

Financial Statements of

RED RIVER COLLEGE

Year ended June 30, 2010



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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, 2010 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, 2010 and the results of its operations and its 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.

Chartered Accountants

Winnipeg, Canada

August 27, 2010

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 4)	\$ 1,602	\$ 3,107
Cash and short-term investments (note 4)	17,591	10,310
Accounts receivable (note 5)	7,635	5,820
Current portion of note receivable - RRC Students' Association [note 22(a)]	105	120
Inventories (note 6)	808	839
Prepaid expenses (note 7)	2,193	2,516
	<u>29,934</u>	<u>22,712</u>
Long term investments - trust and endowment (note 8)	14,596	10,474
Due from Province of Manitoba (note 9)	9,253	9,253
Note receivable - RRC Students' Association [note 22(a)]	25	130
Capital assets (note 10)	92,338	88,349
Intangible asset	6	8
	<u>\$ 146,152</u>	<u>\$ 130,926</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Bank indebtedness (note 11)	\$ -	\$ 740
Accounts payable and accrued liabilities (note 12)	29,772	24,632
Current portion of obligations under capital leases (note 13)	1,973	1,609
Deferred revenue	6,347	6,089
	<u>38,092</u>	<u>33,070</u>
Obligations under capital leases (note 13)	2,197	1,431
Deferred contributions (note 14)	7,569	7,254
Deferred capital campaign contributions (note 15)	3,331	3,354
Deferred contributions related to capital assets (note 16)	72,268	67,916
Net assets:		
Invested in capital and intangible assets (note 17)	12,574	14,967
Restricted for endowments (note 18)	13,324	11,124
Internally restricted (note 18)	4,606	2,889
Unrestricted net assets	(7,809)	(11,079)
	<u>22,695</u>	<u>17,901</u>
Commitments (note 21)		
Subsequent event (note 26)		
	<u>\$ 146,152</u>	<u>\$ 130,926</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, 2010, with comparative figures for 2009

	Budget (Unaudited)	2010	2009
Revenue:			
Academic training fees	\$ 28,297	\$ 33,077	\$ 29,165
Grants and reimbursements	86,420	87,768	78,893
International education	1,312	1,455	1,046
Continuing education	8,262	8,352	7,889
Sundry and other revenue	14,771	14,089	14,427
Gain on disposal of capital assets	-	34	34
Amortization of deferred contributions	5,265	6,170	4,893
	<u>144,327</u>	<u>150,945</u>	<u>136,347</u>
Expenses:			
Instruction	79,286	85,949	78,142
Library	2,108	2,349	2,086
Administration and general	30,480	26,155	23,960
Physical plant	17,156	17,123	16,760
Student services	4,250	5,487	5,858
Amortization of capital and intangible assets	9,668	9,902	8,361
	<u>142,948</u>	<u>146,965</u>	<u>135,167</u>
Excess of revenue over expenses before the undernoted	1,379	3,980	1,180
Other:			
Net increase in accrued vacation and severance liability	1,379	1,386	882
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ 2,594</u>	<u>\$ 298</u>

See accompanying notes to financial statements.

RED RIVER COLLEGE

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

Year ended June 30, 2010, with comparative figures for 2009

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	\$ 14,967	\$ 11,124	\$ 2,889	\$ (11,079)	\$ 17,901	\$ 16,168
Endowment gifts	—	2,200	—	—	2,200	1,420
Amounts restricted for endowments	—	—	—	—	—	15
Transfer to internally restricted	—	—	1,717	(1,717)	—	—
Excess (deficiency) of revenue over expenses	(4,554)	—	—	7,148	2,594	298
Investment in capital assets	2,161	—	—	(2,161)	—	—
Balance, end of year	\$ 12,574	\$ 13,324	\$ 4,606	\$ (7,809)	\$ 22,695	\$ 17,901

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,594	\$ 298
Adjustments for:		
Amortization of intangible assets	2	-
Amortization of capital assets	9,900	8,361
Amortization of deferred capital contributions	(5,314)	(4,049)
Other deferred contributions recognized as revenue	(5,503)	(4,576)
Gain on disposal of capital assets	(34)	(34)
Changes in fair value of investments	(236)	(134)
Changes in non-cash working capital balances (note 19)	3,936	(12,729)
	5,345	(12,863)
Investing activities:		
Purchase of capital assets	(7,460)	(18,969)
Long-term investment for trust and endowment	(3,911)	(910)
Proceeds on disposal of capital assets	34	42
Proceeds on disposal of long-term investments for trust and endowment	25	1,024
Note principal repayments by RRC Students' Association	120	85
	(11,192)	(18,728)
Financing activities:		
Endowment gifts received	2,200	1,420
Contributions received for capital purposes	6,640	20,049
Capital campaign contributions	275	341
Repayment of obligations under capital leases	(2,570)	(2,384)
Other deferred contributions received	5,818	5,965
	12,363	25,391
Increase (decrease) in cash and short-term investments	6,516	(6,200)
Cash and short-term investments, beginning of year	12,677	18,877
Cash and short-term investments, end of year	\$ 19,193	\$ 12,677
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,602	\$ 3,107
Cash and short-term investments	17,591	10,310
Bank indebtedness	-	(740)
	\$ 19,193	\$ 12,677
Supplementary cash flow information:		
Interest paid	\$ 238,849	\$ 240,760
Interest received	740,580	822,717

The following have been excluded from the financing 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 \$3,700 (2009 - \$1,977).

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended June 30, 2010

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

RED RIVER COLLEGE

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

Year ended June 30, 2010

2. Significant accounting policies (continued):

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is completed and the asset is placed in service.

(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 incurred. 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.

RED RIVER COLLEGE

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

Year ended June 30, 2010

2. Significant accounting policies (continued):

(h) Financial instruments:

All financial instruments are initially 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 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.

The College has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the College has elected not to adopt these standards in the financial statements.

(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.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

2. Significant accounting policies (continued):

(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.

3. Change in accounting policy:

Effective July 1, 2009, the College adopted the CICA's amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. Adoption of these recommendations had no significant impact on the financial statements of the College for the year ending June 30, 2010.

Effective July 1, 2009 the College adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no effect on the financial statements of the College for the year ending June 30, 2010.

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 ranges between 0.15 percent and 0.45 percent. Short-term investments mature between July 2010 and September 2010.

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:

	2010	2009
Trust and endowment receivables	\$ 251	\$ 182
Other accounts receivable	7,384	5,638
	<u>\$ 7,635</u>	<u>\$ 5,820</u>

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

6. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2010, inventories totaling \$4,337 were expensed (2009 - \$3,611).

7. Prepaid expenses:

	2010		2009	
Prepaid property taxes	\$	974	\$	1,330
Other prepaid expenses		1,219		1,186
	\$	2,193	\$	2,516

8. Long-term investments:

	2010		2009	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 11,290	\$ 10,745	\$ 7,864	\$ 7,331
Equity investments	2,950	2,812	2,229	2,355
Debentures	356	356	381	381
	\$ 14,596	\$ 13,913	\$ 10,474	\$ 10,067

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

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

9. Due from the 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:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 39,648	\$ 26,115	\$ 13,533	\$ 13,832
Computer equipment and software	18,912	17,141	1,771	2,543
Major renovations	6,412	2,759	3,653	3,900
Buildings	65,213	8,050	57,163	58,588
Vehicles	319	200	119	151
Aircraft	1,845	613	1,232	1,189
Leasehold improvements	6,903	4,409	2,494	3,134
Construction in progress	6,397	-	6,397	236
Assets under capital leases	14,960	10,207	4,753	3,553
Library holdings	1,223	-	1,223	1,223
	\$ 161,832	\$ 69,494	\$ 92,338	\$ 88,349

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 \$2,501 (2009 - \$2,258).

RED RIVER COLLEGE

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

Year ended June 30, 2010

10. Capital assets (continued):

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

	2010	2009
Balance, beginning of year	\$ 88,349	\$ 75,732
Purchase of capital assets:		
Funded by deferred capital contributions	3,260	19,129
Funded by deferred capital campaign contributions	275	341
Funded by deferred capital revenue (construction in progress)	4,300	-
Internally funded	2,161	1,841
Financed through capital lease proceeds	1,131	(407)
Donations of capital assets	48	40
Donations of construction in progress	2,680	-
Gain on disposal of capital assets	34	34
Amortization of capital assets	(9,900)	(8,361)
Balance, end of year	\$ 92,338	\$ 88,349

On July 24, 2009, the College acquired the property at 500-504 Main Street, the former Union Bank Tower, for nominal consideration. The fair market value of the building at the time of transfer was \$2,680.

11. Bank indebtedness:

Bank indebtedness of nil (2009 - \$740) 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, 2010, there had been no withdrawals on this operating line.

12. Accounts payable and accrued liabilities:

	2010	2009
Trade payables	\$ 4,253	\$ 3,325
Trust and endowment payables	-	1
Accrued salaries and benefits	6,640	3,812
Accrued retirement severance pay	8,347	8,093
Accrued vacation pay	10,532	9,401
	\$ 29,772	\$ 24,632

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

12. Accounts payable and accrued liabilities (continued):

Significant actuarial assumptions used in the severance obligations at June 30, 2010 and 2009 are as follows:

	2010	2009
Interest rate on obligations	7.00%	7.00%
Employer current service cost as a percentage of salary	0.64%	0.64%

13. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2010 and April 2014 together with the balances of the obligations under capital leases:

2011	\$	2,147
2012		1,369
2013		555
2014		380
Total minimum lease payments		4,451
Less amount representing interest (ranging from 2.3% to 16.3%)		(281)
Balance of obligations		4,170
Current portion		1,973
	\$	2,197

Interest expense on the lease obligations amounted to \$260 (2009 - \$257).

RED RIVER COLLEGE

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

Year ended June 30, 2010

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.

	2010	2009
Deferred provincial operating grant:		
Balance, beginning of year	\$ 4,647	\$ 3,732
Amount recognized as revenue during the year	(4,647)	(3,732)
Amount received related to following year	4,444	4,647
Balance, end of year	4,444	4,647
Deferred other contributions:		
Balance, beginning of year	2,607	2,148
Amount recognized as revenue during the year	(856)	(844)
Amount restricted for endowment	-	(15)
Amount received related to following year	1,374	1,318
Balance, end of year	3,125	2,607
	\$ 7,569	\$ 7,254

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:

	2010	2009
Balance, beginning of year	\$ 3,354	\$ 3,300
Less amortization of deferred capital campaign contributions during the year	(298)	(287)
Add donations received during the year	275	341
Balance, end of year	\$ 3,331	\$ 3,354

RED RIVER COLLEGE

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

Year ended June 30, 2010

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:

	2010	2009
Balance, beginning of year	\$ 67,916	\$ 51,589
Less amortization of deferred contributions	(5,016)	(3,762)
Add:		
Contributions received for capital purposes	9,320	20,049
Donations-in-kind	48	40
Balance, end of year	\$ 72,268	\$ 67,916

Unamortized capital contributions of \$72,268 (2009 - \$67,916) 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.

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:

	2010	2009
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments ranging from \$86 - \$94 including principal and interest	\$ 11,314	\$ 11,666
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments ranging from \$146 - \$158 including principal and interest	19,648	20,242
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments ranging from \$50 - \$66 including principal and interest	8,204	8,447
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,492	11,581
	\$ 50,658	\$ 51,936

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

17. Investment in capital and intangible assets:

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

	2010	2009
Capital assets, net book value	\$ 92,338	\$ 88,349
Intangible asset, net book value	6	8
Less:		
Amounts financed by deferred capital campaign contributions	(3,331)	(3,354)
Deferred capital contributions	(65,288)	(66,996)
Construction in progress funded by Knowledge Infrastructure Program	(3,279)	-
Construction in progress funded by deferred donations	(3,702)	-
Amounts financed by capital lease	(4,170)	(3,040)
	\$ 12,574	\$ 14,967

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

	2010	2009
Purchase of capital assets internally financed	\$ 2,161	\$ 1,841
Amortization of:		
Capital and intangible assets	(9,902)	(8,361)
Deferred capital contributions	5,016	3,762
Deferred capital campaign contributions	298	287
Gain on disposal of capital assets	34	34
Decrease in investment in capital and intangible assets	\$ (2,393)	\$ (2,437)

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.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2010

18. Restrictions on net assets (continued):

Internally restricted net assets consist of the following:

	2010	2009
Princess Street campus structural reserve	\$ 693	\$ 585
Notre Dame campus structural reserve	400	160
Contract training net proceeds	3,255	2,144
Campus renovation reserve	258	-
Balance, end of year	\$ 4,606	\$ 2,889

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.

19. Change in non-cash working capital balances:

	2010	2009
Accounts receivable	\$ (1,815)	\$ (1,443)
Inventories	30	97
Prepaid expenses	323	(62)
Accounts payable and accrued liabilities	5,140	(1,022)
Deferred revenue	258	(10,299)
Changes in non-cash working capital	\$ 3,936	\$ (12,729)

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 \$3,799 (2009 - \$1,741). 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, 2010

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:

2011	\$	2,928
2012		2,783
2013		2,226
2014		1,164
2015		913
	\$	10,014

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 for 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:

2011	\$	105
2012		25
	\$	130

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

RED RIVER COLLEGE

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

Year ended June 30, 2010

22. Related parties (continued):

(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, 2010, net assets of Crecomm amount to a deficit of \$140 and there is a net receivable owing to the College of \$20.

The net assets and results from operations of Crecomm are not included in the financial 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, 2010, net resources of the Blood Bank amount to \$139.

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

RED RIVER COLLEGE

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

Year ended June 30, 2010

23. Financial instruments (continued):

(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.

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, 2010, the College has met its externally imposed capital requirements.

RED RIVER COLLEGE

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

Year ended June 30, 2010

25. Comparative figures:

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

26. Subsequent event:

In September 2010 Victoria School in Portage la Prairie was acquired for nominal consideration from the Portage la Prairie School Division. The College will spend \$1.9 million on renovations in this year and expects to relocate from the current Southport Campus in June 2011.