	-
Net income		**$ 7,124,068**	$ 28,184,970
Other comprehensive income			
Items that will not be classified in the statement of operations			
Change in actuarial gains and losses		**$ (32,300)**	$ -
Total comprehensive income		**$ 7,091,768**	$ 28,184,970

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island
Statements of changes in fund balance
Year ended December 31

	Fund balance	Total accumulated comprehensive loss	Total fund balance
Balance, January 1, 2017	**$ 98,177,625**	**$ (167,105)**	**$ 98,010,520**
Net income	**7,124,068**	**-**	**7,124,068**
Other comprehensive loss	**-**	**(32,300)**	**(32,300)**
Balance, December 31, 2017	**$ 105,301,693**	**$ (199,405)**	**$ 105,102,288**

	Fund balance	Total accumulated comprehensive loss	Total fund balance
Balance, January 1, 2016	$ 69,992,655	$ (167,105)	$ 69,825,550
Net income	28,184,970	-	28,184,970
Balance, December 31, 2016	$ 98,177,625	$ (167,105)	$ 98,010,520

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island
Statements of financial position

December 31	Notes	2017	2016
Assets			
Cash and cash equivalents		**$ 6,705,848**	$ 9,113,669
Receivables	3	**865,222**	2,123,340
Investments	4	**255,132,805**	248,738,221
Property and equipment	6	**2,503,763**	2,315,778
Intangible assets	7	**623,174**	693,792
		$ 265,830,812	$ 262,984,800
Liabilities and fund balance			
Payables and accruals	9	**$ 1,733,224**	$ 956,780
Employee future benefits	10	**1,697,300**	1,608,500
Benefits liabilities	11	**157,298,000**	162,409,000
		160,728,524	164,974,280
Fund balance	13	**105,102,288**	98,010,520
		$ 265,830,812	$ 262,984,800

On behalf of the Board

______________________________ Chair

______________________________ Chief Executive Officer

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island
Statements of cash flows

Year ended December 31	**2017**	2016
Cash flow from operating activities		
Cash received from:		
Assessed employers	**$ 35,144,976**	$ 33,771,339
Self-insured employers for assessments	**772,197**	848,761
	35,917,173	34,620,100
Cash paid:		
To claimants or third parties on their behalf	**(23,818,736)**	(23,895,757)
Distribution to employers (Note 15)	**(21,301,088)**	(500,000)
For administration requirements and other goods	**(2,551,885)**	(2,729,006)
For salaries to employees	**(6,253,456)**	(6,106,101)
	(53,925,165)	(33,230,864)
Net cash provided (used) by operating activities	**(18,007,992)**	1,389,236
Cash flow from investing activities		
Cash received from:		
Investment income, net of fees	**4,293,422**	4,990,422
Sale of investments	**76,922,822**	54,296,779
	81,216,244	59,287,201
Cash paid for:		
Purchase of investments	**(65,045,877)**	(58,766,929)
Purchase of intangible assets	**(183,483)**	(122,073)
Purchase of property and equipment	**(386,713)**	(294,454)
	(65,616,073)	(59,183,456)
Net cash provided by investing activities	**15,600,171**	103,745
Net increase in cash and cash equivalents	**(2,407,821)**	1,492,981
Cash and cash equivalents		
Beginning of year	**9,113,669**	7,620,688
End of year	**$ 6,705,848**	$ 9,113,669

See accompanying notes and schedule to the financial statements.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

1. Nature of operations

The Workers Compensation Board of Prince Edward Island ("the Board") was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers' compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*. The Board's head office is located in Charlottetown, Prince Edward Island, Canada.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 27, 2018.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS
The financial statements of the Board have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2017.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first time application of IFRS or another IFRS.

Basis of measurement
The financial statements of the Board have been prepared on a historical cost basis except for investments in the statement of financial position that are reported at fair value. The Board's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Board operates, which is also the presentation currency of the financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks. Cash and short-term investments held by custodians for investment purposes are not available for general use and, accordingly, are included in investments.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the closing rate, which is the spot exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items and the subsequent translation of monetary items are included in the statement of operations in the period in which they arise.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty
The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action.

Benefit liabilities, employee future benefits, accrued assessments, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these financial statements and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 11 for additional details on benefit liabilities.

Revenue recognition
The Board recognizes revenue when services have been provided, it is probable that the associated economic benefits will flow to the Board and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Board's primary source of revenue is assessed premiums.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

Specific accounting policies
To facilitate a better understanding of the Board's financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

2. Summary of significant accounting policies (cont'd)

Future accounting standards and reporting changes

The International Accounting Standards Board (the IASB) is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect over the next several years. The Workers Compensation Board of Prince Edward Island continually monitors the IASB work plans and publications to assess any potential impact on the organization.

The IASB has issued revisions to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). IFRS 9 and IFRS 15 are effective for accounting periods beginning on or after January 1, 2018.

IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 fundamentally changes how entities account for insurance contracts, introducing a default "building block approach", which disaggregates the cash flows in an insurance contract and provides a different measurement basis for each component, and a simplified "premium allocation approach" for certain short-term contracts. Assumptions used in measuring insurance assets and liabilities such as cash flows, discount rates and risk adjustment will be updated at each reporting period. The discount rate will reflect the characteristics of the insurance liabilities and the estimated future cash flows to settle claims incurred will be discounted unless the period of time between claim occurrence and settlement is less than one year. Presentation changes include 'insurance revenue' replacing the current reporting of 'premiums' and insurance contract assets and liabilities will not be netted. Under this standard, premiums receivable, unearned premiums and claims payable may no longer be presented separately from other insurance assets and liabilities. The effective date for IFRS 17 is January 1, 2021 with mandatory restatement of comparative periods. The Board is currently assessing the impact of IFRS 17.

3. Receivables

Accounting policy

Trade receivables are amounts due from employers for assessed premiums, or estimated premiums, when a final return for insurance coverage for the period has not been filed. Assessed premiums receivable are initially recognized at the invoiced amount and, subsequently, measured at recoverable value that is net of a provision for uncollectible amounts. Trade and other receivables are classified as financial assets and are recorded at amortized cost.

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Other receivables include amounts due from employees for computer purchases and other payroll related items.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

3. Receivables (cont'd)

	2017	2016
Receivables		
Assessments	**$ 1,239,108**	$ 2,370,304
Less allowance for doubtful accounts	**(240,126)**	(390,004)
Accrued assessments	**(412,183)**	18,456
Self-insured employers	**(34,720)**	(29,260)
Other receivables	**313,143**	153,844
	$ 865,222	$ 2,123,340

4. Investments

Accounting policy
All the Board's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss investments. Real return bonds have been designated by the Board as fair value through profit or loss as permitted under IFRS 9. As such, all portfolio investments are recorded at their fair value. The Board recognizes interest revenue as earned, dividends when declared and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of the investments and their respective cost base. Unrealized gains and losses on fair value through profit or loss investments are recognized as investment income at year end based on the fair value of the investments at that time. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Investment income also includes interest income and income distributions from pooled funds. The Board utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date) and not on the date the transaction is finalized (the settlement date). Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transactions date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

4. Investments (cont'd)

- Pooled fund units other than infrastructure are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holdings equity and fixed-income assets, these values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds, these values represent the Board's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets.
- Infrastructure pooled funds are held through a separate corporate entity controlled by Worksafe NB and in which the Board does not have significant influence. Therefore, these infrastructure pooled funds are considered financial instruments and are valued at their most recent net asset value prior to year-end, adjusted for any capital contributions or withdrawals between the net asset value date and year-end, as determined by the fund manager or administrator. The net asset value represents the Board's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

4. Investments (cont'd)

	2017	2016
Investments		
Cash and short-term investments	**$ 11,919,463**	$ 6,512,545
Forward foreign exchange contracts	**1,107,875**	745,884
Real estate	**38,805,672**	36,839,136
Fixed term investments	**47,398,651**	53,201,947
Infrastructure	**14,191,883**	14,610,395
Equities	**116,905,938**	124,640,924
Global opportunistic	**24,803,323**	12,187,390
	$ 255,132,805	$ 248,738,221

	2017	2016
Investment income		
Earned during the year	**$ 5,507,614**	$ 5,639,705
Realized investment gains	**13,647,729**	8,128,927
Change in unrealized investment gain	**4,550,719**	9,355,643
	$ 23,706,062	$ 23,124,275
Investment expenses		
External management fees	**$ 1,115,342**	$ 906,539
Management fees paid to Worksafe NB	**73,617**	81,420
	$ 1,188,959	$ 987,959

Pooled funds

Certain of the Board's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

	2017	2016
Conventional bonds	**$ 37,467,346**	$ 42,097,509
Real return bonds	**9,931,305**	11,104,439
Non North American equities	**10,796,334**	9,841,563
Real estate	**38,805,672**	36,839,136
Absolute return	**24,803,323**	12,187,390
Infrastructure	**14,191,883**	14,610,395
	$ 135,995,863	$ 126,680,432

Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of WorksafeNB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 15.3% at December 31, 2017 (2016 – 16.6%). The Board pays a fee to WorksafeNB for the administration of the combined investments.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

4. Investments (cont'd)

Commitments
The Board, through its investment in pooled infrastructure and real estate funds, has committed to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2017 are $15.5 million.

5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafeNB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

Market risk
The Board invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that the Board's investments are diversified by issuer, industry and geographic location.

The table below indicates the total exposure in each of the equity mandates within the Board's portfolio:

	2017	2016
Canada	**$ 38,394,546**	$ 42,343,523
United States	**47,949,291**	44,654,383
International equities	**38,283,132**	37,903,482
Real estate	**38,805,672**	36,839,136
Emerging markets	**17,082,292**	11,926,926
	$ 180,514,933	$ 173,667,450

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

5. Financial risk management (cont'd)

The table below presents the effect of a change in value of equities held based on management estimates for each of the equity mandates in the Boards' portfolio:

	2017			
Equities				
Change in market value	**15%**	**5%**	**-5%**	**-15%**
Impact on fund balance				
Canadian	**$ 5,759,000**	**$ 1,920,000**	**$ (1,828,000)**	**$ (5,008,000)**
United States	**7,192,000**	**2,397,000**	**(2,283,000)**	**(6,254,000)**
International equities	**5,742,000**	**1,914,000**	**(1,823,000)**	**(4,993,000)**
Real estate	**5,821,000**	**1,940,000**	**(1,848,000)**	**(5,062,000)**
Emerging markets	**2,562,000**	**854,000**	**(813,000)**	**(2,228,000)**

	2016			
Equities				
Change in market value	15%	5%	-5%	-15%
Impact on fund balance				
Canadian	$ 6,352,000	$ 2,117,000	$ (2,016,000)	$ (5,523,000)
United States	6,698,000	2,233,000	(2,126,000)	(5,824,000)
International equities	5,686,000	1,895,000	(1,805,000)	(4,944,000)
Real estate	5,526,000	1,842,000	(1,754,000)	(4,805,000)
Emerging markets	1,789,000	596,000	(568,000)	(1,556,000)

Foreign currency risk
The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non-North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 91.3% of the Board's total exposure to developed market foreign currencies and 75.4% of the total foreign currency exposure including emerging markets. The Board has holdings of $55,388,000 (2016 - $54,129,000) in US dollar or 21.8% of the portfolio, $17,732,000 (2016 - $13,010,000) or 7.0% in the Euro, $11,643,000 (2016 - $11,772,000) or 4.6% in the Japanese Yen and $8,970,000 (2016 - $7,268,000) or 3.5% in the British Pound.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

5. Financial risk management (cont'd)

The table below presents the effects of a 15% appreciation in the Canadian dollar as compared to the US dollar, Euro, Japanese Yen and British Pound on the fund balance:

	2017	2016
CAD/USD	**$ (7,258,000)**	$ (7,060,000)
CAD/EURO	**$ (2,389,000)**	$ (1,697,000)
CAD/YEN	**$ (1,519,000)**	$ (1,535,000)
CAD/POUND	**$ (1,168,000)**	$ (948,000)

At December 31, 2017, the notional value of outstanding forward foreign exchange contracts was $59,078,205 (2016 - $45,560,992). The fair value of these contracts was a gain of $1,107,875 (2016 - gain of $745,884). Unrealized gain on forward foreign exchange contracts of $361,991 (2016 - gain of $2,888,537) were included in investment income.

Inflation risk
Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

Interest risk management
Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Board's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The following table presents the remaining term to maturity of the Board's outstanding fixed term investments.

	Remaining term to maturity				
	Within 1 year	From 1 year to 5 years	Over 5 years	**Total 2017**	Total 2016
Fixed term investments (market value)	$ (160,456)	$ 12,606,168	$ 34,952,939	**$ 47,398,651**	$ 53,201,947

The average effective yield of these fixed term investments is 2.5% (2016 - 2.3%) per annum based on market value.

As of December 31, 2017, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by $4,630,000 (2016 - $5,433,000) or approximately 9.8% (2016 – 10.2%) of their value.

Workers Compensation Board of Prince Edward Island
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5. Financial risk management (cont'd)

Credit risk management
Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA. As at December 31, 2017, the aggregate amount of fixed income securities with counterparty ratings of BBB was $nil (2016 - $nil).

The Board is also exposed to credit risk through its trade receivables. The Board mitigates this risk through a regular monitoring process. Credit risk is mitigated due to the large number of customers and their dispersion across geographic areas and various industries. Allowance for doubtful accounts is reviewed at each balance sheet date. The Board updates its estimates of allowances for doubtful accounts based on customer history.

Fair value hierarchy
In compliance with IFRS 7, Financial Instruments – Disclosures, the Board has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Board's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 11,919,463	$ -	$ -	$ 11,919,463
Investments				
Forward foreign exchange contracts	-	1,107,875	-	1,107,875
Real estate	29,472,498	-	9,333,174	38,805,672
Fixed term	47,398,651	-	-	47,398,651
Infrastructure	-	-	14,191,883	14,191,883
Equities	141,709,261	-	-	141,709,261
	$ 230,499,873	$ 1,107,875	$ 23,525,057	$ 255,132,805

During 2017 and 2016, there were no significant transfers of investments between level 1 and level 2.

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5. Financial risk management (cont'd)

	2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,512,545	$ -	$ -	$ 6,512,545
Investments				
Forward foreign exchange contracts	-	745,884	-	745,884
Real estate	33,295,390	-	3,543,746	36,839,136
Fixed term	53,201,947	-	-	53,201,947
Infrastructure	-	-	14,610,395	14,610,395
Equities	136,828,314	-	-	136,828,314
	$ 229,838,196	$ 745,884	$ 18,154,141	$ 248,738,221

The following summarizes the changes in the level 3 investments for the year:

	2017	2016
Balance beginning of the year	**$ 18,154,141**	$12,688,776
Purchase of level 3 investments	**5,953,526**	4,180,384
Investment income	**453,464**	259,291
Return of capital	**(2,303,731)**	(2,128,412)
Unrealized gains (losses) recognized	**1,267,657**	3,154,102
Balance at end of the year	**$ 23,525,057**	$18,154,141

There are 3 investments classified as level 3: (1) A limited partnership interest in a fund investing in global infrastructure assets and real estate assets. These are closed-end fund with no active market for its units as at December 31, 2017 and, therefore, classified as level 3 investments in the fair market hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by 2 years; (2) A limited partnership interest in a fund investing in global infrastructure assets. This is an open-ended fund that allows quarterly redemptions at net asset value with some restrictions. It is classified as a level 3 investment in the fair value hierarchy; (3) A limited partnership interest in a fund investing in European real estate. This is a close-end fund with no active market for its units and no published net asset value as of December 31, 2017 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 9-year life that commenced on August 22, 2014.

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Notes to the financial statements
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5. Financial risk management (cont'd)

Liquidity risk
Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows. The Board's current liabilities arise as claims are made. The Board does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Board has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous year in the exposure to risk or policies, procedure and methods used to measure the risk.

6. Property and equipment

Accounting policy
Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the straight line basis. Assets are depreciated at 50% of the applicable rate in the year of acquisition. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings and components	10 to 40 years,	straight line
Furniture and fixtures	10 years,	straight line
Computer equipment	5 years,	straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2017, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non-financial assets.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

6. Property and equipment (cont'd)

Gross carrying amount	Land	Buildings	Furniture & fixtures	Computer equipment	2017 Total
Balance January 1, 2017	$ 368,460	$ 2,672,584	$ 642,167	$ 682,991	$ 4,366,202
Additions	-	244,400	50,317	91,996	386,713
Disposals	-	-	-	(34,020)	(34,020)
Balance December 31, 2017	368,460	2,916,984	692,484	740,967	4,718,895
Depreciation and impairment					
Balance January 1, 2017	-	(1,151,795)	(431,847)	(466,782)	(2,050,424)
Disposals	-	-	-	31,756	31,756
Depreciation	-	(96,477)	(28,963)	(71,024)	(196,464)
Balance December 31, 2017	-	(1,248,272)	(460,810)	(506,050)	(2,215,132)
Carrying amount Dec 31, 2017	**$ 368,460**	**$1,668,712**	**$ 231,674**	**$ 234,917**	**$2,503,763**

Gross carrying amount	Land	Buildings	Furniture & Fixtures	Computer Equipment	2016 Total
Balance January 1, 2016	$ 368,460	$ 2,541,946	$ 638,161	$ 588,159	$ 4,136,726
Additions	-	130,638	4,006	161,300	295,944
Disposals	-	-	-	(66,468)	(66,468)
Balance December 31, 2016	368,460	2,672,584	642,167	682,991	4,366,202
Depreciation and impairment					
Balance January 1, 2016	-	(1,062,672)	(402,713)	(473,572)	(1,938,957)
Disposals	-	-	-	65,089	65,089
Depreciation	-	(89,123)	(29,134)	(58,299)	(176,556)
Balance December 31, 2016	-	(1,151,795)	(431,847)	(466,782)	(2,050,424)
Carrying amount Dec 31, 2016	**$ 368,460**	**$1,520,789**	**$ 210,320**	**$ 216,209**	**$2,315,788**

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7. Intangible assets

Accounting policy
Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Board has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditure includes the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Board's intangible assets are comprised of computer software developed internally or acquired through third party vendors and customized as necessary. These costs are accounted for using the cost model whereby capitalized costs are amortized on a straight line or declining balance basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Internally developed software is amortized on a straight line basis over 10 years for certain software and 3 years for other smaller software programs.

Computer software	2017	2016
Gross carrying amount		
Balance at January 1	$ 4,526,661	$ 4,404,588
Addition, separately acquired	183,483	122,073
Balance at December 31	4,710,144	4,526,661
Amortization and impairment		
Balance at January 1	(3,832,869)	(3,576,782)
Amortization	(254,101)	(256,087)
Balance at December 31	(4,086,970)	(3,832,869)
Carrying amount December 31	$ 623,174	$ 693,792

8. Bank indebtedness

The Board has a $500,000 unsecured operating line of credit of which nil was used at December 31, 2017.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
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9. Payables and accruals

	2017	2016
Trade and other payables	**$ 1,028,396**	$ 701,276
Accrued staff salaries	**484,525**	45,580
Accrued vacation pay	**220,303**	209,924
	$ 1,733,224	$ 956,780

10. Employee benefits

Accounting policy
Permanent employees of the Board participate in a defined benefit pension plan sponsored by the Province of Prince Edward Island. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense. The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method prorated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

Short-term benefits
The Board's short-term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan
The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies. Changes were made to the Civil Service Superannuation Act effective January 1, 2016. For service after 2013, the average salary used to determine pension benefits will be calculated using an average of all earnings indexed to the year of retirement. Also, for service after 2018, the age at which an unreduced pension is available will move from 60 to 62 and the years of service will move from 30 to 32. Retirement benefits will be indexed at 1.5% up until 2017. In 2017, pension benefits indexing will depend on the financial health of the fund. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as mutli-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is $419,606 (2016 - $396,093). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2017, the Civil Service Superannuation Fund reported that the pension plan was 100% funded.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

10. Employee benefits (cont'd)

Retirement pay benefits
The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service (moving to 32 years of service as of December 2018), or accrued 5 years of service and die or become disabled. The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.20% (2016 - 3.50%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal $1,697,300 (2016 - $1,608,500) based on the last actuarial calculation as of December 31, 2017.

Other information about the Board's retirement pay benefits is as follows:

	2017	2016
Opening retirement pay benefits	**$ 1,608,500**	$ 1,601,800
Changes in retirement pay benefits	**56,500**	6,700
Change in assumptions	**32,300**	-
Ending retirement pay benefits	**$ 1,697,300**	$ 1,608,500

Employee benefits risks
The Board's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Board is also exposed to funding risk in the multi-employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments, and funding requirements.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2017, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2017, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

Since the benefits liabilities of the Board are of a long-term nature, the actuarial assumptions and methods used to calculate the reported benefits liabilities are based on considerations of future expenses over the long-term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Key actuarial assumptions
Important components of the benefits liabilities are long-term in nature, meaning that many claims continue in payment for many years following the accident.

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques.

The key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

A provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date. This provision includes the cost of claims incurred but not reported to the Board.

The estimation of outstanding benefits liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and administration costs incurred to the reporting date. The various payment codes of the Board are grouped into a number of benefit categories and analyzed separately.

Modeling approaches are used to analyze and project the various benefit types. These approaches fall into three broad categories, which are as follows:

- Payments per claim for active long-term wage loss, pension and survivor claims;
- Projected payments based on past payment patterns for short-term disability, health care and the first seven years for long-term disability awards; and
- Estimated average benefit payments per claim for projected future long-term wage loss and physical impairment awards.

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
December 31, 2017

11. Benefits liabilities (cont'd)

Projected future claims payments and associated administration costs are obtained by examining the results from the above methods. This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding benefits liabilities that has an approximately equal chance of proving adequate as not.

The projected future claims payments are converted to inflated values, taking into account assumptions about future inflation. The present value of this liability is then calculated, by discounting the inflated cash flows to allow for future returns on the underlying assets using appropriate discount rates. Both implicit and explicit assumptions are made for future inflation. For the first fifteen years of the projection period for short-term disability, health care and the first seven years for long-term disability awards, the future inflation is implied in the development factors. Explicit future inflation assumptions are used for all other liability estimates.

The table below presents key assumptions used to determine the benefits liabilities.

	2017	2016
Gross rate of return	**6.0%**	6.0%
Real rate of return	**3.5%**	3.5%
Increase in inflation	**2.5%**	2.5%
Future administration	**6.5%**	6.5%
Latent occupational diseases	**4.5%**	4.5%

Process used to determine assumptions
A description of the processes used to determine these assumptions is provided below:

General Statement
Assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the very long-term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return

The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the Board in its statement of investment policies and beliefs. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

Future awards liabilities

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2015 to 2017 period. The weightings are 17% of 2015, 33% of 2016, and 50% of 2017, all adjusted to constant 2017 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long-term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

Workers Compensation Board of Prince Edward Island
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11. Benefits liabilities (cont'd)

Pension in pay

The liabilities in respect of pensions and extended wage loss awards, including survivor benefits that are already in payment, are included in this category. Cash flows, in respect of these categories have been projected on an individual claimant basis using mortality as the only decrement. No provision for termination of benefits from other causes such as recoveries has been made. To the extent such terminations occur, there will be a gain.

Future extended wage loss awards

Included in the valuation is a provision for future extended wage loss awards. A claims run off table has been developed based in part on the Board's limited experience with respect to wage loss claims. This table is used to predict the emergence of future extended wage loss claims. The table was developed using a run off table used by another Board with legislation similar to Prince Edward Island's with experience modifications noted in Prince Edward Island as compared to the other jurisdiction.

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation. A detailed review of future administration expenses is conducted periodically. In this review an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

An analysis of the components of and changes in benefits liabilities is as follows:

	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	**2017** **Total**	2016 Total
Balance, beginning of year	$ 9,912,000	$ 102,803,000	$ 30,422,000	$ 2,793,000	$ 9,485,000	**$ 155,415,000**	$ 158,224,000
Expected increase	589,000	6,114,000	1,813,000	170,000	565,000	**9,251,000**	9,422,000
Assumption changes	-	-	-	-	-	**-**	-
Experience (gains) losses	(1,418,000)	(6,926,000)	(1,812,000)	(765,000)	(711,000)	**(11,632,000)**	(9,875,000)
	9,083,000	101,991,000	30,423,000	2,198,000	9,339,000	**153,034,000**	157,771,000
Costs incurred	6,717,000	7,597,000	5,826,000	554,000	1,346,000	**22,040,000**	22,181,000
	15,800,000	109,588,000	36,249,000	2,752,000	10,685,000	**175,074,000**	179,952,000
Less: Payments made	(6,922,000)	(9,411,000)	(6,235,000)	(484,000)	(1,498,000)	**(24,550,000)**	(24,537,000)
						150,524,000	155,415,000
Latent occupational diseases	-	-	-	-	-	**6,774,000**	6,994,000
Balance, end of year	$ 8,878,000	$100,177,000	$ 30,014,000	$ 2,268,000	$ 9,187,000	**$ 157,298,000**	$ 162,409,000

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11. Benefits liabilities (cont'd)

Benefit liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in the future years. They do not add to the Board's liabilities on its net fund balance.

Current year injuries

	2017		
	Current year cost	Present value of future costs	Total incurred claims
Health care	$ 1,776,000	$ 4,050,000	$ 5,826,000
Temporary wage loss	2,733,000	3,984,000	6,717,000
Rehabilitation	-	554,000	554,000
Lump sums	63,000	564,000	627,000
Future permanent awards	-	6,746,000	6,746,000
New permanent awards	6,000	218,000	224,000
Administration	298,000	1,048,000	1,346,000
Total	$ 4,876,000	$ 17,164,000	$22,040,000

	2016		
	Current year cost	Present value of future costs	Total incurred claims
Health care	$ 1,777,000	$ 4,138,000	$ 5,915,000
Temporary wage loss	2,701,000	4,222,000	6,923,000
Rehabilitation	2,000	659,000	661,000
Lump sums	146,000	581,000	727,000
Future permanent awards	-	6,601,000	6,601,000
Administration	301,000	1,053,000	1,354,000
Total	$ 4,927,000	$ 17,254,000	$22,181,000

Workers Compensation Board of Prince Edward Island
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11. Benefits liabilities (cont'd)

Reconciliation of movement in benefits liabilities

	2017	2016
Balance, beginning of the year	**$ 162,409,000**	$ 165,344,000
Interest on liability	**9,251,000**	9,422,000
Payments and other transitions	**(24,550,000)**	(24,537,000)
Balance, end of year for prior accident years	**147,110,000**	150,229,000
Impact of experience losses (gains) on change in liability for prior accident years due to:		
Mortality and termination	**(1,400,000)**	600,000
Award inflation less than expected	**(1,300,000)**	(1,300,000)
New awards	**(3,500,000)**	(4,000,000)
Change in expected claim run-off	**(2,600,000)**	(1,800,000)
Difference between actual and expected payments	**(2,000,000)**	(2,600,000)
Other	**(832,000)**	(775,000)
Total change in liability	**(11,632,000)**	(9,875,000)
Change in latent occupational diseases liability	**(220,000)**	(126,000)
Liability for new accidents	**22,040,000**	22,181,000
	21,820,000	22,055,000
Balance, end of year	**$ 157,298,000**	$ 162,409,000

Workers Compensation Board of Prince Edward Island
Notes to the financial statements
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11. Benefits liabilities (cont'd)

Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Board's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2008 to 2017. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

($'000)
Accident year

	Year of estimate	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimated total cash flow (including past and future cash flows)	**2008**	$ 21,985										
	2009	21,431	$ 23,164									
	2010	21,158	24,135	$ 26,044								
	2011	20,276	24,699	24,901	$ 29,273							
	2012	19,947	24,987	23,286	28,208	$ 31,901						
	2013	20,002	23,991	22,033	26,348	29,648	$ 32,752					
	2014	20,330	23,827	20,465	25,585	27,025	28,537	$ 33,271				
	2015	19,671	23,897	19,438	25,638	28,580	28,182	30,346	$ 32,825			
	2016	20,302	23,858	18,664	24,243	27,064	25,792	28,515	28,898	$ 32,894		
	2017	19,855	23,381	18,113	23,430	25,878	24,325	25,723	26,011	30,869	$ 32,645	
Current (2017) estimate of total cash flow		19,855	23,381	18,113	23,430	25,878	24,325	25,723	26,011	30,869	32,645	$ 250,230
Total cash flows paid December 31, 2017		(11,371)	(12,570)	(10,958)	(14,365)	(14,560)	(12,571)	(11,357)	(9,598)	(8,719)	(4,607)	(110,676)
Estimated future cash flows		8,484	10,811	7,155	9,065	11,318	11,754	14,366	16,413	22,150	28,038	139,554
Impact of discounting		(3,446)	(4,537)	(2,986)	(3,617)	(4,734)	(4,883)	(6,127)	(7,096)	(9,106)	(11,316)	(57,848)
Liability for accident years 2008 - 2017		5,038	6,274	4,169	5,448	6,584	6,871	8,239	9,317	13,044	16,722	81,706
Liability for accident years 2007 and prior												59,631
Claims administration												9,187
Latent occupational diseases liability												6,774
Balance sheet liabiltiy at December 31, 2017												**$ 157,298**

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11. Benefits liabilities (cont'd)

Claims risk
Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work related injuries, the Board bears risk with respect to its future claims costs, which could have material implications for liability estimation. In determining the Board's claim benefit liabilities, a primary risk is that the actual benefits payments may exceed the estimation of the amount of the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claim run off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

Sensitivity of actuarial assumptions
The benefits liabilities are determined by using many actuarial assumptions. The two most significant assumptions are the real rate of return and inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table presents the sensitivity of the liabilities to the following change in the real rate of return and inflation rate:

	2017	2016
1% Decrease in real rate of return	**$ 11,206,000**	$11,596,000
1% Increase in inflation	**$ (939,000)**	$ (984,000)
0.25% Decrease in real rate of return	**$ 2,666,000**	$ 2,755,000
0.50% Decrease in real rate of return	**$ 5,419,000**	$ 5,604,000

12. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada, who directly bear the costs of their own incurred claims and an appropriate share of administration expenses. Administrative fees and interest charges are included within the schedule of administrative expenses (page 32). Total amounts of assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	2017	2016
Current assessment revenue	**$ 766,736**	$ 856,757
Administration fees and interest charges recoverable	**233,392**	280,635
	$ 1,000,128	$ 1,137,392
Claims costs incurred		
Short-term disability	**$ 129,353**	$ 168,900
Long-term disability	**475,695**	486,454
Health care	**161,688**	201,403
Rehabilitation	**-**	-
	766,736	856,757
Administration fees and interest charges	**233,392**	280,635
	$ 1,000,128	$ 1,137,392

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13. Funding strategy and capital management

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL 136) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

Although, per IFRS 9 – Financial Instruments: Classification and Measurement, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. Under the smoothing method, gains or losses realized on disposal of fixed term investments are deferred and amortized on a straight line basis over a nine year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four year period. The use of the smoothing method for funding policy purposes continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

Investment reconciliation to the smoothing method	
January 1, 2017 balance	$ 35,331,327
2017 adjustment to record revenue using the smoothing method	6,077,987
	$ 41,409,314
Fund balance based on investment smoothing	
Fund balance as currently reported	$ 105,102,288
Adjustment to record revenue using the smoothing method	(41,409,314)
Fund balance based on investment smoothing	$ 63,692,974
Asset total based on investment smoothing	
Total assets as currently reported	$ 265,830,812
Adjustment to record revenue using the smoothing method	(41,409,314)
Asset total based on investment smoothing	$ 224,421,498
Total liabilities as currently reported	$ 160,728,524
Funding status as per funding policy (percentage based on investment smoothing):	139.6%

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14. Legislative obligations and other related party transactions

Included in these financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies and Boards related to the Board by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid $325,856 (2016 - $173,308) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid $102,076 (2016 - $130,316) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid $235,712 (2016 - $109,940) to cover the operating costs of the Tribunal.

The table below presents total compensation of the key management group, which includes the Board of Directors and senior executive staff.

	2017	2016
Short-term employee benefits	**$ 633,364**	$ 601,183
Post employment benefits	**102,348**	101,196
	$ 735,712	$ 702,379

15. Distribution to employers

During the year, the Board of Directors of the Board approved a distribution to active employers of $21,301,088 (2016 - $nil). The Board was able to distribute these funds due to significantly better investment returns. These funds were distributed to employers who had assessable payroll as of December 31, 2016 and was based on base premiums which was defined as assessable payroll times the group assessment rate.

16. Comparative figures

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

Workers Compensation Board of Prince Edward Island
Schedule of administration expenses

Year ended December 31	**2017**	2016
Building operating costs	**$ 194,510**	$ 209,318
Communications, printing and supplies	**181,623**	178,583
Computer maintenance	**214,867**	270,913
Depreciation	**450,564**	432,645
Dues and fees	**124,607**	104,825
Interest and bank charges	**187,835**	160,135
Miscellaneous	**51,781**	14,661
Postage	**79,987**	96,981
Professional development	**80,840**	67,573
Professional fees	**887,840**	726,785
Salaries		
Board members	**67,542**	61,902
Staff members	**5,230,242**	5,075,708
Benefits	**976,939**	900,837
Retirement benefits (Note 10)	**141,331**	124,231
Telephone	**103,691**	112,904
Travel	**207,979**	206,834
	9,182,178	8,744,835
Less allocation to benefits liabilities (Note 11)	**(1,498,000)**	(1,498,000)
	$ 7,684,178	$ 7,246,835