

Financial Statements of

RED RIVER COLLEGE

Year ended June 30, 2008



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AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

August 28, 2008

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 4)	\$ 1,223	\$ 1,061
Cash and short-term investments (note 4)	19,369	6,478
Accounts receivable (note 5)	4,377	3,171
Current portion of note receivable - RRC Students' Association [note 21(a)]	100	40
Inventories	936	693
Prepaid expenses and other assets (note 6)	2,454	2,589
	<u>28,459</u>	<u>14,032</u>
Long term investments - trust and endowment (note 7)	10,454	8,656
Due from Province of Manitoba (note 8)	9,253	9,253
Note receivable - RRC Students' Association [note 21(a)]	235	210
Capital assets (note 9)	75,732	70,166
Intangible asset	8	10
	<u>\$ 124,141</u>	<u>\$ 102,327</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 10)	\$ 1,715	\$ 255
Accounts payable and accrued liabilities (note 11)	25,654	22,728
Current portion of obligations under capital leases (note 12)	1,731	1,615
Deferred revenue	16,688	4,150
	<u>45,788</u>	<u>28,748</u>
Obligations under capital leases (note 12)	1,716	1,272
Deferred contributions (note 13)	5,580	3,395
Deferred capital campaign contributions (note 14)	3,300	3,342
Deferred contributions related to capital assets (note 15)	51,589	50,583
Net assets:		
Invested in capital and intangible assets (note 16)	17,404	13,364
Restricted for endowments (note 17)	9,689	8,205
Internally restricted (note 17)	3,116	2,803
Unrestricted net assets	<u>(14,041)</u>	<u>(9,385)</u>
	16,168	14,987
Commitments (notes 15 and 20)		
	<u>\$ 124,141</u>	<u>\$ 102,327</u>

See accompanying notes to financial statements.

Approved by the Board of Governors:



Chair



Vice-Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	Budget (Unaudited)	2008	2007
Revenue:			
Academic training fees	\$ 25,299	\$ 28,627	\$ 26,387
Grants and reimbursements	71,591	71,605	66,996
International education	1,326	918	974
Continuing education	8,140	7,813	7,788
Sundry and other revenue	13,279	12,558	11,609
Gain (loss) on disposal of capital assets/investments	—	45	(14)
Amortization of deferred contributions	4,220	4,654	5,168
	123,855	126,220	118,908
Expenses:			
Instruction	67,895	71,449	66,546
Library	1,839	1,921	1,831
Administration and general	25,636	23,029	20,173
Physical plant	14,944	15,495	14,154
Student services	4,030	4,665	3,953
Amortization of capital and intangible assets	8,016	8,563	8,735
	122,360	125,122	115,392
Excess of revenue over expenses before the undernoted	1,495	1,098	3,516
Other:			
Net increase in accrued vacation and severance liability	(1,495)	(1,401)	(728)
Excess (deficiency) of revenue over expenses	\$ —	\$ (303)	\$ 2,788

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets (In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	\$ 13,364	\$ 8,205	\$ 2,803	\$ (9,385)	\$ 14,987	\$ 11,072
Change in accounting policy (note 3)	–	4	–	–	4	–
Endowment gifts	–	1,392	–	–	1,392	1,127
Amounts restricted for endowments	–	88	–	–	88	–
Transfer to internally restricted	–	–	313	(313)	–	–
Excess (deficiency) of revenue over expenses	(4,298)	–	–	3,995	(303)	2,788
Investment in capital assets	8,338	–	–	(8,338)	–	–
Balance, end of year	\$ 17,404	\$ 9,689	\$ 3,116	\$ (14,041)	\$ 16,168	\$ 14,987

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (303)	\$ 2,788
Adjustments for:		
Amortization of intangible assets	2	2
Amortization of capital assets	8,561	8,733
Amortization of deferred capital contributions	(4,220)	(4,747)
Other deferred contributions recognized as revenue	(2,170)	(2,083)
Other deferred contributions received	4,333	2,484
Trust funds used to support College activities	—	(99)
Loss (gain) on disposal of capital assets	(45)	14
Change in fair value of investments	(187)	—
Change in non-cash working capital balances (note 18)	14,150	3,373
	20,121	10,465
Investing activities:		
Purchase of capital assets	(11,118)	(4,706)
Long-term investment for trust and endowment	(3,143)	(4,383)
Proceeds on disposal of capital assets	83	—
Proceeds on disposal of long-term investments for trust and endowment	1,649	—
Note advanced to RRC Students' Association	(125)	(250)
Note principal repayments by RRC Students' Association	40	—
	(12,614)	(9,339)
Financing activities:		
Endowment gifts received	1,392	1,126
Contributions received for capital purposes	4,746	1,831
Capital campaign contributions	256	208
Repayment of obligations under capital leases	(2,308)	(1,911)
	4,086	1,254
Increase in cash and short-term investments	11,593	2,380
Cash and short-term investments, beginning of year	7,284	4,904
Cash and short-term investments, end of year	\$ 18,877	\$ 7,284
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,223	\$ 1,061
Cash and short-term investments	19,369	6,478
Bank indebtedness	(1,715)	(255)
	\$ 18,877	\$ 7,284

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of \$2,868 (2007 - \$1,990).

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended June 30, 2008

1. General:

Red River College (the College) operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba (the Province). The College is a registered charity under the *Income Tax Act*.

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Long-term investments:

Effective July 1, 2007, long-term investments are classified as held-for-trading and are recorded at fair value (note 3). Unrealized gains and losses, representing the change between the fair value and the cost of the investments at the beginning and the end of the year, are recorded in deferred contributions or net assets restricted for endowments depending on the restrictions of the long-term investment. Fair value of investments is determined based on quoted market prices. For periods prior to July 1, 2007, all investments were carried at cost less any impairment for declines in market value that were considered to be other than temporary and investment income was recorded on an accrual basis.

(c) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

2. Significant accounting policies (continued):

(d) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

(e) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned or there has been a change in fair value of the investments.

(f) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(g) Deferred contributions:

Debt owing to the Province is reflected as deferred contributions in the statement of financial position. The related revenue earned from the Council on Post-Secondary Education (COPSE) to offset the principal repayment and the related interest expense are both excluded from the statement of operations.

(h) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at year end exchange rates with any gain or loss included in income in the year. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Future changes to significant accounting policies:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862, *Financial Instruments - Disclosures* and Handbook Section 3863, *Financial Instruments - Presentation*. These new standards apply to the College effective July 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In addition, the CICA issued a new accounting standard, Handbook Section 3031, *Inventories*, that replaces Handbook Section 3030. This new section provides guidance as to costs that can be included in inventories and requires that inventories be measured at the lower of cost and net realizable value.

The College is currently assessing the impact that these new standards will have on its financial statements for the year ending June 30, 2009.

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

3. Change in accounting policy:

The College adopted the new CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on July 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, cash and short-term investments and bank indebtedness were designated as held-for-trading; accounts receivable, due from Province of Manitoba and note receivable from the RRC Students' Association as loans and receivables; accounts payable and accrued liabilities, accrued vacation pay, due to related party and long-term liabilities as other liabilities. Long-term investments are designated as held-for-trading.

The College does not have any available-for-sale or held-to-maturity instruments.

As required by the transitional arrangements of Section 3855, the accounting policy change from carrying value to fair value was adopted retroactively without restatement of the 2007 financial statements. As a result of the change, the carrying value of long-term investments increased by \$116, deferred contributions increased by \$112 and net assets restricted for endowments increased by \$4, reflecting unrealized gains on externally restricted deferred contributions and endowments with no income restrictions at that date. The impact of Section 3855 for the year ended June 30, 2008 was an unrealized gain of \$67 which has been recorded as an increase in long-term investments and deferred contributions.

4. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province in short-term deposits. Interest rates on short-term investments range between 2.45 percent and 2.85 percent. Short-term investments mature between July 2008 and September 2008.

The carrying value of the short-term investments at the beginning and end of the year approximated fair value due to the short-term maturity of these deposits.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

5. Accounts receivable:

	2008		2007	
Trust and endowment receivables	\$	160	\$	159
Other accounts receivable		4,217		3,012
	\$	4,377	\$	3,171

6. Prepaid expenses and other assets:

	2008		2007	
Prepaid property taxes	\$	1,332	\$	1,320
Other prepaid expenses		1,076		992
Datatel flexible spending account		46		277
	\$	2,454	\$	2,589

7. Long-term investments:

	2008		2007	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 8,282	\$ 8,010	\$ 7,379	\$ 7,426
Equity investments	1,768	1,865	1,393	1,230
Debentures	404	404	—	—
	\$ 10,454	\$ 10,279	\$ 8,772	\$ 8,656

Fair value as represented above was derived from the quoted market value of investments.

8. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province to the College in 1996. The College is responsible for funding liabilities for vacation pay and severance pay benefits accumulated after the transfer through its operating grants from the Province of Manitoba. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense. The portion of the receivable related to the vacation pay is paid annually through the operating grants.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

9. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 30,944	\$ 20,611	\$ 10,333	\$ 8,493
Computer equipment and software	19,007	15,621	3,386	4,035
Major renovations	6,067	2,127	3,940	4,250
Buildings	48,510	5,169	43,341	44,536
Vehicles	208	134	74	105
Aircraft	1,716	441	1,275	1,360
Leasehold improvements	5,350	2,891	2,459	2,523
Construction in progress	5,867	–	5,867	580
Assets under capital leases	10,462	6,628	3,834	3,061
Library holdings	1,223	–	1,223	1,223
	<u>\$ 129,354</u>	<u>\$ 53,622</u>	<u>\$ 75,732</u>	<u>\$ 70,166</u>

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is \$2,094 (2007 - \$2,113).

The increase in net book value of capital assets is due to the following:

	2008	2007
Balance, beginning of year	\$ 70,166	\$ 72,189
Purchase of capital assets:		
Funded by deferred capital contributions	4,746	1,831
Funded by deferred capital campaign contributions	256	208
Internally funded	8,338	4,581
Financed through capital lease proceeds	560	83
Donations of capital assets	182	21
Gain (loss) on disposal of capital assets	45	(14)
Amortization of capital assets	(8,561)	(8,733)
Balance, end of year	<u>\$ 75,732</u>	<u>\$ 70,166</u>

10. Bank indebtedness:

Bank indebtedness of \$1,715 (2007 - \$255) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a \$5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2008, there had been no withdrawals on this operating line.

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

11. Accounts payable and accrued liabilities:

	2008	2007
Trade payables	\$ 4,890	\$ 4,417
Trust and endowment payables	1	14
Accrued salaries and benefits	4,151	3,086
Accrued retirement severance pay	7,310	7,051
Accrued vacation pay	9,302	8,160
	\$ 25,654	\$ 22,728

Significant actuarial assumptions used in the severance obligations at June 30, 2008 and June 30, 2007 were:

	2008	2007
Interest rate on obligations	7.00%	7.00%
Employer current service cost as a percentage of salary	.62%	.62%

12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2008 and April 2013 together with the balances of the obligations under capital leases:

2009	\$ 1,907
2010	967
2011	548
2012	299
2013	12
Total minimum lease payments	3,733
Less amount representing interest (ranging from 4.75% to 6.25%)	(286)
Balance of obligations	3,447
Current portion	1,731
	\$ 1,716

Interest expense on the lease obligations amounted to \$257 (2007 - \$181).

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

13. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2008	2007
Deferred provincial operating grant:		
Balance, beginning of year	\$ 1,738	\$ 1,657
Amount recognized as revenue during the year	(1,738)	(1,657)
Amount received related to following year	3,432	1,738
Balance, end of year	3,432	1,738
Deferred other contributions:		
Balance, beginning of year (note 3)	1,657	1,430
Amount recognized as revenue during the year	(434)	(426)
Amount restricted for endowment	(88)	(1)
Trust funds used to support college operations	—	(99)
Amount received related to following year	1,013	753
Balance, end of year	2,148	1,657
	\$ 5,580	\$ 3,395

14. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2008	2007
Balance, beginning of year	\$ 3,342	\$ 3,431
Less amortization of deferred capital campaign contributions during the year	(298)	(297)
Add donations received during the year	256	208
Balance, end of year	\$ 3,300	\$ 3,342

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

15. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2008	2007
Balance, beginning of year	\$ 50,583	\$ 53,181
Less amortization of deferred contributions	(3,922)	(4,450)
Add:		
Contributions received for capital purposes	4,746	1,831
Donations-in-kind	182	21
Balance, end of year	\$ 51,589	\$ 50,583

Unamortized capital contributions of \$51,589 (2007 - \$50,583) include contributions received from the Province for the purchase of capital assets. The College has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by the COPSE.

New funding was received of approximately \$11,700 with respect to these obligations for the construction of the Heavy Equipment Transportation Centre of Excellence (the Centre) and has been recorded in deferred revenue until completion of the Centre. Upon completion of the Centre, the balance will be recorded in deferred capital contributions. No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2008	2007
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments of \$71 including principal and interest	\$ 11,998	\$ 12,097
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments of \$122 including principal and interest	20,800	20,960
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments of \$50 including principal and interest	8,558	8,621
Heavy Equipment Transportation Centre of Excellence, 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,666	—
	\$ 53,022	\$ 41,678

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

16. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2008	2007
Capital assets, net book value	\$ 75,732	\$ 70,166
Intangible assets, net book value	8	10
Less:		
Amounts financed by deferred capital campaign contributions	(3,300)	(3,342)
Deferred capital contributions	(51,589)	(50,583)
Amounts financed by capital lease	(3,447)	(2,887)
Balance, end of year	\$ 17,404	\$ 13,364

The change in investment in capital and intangible assets is calculated as follows:

	2008	2007
Purchase of capital assets internally financed	\$ 8,338	\$ 4,581
Amortization of:		
Capital and intangible assets	(8,563)	(8,735)
Deferred capital contributions	3,922	4,450
Deferred capital campaign contributions	298	297
Gain (loss) on disposal of capital assets	45	(14)
Increase in investment in capital and intangible assets	\$ 4,040	\$ 579

17. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

17. Restrictions on net assets (continued):

Internally restricted net assets consist of the following:

	2008	2007
Princess Street campus structural reserve	\$ 537	\$ 537
Notre Dame campus structural reserve	200	200
Contract training net proceeds	1,579	1,266
Campus renovations reserve	800	800
Balance, end of year	\$ 3,116	\$ 2,803

Under college internal best practice guidelines, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

18. Change in non-cash working capital balances:

	2008	2007
Accounts receivable	\$ (1,206)	\$ 43
Inventories	(243)	265
Prepaid expenses and other assets	135	500
Accounts payable and accrued liabilities	2,926	2,974
Deferred revenue	12,538	(409)
Change in non-cash working capital	\$ 14,150	\$ 3,373

19. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 3461.

The expense related to the pension plan was \$1,120 (2007 - \$805). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

20. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2009	\$	12,225
2010		1,541
2011		1,180
2012		1,094
2013		591
	\$	16,631

The College is constructing the Heavy Equipment Training Centre of Excellence (the Centre) at the Notre Dame campus for an estimated cost of \$15.1 million, of which \$5.9 million has been spent as June 30, 2008.

The Centre is secured by a promissory note and is being funded both internally and through funding from the Province and other capital contributions. The College accounts for the funding from the Province for the Centre as a deferred capital contribution upon completion (note 15).

21. Related parties:

(a) Red River College Students' Association Inc.:

The Red River College Students' Association (the Students' Association) is an income tax exempt organization significantly influenced by the College. The Students' Association is responsible for providing services such as health and dental benefits, study and lounging areas, and a voice on the College's Board of Governors to students of the College. The Students' Association and the Students' Association Building Fund (SABF) are incorporated under the *Corporations Act* of Manitoba and operate on a not-for-profit basis. SABF is a wholly-owned subsidiary of the Students' Association. In 2007, the College agreed to loan \$375 to SABF and during the year advanced \$125 (2007 - \$250) to be used to construct a new student lounge on the Notre Dame campus. The note receivable is unsecured and non-interest bearing.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2008

21. Related parties (continued):

Repayment began in February 2008 and the balance will be repaid as follows:

2009	\$	100
2010		105
2011		105
2012		25
	\$	335

The net assets and results of operations of the Students' Association and SABF are not included in the statements of the College.

(b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act* of Manitoba and is exempt from income taxes. As at June 30, 2008, net assets of Crecomm amount to a deficit of \$149 and there is a net receivable owing to the College of \$31.

The net assets and results from operations of Crecomm are not included in the statements of the College.

(c) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis and is exempt from income taxes. As at May 31, 2008, net resources of the Blood Bank amount to \$125.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2008

22. Financial instruments:

(a) Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 7.

The fair value of the note receivable from the Red River College Students' Association and the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

(b) Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances. Reviews are made of the credit worthiness of accounts and reserves established as required.

(c) Interest rate and foreign exchange risk:

Interest rates, maturities and security affect the interest rate risk of certain of the College's financial assets and liabilities.

The College is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the College's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The College does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

23. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.