Financial Statements of

# RED RIVER COLLEGE

Year ended June 30, 2009

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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, 2009 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, 2009 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

September 3, 2009

# RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and short-term investments - trust and endowment (note 4) | $ 3,107 | $ 1,223 |
| Cash and short-term investments (note 4) | 10,310 | 19,369 |
| Accounts receivable (note 5) | 5,820 | 4,377 |
| Current portion of note receivable - RRC Students' Association [note 22(a)] | 120 | 100 |
| Inventories (note 6) | 839 | 936 |
| Prepaid expenses (note 7) | 2,516 | 2,454 |
| | 22,712 | 28,459 |
| Long term investments - trust and endowment (note 8) | 10,474 | 10,454 |
| Due from Province of Manitoba (note 9) | 9,253 | 9,253 |
| Note receivable - RRC Students' Association [note 22(a)] | 130 | 235 |
| Capital assets (note 10) | 88,349 | 75,732 |
| Intangible asset | 8 | 8 |
| | $ 130,926 | $ 124,141 |

## Liabilities and Net Assets

| | 2009 | 2008 |
|---|---|---|
| Current liabilities: | | |
| Bank indebtedness (note 11) | $ 740 | $ 1,715 |
| Accounts payable and accrued liabilities (note 12) | 24,632 | 25,654 |
| Current portion of obligations under capital leases (note 13) | 1,609 | 1,731 |
| Deferred revenue | 7,519 | 16,388 |
| | 34,500 | 45,488 |
| Obligations under capital leases (note 13) | 1,431 | 1,716 |
| Deferred contributions (note 14) | 6,744 | 5,880 |
| Deferred capital campaign contributions (note 15) | 3,354 | 3,300 |
| Deferred contributions related to capital assets (note 16) | 66,996 | 51,589 |
| Net assets: | | |
| Invested in capital and intangible assets (note 17) | 14,967 | 17,404 |
| Restricted for endowments (note 18) | 11,124 | 9,689 |
| Internally restricted (note 18) | 2,889 | 3,116 |
| Unrestricted net assets | (11,079) | (14,041) |
| | 17,901 | 16,168 |
| Commitments (note 21) | | |
| Subsequent event (note 26) | | |
| | $ 130,926 | $ 124,141 |

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, 2009, with comparative figures for 2008

| | Budget (Unaudited) | 2009 | 2008 |
|---|---|---|---|
| Revenue: | | | |
| Academic training fees | $ 26,884 | $ 29,165 | $ 28,138 |
| Grants and reimbursements | 76,612 | 78,893 | 72,514 |
| International education | 1,250 | 1,046 | 918 |
| Continuing education | 7,800 | 7,889 | 7,813 |
| Sundry and other revenue | 14,648 | 14,427 | 12,138 |
| Gain on disposal of capital assets | – | 34 | 45 |
| Amortization of deferred contributions | 4,047 | 4,893 | 4,654 |
| | 131,241 | 136,347 | 126,220 |
| Expenses: | | | |
| Instruction | 72,024 | 78,142 | 71,449 |
| Library | 1,945 | 2,086 | 1,921 |
| Administration and general | 27,459 | 23,960 | 23,029 |
| Physical plant | 15,375 | 16,760 | 15,495 |
| Student services | 4,595 | 5,858 | 4,665 |
| Amortization of capital and intangible assets | 8,403 | 8,361 | 8,563 |
| | 129,801 | 135,167 | 125,122 |
| Excess of revenue over expenses before the undernoted | 1,440 | 1,180 | 1,098 |
| Other: | | | |
| Net increase in accrued vacation and severance liability | 1,440 | 882 | 1,401 |
| Excess (deficiency) of revenue over expenses | $ – | $ 298 | $ (303) |

See accompanying notes to financial statements.

# RED RIVER COLLEGE

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

Year ended June 30, 2009, with comparative figures for 2008

| | Invested in capital and intangible assets | Restricted for endow-ments | Internally restricted | Unrestricted | 2009 Total | 2008 Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 17,404 | $ 9,689 | $ 3,116 | $ (14,041) | $ 16,168 | $ 14,987 |
| Change in accounting policy | – | | – | – | – | 4 |
| Endowment gifts | – | 1,420 | – | – | 1,420 | 1,392 |
| Amounts restricted for endowments | – | 15 | – | – | 15 | 88 |
| Transfer to internally restricted | – | – | (227) | 227 | – | – |
| Excess (deficiency) of revenue over expenses | (4,279) | – | – | 4,577 | 298 | (303) |
| Investment in capital assets | 1,842 | – | – | (1,842) | – | – |
| Balance, end of year | $ 14,967 | $ 11,124 | $ 2,889 | $ (11,079) | $ 17,901 | $ 16,168 |

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess (deficiency) of revenue over expenses | $ 298 | $ (303) |
| Adjustments for: | | |
| Amortization of intangible assets | – | 2 |
| Amortization of capital assets | 8,361 | 8,561 |
| Amortization of deferred capital contributions | (4,049) | (4,220) |
| Other deferred contributions recognized as revenue | (4,576) | (2,170) |
| Other deferred contributions received | 5,455 | 4,633 |
| Gain on disposal of capital assets | (34) | (45) |
| Changes in fair value of investments | (134) | (187) |
| Changes in non-cash working capital balances (note 19) | (11,299) | 13,850 |
| | (5,978) | 20,121 |
| Investing activities: | | |
| Purchase of capital assets | (18,969) | (11,118) |
| Long-term investment for trust and endowment | (910) | (3,143) |
| Proceeds on disposal of capital assets | 42 | 83 |
| Proceeds on disposal of long-term investments for trust and endowment | 1,024 | 1,649 |
| Note advanced to RRC Students' Association | – | (125) |
| Note principal repayments by RRC Students' Association | 85 | 40 |
| | (18,728) | (12,614) |
| Financing activities: | | |
| Endowment gifts received | 1,420 | 1,392 |
| Contributions received for capital purposes | 19,129 | 4,746 |
| Capital campaign contributions | 341 | 256 |
| Repayment of obligations under capital leases | (2,384) | (2,308) |
| | 18,506 | 4,086 |
| Increase (decrease) in cash and short-term investments | (6,200) | 11,593 |
| Cash and short-term investments, beginning of year | 18,877 | 7,284 |
| Cash and short-term investments, end of year | $ 12,677 | $ 18,877 |
| Comprised of: | | |
| Cash and short-term investments - trust and endowment | $ 3,107 | $ 1,223 |
| Cash and short-term investments | 10,310 | 19,369 |
| Bank indebtedness | (740) | (1,715) |
| | $ 12,677 | $ 18,877 |

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 $1,977 (2008 - $2,868).

See accompanying notes to financial statements.

## 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:

Long-term investments are classified as held-for-trading and are recorded at fair value. 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.

(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 |

## 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.

(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 related to capital assets 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.

**2. Significant accounting policies (continued):**

(h) Financial instruments:

All financial instruments are recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments 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 using the effective interest rate method. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Cash and bank indebtedness and long-term investments are 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, and long-term liabilities as other liabilities.

The College does not have any held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(i) 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.

(j) 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.

## 2. Significant accounting policies (continued):

(k) Future accounting policy changes:

*Not-for-Profit Organizations:*

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued a new standard, CICA 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*.

CICA 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;

- clarify that revenues and expenses must be recognized and presented on a gross basis when a NFPO is acting as a principal in transactions;

- make *Cash Flow Statements*, Section 1540 applicable to NFPOs; and

- make *Interim Financial Statements*, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430, *Capital Assets Held by Not-for-Profit Organizations*, was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460, *Disclosure of Related Party Transactions by Not-for-Profit Organizations,* was amended to make the language in Section 4460 consistent with *Related Party Transactions*, Section 3840.

**2. Significant accounting policies (continued):**

New standard CICA 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations,* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. the main features of the new section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and

- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective July 1, 2009 and will only require additional disclosure in the financial statements.

**3. Change in accounting policy:**

Effective July 1, 2008, the College adopted the following new CICA accounting standards:

*Inventories*:

Section 3031 establishes standards for determining the cost of inventories. The standard requires that inventories be measured at the lower of cost and net realizable value, and provides guidance on the types of costs that are to be assigned to inventories. There was no material effect on the College's financial statements as a result of implementing the new standard (note 6).

*Financial Instruments, Disclosures and Presentation:*

CICA Section 3862, *Financial Instruments - Disclosure* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective July 1, 2009 for the College. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing 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. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. As such, the College has decided to not implement Sections 3862 and 3863.

(In thousands of dollars)

### 3. Change in accounting policy (continued):

*Capital Disclosures:*

Section 1535 establishes standards for disclosing information about an entity's capital to enable an evaluation of the entity's objectives, policies and processes for managing capital. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. Adoption of this new standard has resulted in additional note disclosure (note 24).

### 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 0.25 percent and 0.9 percent. Short-term investments mature between July 2009 and September 2009.

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.

### 5. Accounts receivable:

| | 2009 | 2008 |
|---|---|---|
| Trust and endowment receivables | $ 182 | $ 160 |
| Other accounts receivable | 5,638 | 4,217 |
| | $ 5,820 | $ 4,377 |

### 6. Inventories:

Inventories consist of finished goods comprised primarily of books purchased for resale. During the year ended June 30, 2009, inventories totaling $3,611 were expensed (2008 - $3,661).

### 7. Prepaid expenses:

| | 2009 | 2008 |
|---|---|---|
| Prepaid property taxes | $ 1,330 | $ 1,332 |
| Other prepaid expenses | 1,175 | 1,076 |
| Datatel flexible spending account | 11 | 46 |
| | $ 2,516 | $ 2,454 |

(In thousands of dollars)

## 8. Long-term investments:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Fair value | Cost | Fair value | Cost |
| Cash and fixed term instruments | $ 7,864 | $ 7,331 | $ 8,282 | $ 8,010 |
| Equity investments | 2,229 | 2,355 | 1,768 | 1,865 |
| Debentures | 381 | 381 | 404 | 404 |
| | $ 10,474 | $ 10,067 | $ 10,454 | $ 10,279 |

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

## 9. 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.

## 10. Capital assets:

| | | | 2009 | 2008 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Equipment and furniture | $ 36,648 | $ 22,816 | $ 13,832 | $ 10,333 |
| Computer equipment and software | 19,040 | 16,497 | 2,543 | 3,386 |
| Major renovations | 6,336 | 2,436 | 3,900 | 3,940 |
| Buildings | 64,992 | 6,404 | 58,588 | 43,341 |
| Vehicles | 310 | 159 | 151 | 74 |
| Aircraft | 1,716 | 527 | 1,189 | 1,275 |
| Leasehold improvements | 6,654 | 3,520 | 3,134 | 2,459 |
| Construction in progress | 236 | – | 236 | 5,867 |
| Assets under capital leases | 11,841 | 8,288 | 3,553 | 3,834 |
| Library holdings | 1,223 | – | 1,223 | 1,223 |
| | $ 148,996 | $ 60,647 | $ 88,349 | $ 75,732 |

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 $2,258 (2008 - $2,094).

(In thousands of dollars)

## 10. Capital assets (continued):

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

| | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 75,732 | $ 70,166 |
| Purchase of capital assets: | | |
| Funded by deferred capital contributions | 19,129 | 4,746 |
| Funded by deferred capital campaign contributions | 341 | 256 |
| Internally funded | 1,841 | 8,338 |
| Financed through capital lease proceeds | (407) | 560 |
| Donations of capital assets | 40 | 182 |
| Gain on disposal of capital assets | 34 | 45 |
| Amortization of capital assets | (8,361) | (8,561) |
| Balance, end of year | $ 88,349 | $ 75,732 |

## 11. Bank indebtedness:

Bank indebtedness of $740 (2008 - $1,715) 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, 2009, there had been no withdrawals on this operating line.

## 12. Accounts payable and accrued liabilities:

| | 2009 | 2008 |
|---|---|---|
| Trade payables | $ 3,325 | $ 4,890 |
| Trust and endowment payables | 1 | 1 |
| Accrued salaries and benefits | 3,812 | 4,151 |
| Accrued retirement severance pay | 8,093 | 7,310 |
| Accrued vacation pay | 9,401 | 9,302 |
| | $ 24,632 | $ 25,654 |

Significant actuarial assumptions used in the severance obligations at June 30, 2009 and 2008 as follows:

| | 2009 | 2008 |
|---|---|---|
| Interest rate on obligations | 7.00% | 7.00% |
| Employer current service cost as a percentage of salary | .64% | .62% |

(In thousands of dollars)

## 13. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2009 and April 2013 together with the balances of the obligations under capital leases:

| | |
|---|---|
| 2010 | $ 1,744 |
| 2011 | 1,013 |
| 2012 | 463 |
| 2013 | 12 |
| Total minimum lease payments | 3,232 |
| Less amount representing interest (ranging from 2.5% to 16.3%) | (192) |
| Balance of obligations | 3,040 |
| Current portion | 1,609 |
| | $ 1,431 |

Interest expense on the lease obligations amounted to $257 (2008 - $257).

## 14. 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.

| | 2009 | 2008 |
|---|---|---|
| Deferred provincial operating grant: | | |
| Balance, beginning of year | $ 3,732 | $ 1,738 |
| Amount recognized as revenue during the year | (3,732) | (1,738) |
| Amount received related to following year | 4,137 | 3,732 |
| Balance, end of year | 4,137 | 3,732 |
| Deferred other contributions: | | |
| Balance, beginning of year | 2,148 | 1,657 |
| Amount recognized as revenue during the year | (844) | (434) |
| Amount restricted for endowment | (15) | (88) |
| Amount received related to following year | 1,318 | 1,013 |
| Balance, end of year | 2,607 | 2,148 |
| | $ 6,744 | $ 5,880 |

(In thousands of dollars)

## 15. 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:

| | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 3,300 | $ 3,342 |
| Less amortization of deferred capital campaign contributions during the year | (287) | (298) |
| Add donations received during the year | 341 | 256 |
| Balance, end of year | $ 3,354 | $ 3,300 |

## 16. Deferred contributions related to capital assets:

Deferred contributions related to capital assets 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 contributions related to capital assets are as follows:

| | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 51,589 | $ 50,583 |
| Less amortization of deferred contributions | (3,762) | (3,922) |
| Add: | | |
| Contributions received for capital purposes | 19,129 | 4,746 |
| Donations-in-kind | 40 | 182 |
| Balance, end of year | $ 66,996 | $ 51,589 |

Unamortized capital contributions of $66,996 (2008 - $51,589) 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.

(In thousands of dollars)

## 16. Deferred contributions related to capital assets (continued):

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:

| | 2009 | 2008 |
|---|---:|---:|
| Princess Street campus: | | |
| Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments ranging from $86-94 including principal and interest | $ 11,666 | $ 11,998 |
| Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments ranging from $146-158 including principal and interest | 20,242 | 20,800 |
| Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments ranging from $50-66 including principal and interest | 8,447 | 8,558 |
| Heavy Equipment Transportation Centre of Excellence: | | |
| 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest | 11,581 | 11,666 |
| | $ 51,936 | $ 53,022 |

## 17. Investment in capital and intangible assets:

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

| | 2009 | 2008 |
|---|---:|---:|
| Capital assets, net book value | $ 88,349 | $ 75,732 |
| Intangible assets, net book value | 8 | 8 |
| Less: | | |
| Amounts financed by deferred capital campaign contributions | (3,354) | (3,300) |
| Deferred capital contributions | (66,996) | (51,589) |
| Amounts financed by capital lease | (3,040) | (3,447) |
| Balance, end of year | $ 14,967 | $ 17,404 |

(In thousands of dollars)

## 17. Investment in capital and intangible assets (continued):

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

| | 2009 | 2008 |
|---|---|---|
| Purchase of capital assets internally financed | $ 1,841 | $ 8,338 |
| Amortization of: | | |
| Capital and intangible assets | (8,361) | (8,563) |
| Deferred capital contributions | 3,762 | 3,922 |
| Deferred capital campaign contributions | 287 | 298 |
| Gain on disposal of capital assets | 34 | 45 |
| Increase (decrease) in investment in capital and intangible assets | $ (2,437) | $ 4,040 |

## 18. 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.

Internally restricted net assets consist of the following:

| | 2009 | 2008 |
|---|---|---|
| Princess Street campus structural reserve | $ 585 | $ 537 |
| Notre Dame campus structural reserve | 160 | 200 |
| Contract training net proceeds | 2,144 | 1,579 |
| Campus renovations reserve | – | 800 |
| Balance, end of year | $ 2,889 | $ 3,116 |

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.

(In thousands of dollars)

## 19. Change in non-cash working capital balances:

| | 2009 | 2008 |
|---|---|---|
| Accounts receivable | $ (1,443) | $ (1,206) |
| Inventories | 97 | (243) |
| Prepaid expenses | (62) | 135 |
| Accounts payable and accrued liabilities | (1,022) | 2,926 |
| Deferred revenue | (8,869) | 12,238 |
| Changes in non-cash working capital | $ (11,299) | $ 13,850 |

## 20. 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 $1,741 (2008 - $1,120). 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.

## 21. 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 operating 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:

| | |
|---|---|
| 2010 | $ 3,296 |
| 2011 | 2,531 |
| 2012 | 2,443 |
| 2013 | 1,930 |
| 2014 | 987 |
| | $ 11,187 |

(In thousands of dollars)

## 22. 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 that was used to construct a new student lounge on the Notre Dame campus. The note receivable is unsecured and non-interest bearing.

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

| | | |
|---|---|---|
| 2010 | $ | 120 |
| 2011 | | 105 |
| 2012 | | 25 |
| | $ | 250 |

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, 2009, net assets of Crecomm amount to a deficit of $130 and there is a net receivable owing to the College of $12.

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

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**22. Related parties (continued):**

(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, 2009, net resources of the Blood Bank amount to $162.

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

**23. 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 bank indebtedness, 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 8.

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.

## 23. Financial instruments (continued):

(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.

## 24. Capital disclosure:

The College's objectives in managing capital are:

- minimizing the cost of capital
- preserving the ability to continue as a going concern
- maintaining flexibility to ensure the ongoing ability to execute the Strategic Plan.

Management considers the current and long-term portions of debt, unrestricted net assets and internally restricted net assets are capital. The College has various policies in place to manage capital, including a policy requiring Board approval on major capital expenditures, securing debt and capital budget approval. The College also uses its net assets to support the Strategic Plan, special initiatives, trust and endowment activities and campus expansion and redevelopment. The College receives Province of Manitoba funding to support major capital projects. The College also maintains deferred contribution accounts and endowments for externally restricted funding. These funds are managed with the objectives of spending the funds in accordance with various terms stipulated in the funding arrangements. For the year ended June 30, 2009, the College has met its externally imposed capital requirements.

## 25. Comparative figures:

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

## 26. Subsequent event:

On July 24, 2009, the College acquired the property at 500-504 Main Street, the former Union Bank Tower, for nominal consideration. Under the federal Knowledge Infrastructure Program, the College will receive federal and provincial funding to assist in the redevelopment of the facility to accommodate the Culinary Arts and Hospitality & Tourism programs and a 100-bed student residence. The project is estimated to cost $27 million and is expected to be substantially completed March 2011 with its first intake of students in September 2011.