

Financial Statements of

**RED RIVER COLLEGE**

Year ended June 30, 2012



**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](http://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, 2012, 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 Red River College as at June 30, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Other Matter*

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 24, 2012

Winnipeg, Canada

# RED RIVER COLLEGE

Statement of Financial Position  
(In thousands of dollars)

June 30, 2012, with comparative figures for 2011

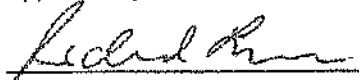
	2012	2011
<b>Assets</b>		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 1,483	\$ 1,254
Cash and short-term investments (note 3)	7,075	19,114
Accounts receivable (note 4)	4,159	4,511
Note receivable - RRC Students' Association [note 21(a)]	—	25
Inventories (note 5)	954	936
Prepaid expenses (note 6)	1,882	2,769
	<u>15,553</u>	<u>28,609</u>
Long term investments - trust and endowment (note 7)	18,019	16,731
Due from Province of Manitoba (note 8)	9,253	9,253
Capital assets (note 9)	122,552	104,358
Intangible asset	3	5
	<u>\$ 165,380</u>	<u>\$ 158,956</u>

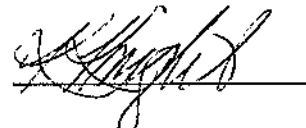
## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 28,873	\$ 29,545
Current portion of obligations under capital leases (note 12)	1,782	1,855
Deferred revenue	7,284	7,772
	<u>37,939</u>	<u>39,172</u>
Obligations under capital leases (note 12)	1,461	1,360
Deferred contributions (note 13)	13,020	11,048
Deferred capital campaign contributions (note 14)	2,774	2,938
Deferred contributions related to capital assets (note 15)	83,315	80,208
Net assets:		
Invested in capital and intangible assets (note 16)	33,223	18,002
Restricted for endowments (note 17)	15,458	14,279
Internally restricted (note 17)	6,695	5,176
Unrestricted net assets	<u>(28,505)</u>	<u>(13,227)</u>
	26,871	24,230
Commitments (note 20)		
	<u>\$ 165,380</u>	<u>\$ 158,956</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, 2012, with comparative figures for 2011

	Budget (Unaudited)	2012	2011
Revenue:			
Academic training fees	\$ 34,581	\$ 39,180	\$ 37,018
Grants and reimbursements	89,951	88,736	86,186
International education	2,346	2,619	1,920
Continuing education	9,696	9,682	8,812
Sundry and other revenue	15,816	14,783	14,291
Amortization of deferred contributions	5,921	6,756	6,458
	<u>158,311</u>	<u>161,756</u>	<u>154,685</u>
Expenses:			
Instruction	87,202	94,985	91,713
Library	2,146	2,135	2,129
Administration and general	34,244	27,068	26,090
Physical plant	18,081	17,687	17,327
Student services	5,228	6,243	5,869
Amortization of capital and intangible assets	9,861	9,826	9,959
Loss on disposal of capital assets	—	23	9
	<u>156,762</u>	<u>157,967</u>	<u>153,096</u>
Excess of revenue over expenses before the undernoted	1,549	3,789	1,589
Other:			
Net increase in accrued vacation and severance liability	1,549	2,327	1,009
Excess of revenue over expenses	<u>\$ —</u>	<u>\$ 1,462</u>	<u>\$ 580</u>

See accompanying notes to financial statements.

# RED RIVER COLLEGE

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

Year ended June 30, 2012, with comparative figures for 2011

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	\$ 18,002	\$ 14,279	\$ 5,176	\$ (13,227)	\$ 24,230	\$ 22,695
Endowment gifts	–	1,121	–	–	1,121	775
Amounts restricted for endowments	–	58	–	–	58	180
Transfer to internally restricted	–	–	1,519	(1,519)	–	–
Excess (deficiency) of revenue over expenses	(3,906)	–	–	5,368	1,462	580
Investment in capital assets	19,127	–	–	(19,127)	–	–
Balance, end of year	\$ 33,223	\$ 15,458	\$ 6,695	\$ (28,505)	\$ 26,871	\$ 24,230

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Statement of Cash Flows  
(In thousands of dollars)

Year ended June 30, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,462	\$ 580
Adjustments for:		
Amortization of intangible assets	2	1
Amortization of capital assets	9,824	9,958
Amortization of deferred capital contributions	(5,943)	(5,657)
Other deferred contributions recognized as revenue	(1,087)	(946)
Loss on disposal of capital assets	23	9
Changes in fair value of investments	(203)	(660)
Changes in non-cash working capital balances (note 18)	61	3,173
	4,139	6,458
Investing activities:		
Purchase of capital assets	(25,285)	(20,333)
Long-term investment for trust and endowment	(1,140)	(2,500)
Proceeds on disposal of capital assets	64	78
Proceeds on disposal of long-term investments for trust and endowment	55	1,026
Note principal repayments by RRC Students' Association	25	105
	(26,281)	(21,624)
Financing activities:		
Endowment gifts received	1,121	775
Contributions received for capital purposes	8,117	12,117
Capital campaign contributions	123	(103)
Repayment of obligations under capital leases	(2,689)	(2,502)
Other deferred contributions received	3,660	6,054
	10,332	16,341
Increase (decrease) in cash and short-term investments	(11,810)	1,175
Cash and short-term investments, beginning of year	20,368	19,193
Cash and short-term investments, end of year	\$ 8,558	\$ 20,368
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,483	\$ 1,254
Cash and short-term investments	7,075	19,114
	\$ 8,558	\$ 20,368
Supplementary cash flow information:		
Interest paid	\$ 397	\$ 228
Interest received	1,118	1,090

The following have been excluded from the investing and 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 \$2,717 (2011 - \$1,546).

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Notes to Financial Statements

(In thousands of dollars)

Year ended June 30, 2012

---

## 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, 2012

---

## 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.

# RED RIVER COLLEGE

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

Year ended June 30, 2012

---

## 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 or available-for-sale 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, 2012

---

## 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 range between 0.86 percent and 0.97 percent. Short-term investments mature between July 2012 and September 2012.

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:

	2012	2011
Trust and endowment receivables	\$ 193	\$ 155
Other accounts receivable	3,966	4,356
	<u>\$ 4,159</u>	<u>\$ 4,511</u>

# RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2012

## 5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2012, inventories totaling \$4,340 were expensed (2011 - \$4,368).

## 6. Prepaid expenses:

	2012	2011
Prepaid property taxes	\$ 876	\$ 1,032
Other prepaid expenses	1,006	1,312
Deferred salary & benefits	—	425
	<u>\$ 1,882</u>	<u>\$ 2,769</u>

## 7. Long-term investments:

	2012		2011	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 13,325	\$ 11,859	\$ 12,706	\$ 11,859
Equity investments	4,315	4,199	3,591	2,963
Debentures	379	379	434	434
	<u>\$ 18,019</u>	<u>\$ 16,437</u>	<u>\$ 16,731</u>	<u>\$ 15,256</u>

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

The fixed term investments and debentures mature between 2013 and 2037 and bear interest at rates between 1.75 percent and 5.7 percent.

## 8. Due from Province of Manitoba:

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

# RED RIVER COLLEGE

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

Year ended June 30, 2012

## 9. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 45,511	\$ 32,846	\$ 12,665	\$ 13,591
Computer equipment and software	19,609	18,330	1,279	1,643
Major renovations	6,720	3,414	3,306	3,344
Buildings	68,059	11,358	56,701	55,634
Vehicles	384	273	111	86
Aircraft	2,078	807	1,271	1,330
Leasehold improvements	8,719	6,193	2,526	1,895
Construction in progress	39,643	—	39,643	21,996
Assets under capital leases	16,797	12,970	3,827	3,616
Library holdings	1,223	—	1,223	1,223
	\$ 208,743	\$ 86,191	\$ 122,552	\$ 104,358

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 \$2,419 (2011 - \$2,596).

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

	2012	2011
Balance, beginning of year	\$ 104,358	\$ 92,338
Purchase of capital assets:		
Funded by deferred capital contributions	4,015	3,121
Funded by deferred capital campaign contributions	123	47
Funded by deferred capital revenue (construction in progress)	4,645	9,850
Internally funded	19,127	9,739
Financed through capital lease, net of obligation paid	28	(956)
Donations of capital assets	103	186
Loss on disposal of capital assets	(23)	(9)
Amortization of capital assets	(9,824)	(9,958)
Balance, end of year	\$ 122,552	\$ 104,358

# RED RIVER COLLEGE

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

Year ended June 30, 2012

---

## 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, 2012, there had been no withdrawals on this operating line.

## 11. Accounts payable and accrued liabilities:

---

	2012	2011
Trade payables	\$ 4,388	\$ 7,742
Trust and endowment payables	–	13
Accrued salaries and benefits	2,270	1,902
Accrued retirement severance pay	9,449	8,629
Accrued vacation pay	12,766	11,259
	<hr/>	<hr/>
	\$ 28,873	\$ 29,545

---

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 (2012 - 9 years). Significant actuarial assumptions used in the severance obligations at June 30, 2012 and 2011 are as follows:

---

	2012	2011
Interest rate on obligations	6.50%	6.50%
Employer current service cost as a percentage of salary	0.89%	0.89%

---

# RED RIVER COLLEGE

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

Year ended June 30, 2012

## 12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between September 2012 and March 2016 together with the balances of the obligations under capital leases:

2013	\$	1,906
2014		1,015
2015		310
2016		204
Total minimum lease payments		3,435
Less amount representing interest (ranging from 3.95% to 16.06%)		(192)
Balance of obligations		3,243
Current portion		1,782
	\$	1,461

Interest expense on the lease obligations amounted to \$201 (2011 - \$224).

## 13. Deferred contributions:

Deferred contributions represent contributions received from the Province 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.

	2012	2011
Deferred provincial contributions:		
Balance, beginning of year	\$ 7,201	\$ 3,999
Amount recognized as revenue during the year	(274)	(145)
Amount transferred to deferred contributions related to capital assets	(543)	(1,004)
Amount received related to the following year	2,398	4,351
Balance, end of year	8,782	7,201
Deferred other contributions:		
Balance, beginning of year	3,847	3,125
Amount recognized as revenue during the year	(813)	(801)
Amount restricted for endowment	(58)	(180)
Amount received related to following year	1,262	1,703
Balance, end of year	4,238	3,847
	\$ 13,020	\$ 11,048

# RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2012

## 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:

	2012	2011
Balance, beginning of year	\$ 2,938	\$ 3,331
Less amortization of deferred capital campaign contributions during the year	(287)	(290)
Add donations received during the year	123	47
Less donations transferred to deferred capital contributions	–	(150)
Balance, end of year	\$ 2,774	\$ 2,938

## 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:

	2012	2011
Balance, beginning of year	\$ 80,208	\$ 72,268
Less amortization of deferred contributions	(5,656)	(5,367)
Add:		
Contributions received for capital purposes	8,117	11,967
Transferred from deferred capital campaign contributions	–	150
Transferred from deferred provincial contributions	543	1,004
Donations-in-kind	103	186
Balance, end of year	\$ 83,315	\$ 80,208

Unamortized capital contributions of \$83,315 (2011 - \$80,208) 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, 2012

## 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:

	2012	2011
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	\$ 10,608	\$ 10,961
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	18,460	19,054
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	7,718	7,961
Heavy Equipment Transportation Centre of Excellence: 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,298	11,398
	\$ 48,084	\$ 49,374

## 16. Investment in capital and intangible assets:

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

	2012	2011
Capital assets, net book value	\$ 122,552	\$ 104,358
Intangible asset, net book value	3	5
Less:		
Amounts financed by deferred capital campaign contributions	(2,774)	(2,938)
Deferred capital contributions	(83,315)	(80,208)
Amounts financed by capital lease	(3,243)	(3,215)
	\$ 33,223	\$ 18,002

# RED RIVER COLLEGE

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

Year ended June 30, 2012

---

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

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

	2012	2011
Purchase of capital assets internally financed	\$ 19,127	\$ 9,739
Amortization of:		
Capital and intangible assets	(9,826)	(9,959)
Deferred capital contributions	5,656	5,367
Deferred capital campaign contributions	287	290
Loss on disposal of capital assets	(23)	(9)
Increase in investment in capital and intangible assets	\$ 15,221	\$ 5,428

## 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:

	2012	2011
Princess Street campus structural reserve	\$ 799	\$ 693
Notre Dame campus structural reserve	600	400
Contract training net proceeds	4,296	3,438
Campus renovation reserve	1,000	645
	\$ 6,695	\$ 5,176

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, 2012

---

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

	2012	2011
Accounts receivable	\$ 352	\$ 3,124
Inventories	(18)	(128)
Prepaid expenses	887	(576)
Accounts payable and accrued liabilities	(672)	(227)
Deferred revenue	(488)	980
Changes in non-cash working capital	\$ 61	\$ 3,173

## 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 \$4,397 (2011 - \$4,380). 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:

---

2013	\$ 2,848
2014	1,754
2015	1,584
2016	1,582
2017	995
	<hr/>
	\$ 8,763

---

# RED RIVER COLLEGE

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

Year ended June 30, 2012

---

## 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.

### (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, 2012, net assets of Crecomm amount to a deficit of \$198 and there is a net receivable owing to the College of \$192, which the College has fully provided against. Subsequent to year end, Crecomm ceased operations and the organization was wound-up effective July 31, 2012.

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, 2012, net resources of the Blood Bank amount to \$193.

The net assets and results of operations of the Blood Bank 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, 2012

---

## 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 balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

### (b) Credit risk:

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

### (c) Interest rate and foreign exchange risk:

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

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

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

# RED RIVER COLLEGE

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

Year ended June 30, 2012

---

## **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, 2012, 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.