

Financial Statements of

RED RIVER COLLEGE

Year ended June 30, 2011



KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the accompanying financial statements of Red River College, which comprise the statement of financial position as at June 30, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2011 and its results of 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.

KPMG LLP

Chartered Accountants

October 26, 2011

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 1,254	\$ 1,602
Cash and short-term investments (note 3)	19,114	17,591
Accounts receivable (note 4)	4,511	7,635
Current portion of note receivable - RRC Students' Association [note 21(a)]	25	105
Inventories (note 5)	936	808
Prepaid expenses (note 6)	2,769	2,193
	<u>28,609</u>	<u>29,934</u>
Long term investments - trust and endowment (note 7)	16,731	14,596
Due from Province of Manitoba (note 8)	9,253	9,253
Note receivable - RRC Students' Association [note 21(a)]	—	25
Capital assets (note 9)	104,358	92,338
Intangible asset	5	6
	<u>\$ 158,956</u>	<u>\$ 146,152</u>

Liabilities, Deferred Contributions and Net Assets

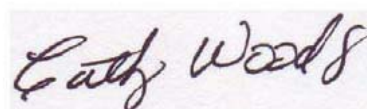
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 29,545	\$ 29,772
Current portion of obligations under capital leases (note 12)	1,855	1,973
Deferred revenue	7,772	6,792
	<u>39,172</u>	<u>38,537</u>
Obligations under capital leases (note 12)	1,360	2,197
Deferred contributions (note 13)	11,048	7,124
Deferred capital campaign contributions (note 14)	2,938	3,331
Deferred contributions related to capital assets (note 15)	80,208	72,268
Net assets:		
Invested in capital and intangible assets (note 16)	18,002	12,574
Restricted for endowments (note 17)	14,279	13,324
Internally restricted (note 17)	5,176	4,606
Unrestricted net assets	(13,227)	(7,809)
	<u>24,230</u>	<u>22,695</u>
Commitments (note 20)		
	<u>\$ 158,956</u>	<u>\$ 146,152</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, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Revenue:			
Academic training fees	\$ 30,789	\$ 37,018	\$ 33,077
Grants and reimbursements	85,909	86,186	87,768
International education	1,737	1,920	1,455
Continuing education	9,134	8,812	8,352
Sundry and other revenue	15,090	15,140	14,089
Gain (loss) on disposal of capital assets	—	(9)	34
Amortization of deferred contributions	5,658	6,458	6,170
	148,317	155,525	150,945
Expenses:			
Instruction	82,094	91,713	85,949
Library	2,092	2,129	2,349
Administration and general	30,695	26,939	26,155
Physical plant	17,640	17,327	17,123
Student services	4,546	5,869	5,487
Amortization of capital and intangible assets	9,950	9,959	9,902
	147,017	153,936	146,965
Excess of revenue over expenses before the undernoted	1,300	1,589	3,980
Other:			
Net increase in accrued vacation and severance liability	1,300	1,009	1,386
Excess of revenue over expenses	\$ —	\$ 580	\$ 2,594

See accompanying notes to financial statements.

RED RIVER COLLEGE

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

Year ended June 30, 2011, with comparative figures for 2010

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	\$ 12,574	\$ 13,324	\$ 4,606	\$ (7,809)	\$ 22,695	\$ 17,901
Endowment gifts	–	775	–	–	775	2,200
Amounts restricted for endowments	–	180	–	–	180	–
Transfer to internally restricted	–	–	570	(570)	–	–
Excess (deficiency) of revenue over expenses	(4,311)	–	–	4,891	580	2,594
Investment in capital assets	9,739	–	–	(9,739)	–	–
Balance, end of year	\$ 18,002	\$ 14,279	\$ 5,176	\$ (13,227)	\$ 24,230	\$ 22,695

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 580	\$ 2,594
Adjustments for:		
Amortization of intangible assets	1	2
Amortization of capital assets	9,958	9,900
Amortization of deferred capital contributions	(5,657)	(5,314)
Other deferred contributions recognized as revenue	(4,800)	(5,503)
Loss (gain) on disposal of capital assets	9	(34)
Changes in fair value of investments	(660)	(236)
Changes in non-cash working capital balances (note 18)	3,173	4,381
	2,604	5,790
Investing activities:		
Purchase of capital assets	(20,333)	(7,460)
Long-term investment for trust and endowment	(2,500)	(3,911)
Proceeds on disposal of capital assets	78	34
Proceeds on disposal of long-term investments for trust and endowment	1,026	25
Note principal repayments by RRC Students' Association	105	120
	(21,624)	(11,192)
Financing activities:		
Endowment gifts received	775	2,200
Contributions received for capital purposes	13,121	6,640
Capital campaign contributions	(103)	275
Repayment of obligations under capital leases	(2,502)	(2,570)
Other deferred contributions received	8,904	5,373
	20,195	11,918
Increase in cash and short-term investments	1,175	6,516
Cash and short-term investments, beginning of year	19,193	12,677
Cash and short-term investments, end of year	\$ 20,368	\$ 19,193
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,254	\$ 1,602
Cash and short-term investments	19,114	17,591
	\$ 20,368	\$ 19,193
Supplementary cash flow information:		
Interest paid	\$ 228	\$ 239
Interest received	1,090	741

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 \$1,546 (2010 - \$3,700).

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended June 30, 2011

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, 2011

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) Accrued retirement severance pay:

As a result of eligible employees of the College participating in the Manitoba Government Employees Master Agreement, the College has an obligation to pay severance to participating employees. The accrued retirement severance pay is actuarially determined, with any actuarial gain or loss being amortized over the average remaining service period of active employees expected to receive severance. The average remaining service period for the plan is 9 years in 2011.

RED RIVER COLLEGE

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

Year ended June 30, 2011

2. Significant accounting policies (continued):

(h) 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.

(i) Education and training benefits:

The College receives government grants for specified projects with industry partners. The College receives education and training benefits from these projects. The College records both the revenue and the expenditures relating to these projects in the year incurred.

(j) 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.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2011

2. Significant accounting policies (continued):

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.

(k) 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.

(l) 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. 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 0.85 percent and 0.90 percent. Short-term investments mature between July 2011 and October 2011.

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.

4. Accounts receivable:

	2011	2010
Trust and endowment receivables	\$ 155	\$ 251
Other accounts receivable	4,356	7,384
	<u>\$ 4,511</u>	<u>\$ 7,635</u>

RED RIVER COLLEGE

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

Year ended June 30, 2011

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2011, inventories totaling \$4,368 were expensed (2010 - \$4,337).

6. Prepaid expenses:

	2011	2010
Prepaid property taxes	\$ 1,032	\$ 974
Other prepaid expenses	1,312	1,219
Deferred salary & benefits	425	–
	<u>\$ 2,769</u>	<u>\$ 2,193</u>

7. Long-term investments:

	2011		2010	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 12,706	\$ 11,859	\$ 11,290	\$ 10,745
Equity investments	3,591	2,963	2,950	2,812
Debentures	434	434	356	356
	<u>\$ 16,731</u>	<u>\$ 15,256</u>	<u>\$ 14,596</u>	<u>\$ 13,913</u>

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

8. 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.

RED RIVER COLLEGE

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

Year ended June 30, 2011

9. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 42,920	\$ 29,329	\$ 13,591	\$ 13,533
Computer equipment and software	19,576	17,933	1,643	1,771
Major renovations	6,430	3,086	3,344	3,653
Buildings	65,337	9,703	55,634	57,163
Vehicles	324	238	86	119
Aircraft	2,035	705	1,330	1,232
Leasehold improvements	7,189	5,294	1,895	2,494
Construction in progress	21,996	—	21,996	6,397
Assets under capital leases	15,272	11,656	3,616	4,753
Library holdings	1,223	—	1,223	1,223
	\$ 182,302	\$ 77,944	\$ 104,358	\$ 92,338

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 \$ 2,596 (2010 - \$2,501).

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

	2011	2010
Balance, beginning of year	\$ 92,338	\$ 88,349
Purchase of capital assets:		
Funded by deferred capital contributions	3,121	3,260
Funded by deferred capital campaign contributions	47	275
Funded by deferred capital revenue (construction in progress)	9,850	4,300
Internally funded	9,739	2,161
Financed through capital lease, net of obligation paid	(956)	1,131
Donations of capital assets	186	48
Donations of construction in progress	—	2,680
Gain on disposal of capital assets	(9)	34
Amortization of capital assets	(9,958)	(9,900)
Balance, end of year	\$ 104,358	\$ 92,338

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.

RED RIVER COLLEGE

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

Year ended June 30, 2011

10. Operating line of credit:

The College has a \$5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2011, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

	2011	2010
Trade payables	\$ 7,742	\$ 4,253
Trust and endowment payables	13	-
Accrued salaries and benefits	1,902	6,640
Accrued retirement severance pay	8,629	8,347
Accrued vacation pay	11,259	10,532
	<hr/>	<hr/>
	\$ 29,545	\$ 29,772

The accrued retirement severance pay is actuarially determined. The latest valuation as at March 31, 2011, resulted in an actuarial loss of \$3,082. The actuarial loss is being amortized over the average remaining service period for the plan (2011 - 9 years). Significant actuarial assumptions used in the severance obligations at June 30, 2011 and 2010 are as follows:

	2011	2010
Interest rate on obligations	6.50%	7.00%
Employer current service cost as a percentage of salary	0.89%	0.64%

RED RIVER COLLEGE

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

Year ended June 30, 2011

12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2011 and April 2014 together with the balances of the obligations under capital leases:

2012	\$	1,976
2013		992
2014		408
Total minimum lease payments		3,376
Less amount representing interest (ranging from 2.3% to 13.3%)		(161)
Balance of obligations		3,215
Current portion		1,855
	\$	1,360

Interest expense on the lease obligations amounted to \$224 (2010 - \$260).

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.

	2011	2010
Deferred provincial operating grant:		
Balance, beginning of year	\$ 3,999	\$ 4,647
Amount recognized as revenue during the year	(3,999)	(4,647)
Amount received related to following year	7,201	3,999
Balance, end of year	7,201	3,999
Deferred other contributions:		
Balance, beginning of year	3,125	2,607
Amount recognized as revenue during the year	(801)	(856)
Amount restricted for endowment	(180)	-
Amount received related to following year	1,703	1,374
Balance, end of year	3,847	3,125
	\$ 11,048	\$ 7,124

RED RIVER COLLEGE

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

Year ended June 30, 2011

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:

	2011	2010
Balance, beginning of year	\$ 3,331	\$ 3,354
Less amortization of deferred capital campaign contributions during the year	(290)	(298)
Add donations received during the year	47	275
Less donations transferred to deferred capital contributions	(150)	–
Balance, end of year	\$ 2,938	\$ 3,331

15. 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:

	2011	2010
Balance, beginning of year	\$ 72,268	\$ 67,916
Less amortization of deferred contributions	(5,367)	(5,016)
Add:		
Contributions received for capital purposes	12,971	9,320
Transferred from deferred capital campaign contributions	150	–
Donations-in-kind	186	48
Balance, end of year	\$ 80,208	\$ 72,268

Unamortized capital contributions of \$80,208 (2010 - \$72,268) 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.

RED RIVER COLLEGE

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

Year ended June 30, 2011

15. 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:

	2011	2010
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from \$83 - \$90 including principal and interest	\$ 10,961	\$ 11,314
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from \$143 - \$155 including principal and interest	19,054	19,648
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from \$59 - \$64 including principal and interest	7,961	8,204
Heavy Equipment Transportation Centre of Excellence: 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,398	11,492
	<u>\$ 49,374</u>	<u>\$ 50,658</u>

16. Investment in capital and intangible assets:

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

	2011	2010
Capital assets, net book value	\$ 104,358	\$ 92,338
Intangible asset, net book value	5	6
Less:		
Amounts financed by deferred capital campaign contributions	(2,938)	(3,331)
Deferred capital contributions	(80,208)	(72,269)
Amounts financed by capital lease	(3,215)	(4,170)
	<u>\$ 18,002</u>	<u>\$ 12,574</u>

RED RIVER COLLEGE

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

Year ended June 30, 2011

16. Investment in capital and intangible assets (continued):

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

	2011	2010
Purchase of capital assets internally financed	\$ 9,739	\$ 2,161
Amortization of:		
Capital and intangible assets	(9,959)	(9,902)
Deferred capital contributions	5,367	5,016
Deferred capital campaign contributions	290	298
Gain (loss) on disposal of capital assets	(9)	34
Increase (decrease) in investment in capital and intangible assets	\$ 5,428	\$ (2,393)

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.

Internally restricted net assets consist of the following:

	2011	2010
Princess Street campus structural reserve	\$ 693	\$ 693
Notre Dame campus structural reserve	400	400
Contract training net proceeds	3,438	3,255
Campus renovation reserve	645	258
Balance, end of year	\$ 5,176	\$ 4,606

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.

RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2011

18. Change in non-cash working capital balances:

	2011	2010
Accounts receivable	\$ 3,124	\$ (1,815)
Inventories	(128)	30
Prepaid expenses	(576)	323
Accounts payable and accrued liabilities	(227)	5,140
Deferred revenue	980	703
Changes in non-cash working capital	\$ 3,173	\$ 4,381

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 \$4,380 (2010 - \$3,799). 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.

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 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:

2012	\$ 3,312
2013	2,364
2014	1,271
2015	1,102
2016	1,100
	\$ 9,149

RED RIVER COLLEGE

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

Year ended June 30, 2011

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 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:

2012	\$	25
------	----	----

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

(b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled for accounting purposes by the College, with College representation on its Board. Crecomm is 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, 2011, net assets of Crecomm amount to a deficit of \$163 and there is a net receivable owing to the College of \$41.

The net assets and results from operations of Crecomm 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, 2011

21. 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, 2011, net resources of the Blood Bank amount to \$185.

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

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 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 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.

RED RIVER COLLEGE

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

Year ended June 30, 2011

22. 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.

23. 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, 2011, the College has met its externally imposed capital requirements.

24. Comparative figures:

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