Financial Statements of

RED RIVER COLLEGE

Years ended June 30, 2013 and 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

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 statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 public sector accounting standards, 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 audits. We conducted our audits 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 in our audits 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, 2013, June 30, 2012 and July 1, 2011, and its results of operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian public sector accounting standards.

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 23, 2013

Winnipeg, Canada

RED RIVER COLLEGE

Statements of Financial Position
(In thousands of dollars)

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Assets			
Current assets:			
Cash and short-term investments - trust and endowment (note 4)	$ 868	$ 1,483	$ 1,254
Cash and short-term investments (note 4)	6,519	7,075	19,114
Accounts receivable (note 5)	5,435	4,159	4,511
Note receivable - RRC Students' Association [note 22(a)]	–	–	25
Inventories (note 6)	784	954	936
Prepaid expenses (note 7)	2,126	1,882	2,769
	15,732	15,553	28,609
Long term investments - trust and endowment (note 8)	20,447	18,019	16,731
Due from Province of Manitoba (note 9)	9,253	9,253	9,253
Capital assets (note 10)	124,770	122,552	104,358
Intangible asset	2	3	5
	$ 170,204	$ 165,380	$ 158,956
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 12)	$ 33,527	$ 32,050	$ 33,065
Current portion of obligations under capital leases (note 13)	1,529	1,782	1,855
Deferred revenue	8,614	7,284	7,772
	43,670	41,116	42,692
Obligations under capital leases (note 13)	1,555	1,461	1,360
Deferred contributions (note 14)	10,157	13,020	11,048
Deferred capital campaign contributions (note 15)	5,815	2,774	2,938
Deferred contributions related to capital assets (note 16)	82,438	83,315	80,208
Net assets:			
Invested in capital and intangible assets (note 17)	33,435	33,223	18,002
Restricted for endowments (note 18)	17,191	15,458	14,279
Internally restricted (note 18)	7,306	6,695	5,176
Unrestricted net assets	(31,363)	(31,682)	(16,747)
	26,569	23,694	20,710
Commitments (note 21)			
	$ 170,204	$ 165,380	$ 158,956

See accompanying notes to financial statements.

Approved by the Board of Governors:

_______________ Chair

_______________ Vice Chair

RED RIVER COLLEGE

Statements of Operations
(In thousands of dollars)

Years ended June 30, 2013 and 2012

	Budget (Unaudited)	2013	2012
Revenue:			
Academic training fees	$ 35,219	$ 39,953	$ 39,180
Grants and reimbursements	96,194	94,218	88,736
International education	2,631	3,761	2,619
Continuing education	10,098	9,306	9,682
Sundry and other revenue	16,148	14,601	14,783
Amortization of deferred contributions	6,090	7,798	6,756
Gain on disposal of capital assets	–	17	–
	166,380	169,654	161,756
Expenses:			
Instruction	93,149	100,064	94,985
Library	2,291	2,267	2,135
Administration and general	35,920	28,890	27,068
Physical plant	17,797	17,664	17,687
Student services	5,680	7,158	6,243
Amortization of capital and intangible assets	9,708	10,594	9,826
Loss on disposal of capital assets	–	–	23
	164,545	166,637	157,967
Excess of revenue over expenses before the undernoted	1,835	3,017	3,789
Other:			
Net increase in accrued vacation and severance liability	1,836	1,875	1,984
Excess (deficiency) of revenue over expenses	$ (1)	$ 1,142	$ 1,805

See accompanying notes to financial statements.

RED RIVER COLLEGE

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

Years ended June 30, 2013 and 2012

June 30, 2013	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, beginning of year	$ 33,223	$ 15,458	$ 6,695	$ (31,682)	$ 23,694
Endowment gifts	–	1,453	–	–	1,453
Amounts restricted for endowments	–	280	–	–	280
Transfer to internally restricted	–	–	611	(611)	–
Excess (deficiency) of revenue over expenses	(3,751)	–	–	4,893	1,142
Investment in capital assets	3,963	–	–	(3,963)	–
Balance, end of year	$ 33,435	$ 17,191	$ 7,306	$ (31,363)	$ 26,569

June 30, 2012	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, beginning of year	$ 18,002	$ 14,279	$ 5,176	$ (16,747)	$ 20,710
Endowment gifts	–	1,121	–	–	1,121
Amounts restricted for endowments	–	58	–	–	58
Transfer to internally restricted	–	–	1,519	(1,519)	–
Excess (deficiency) of revenue over expenses	(3,906)	–	–	5,711	1,805
Investment in capital assets	19,127	–	–	(19,127)	–
Balance, end of year	$ 33,223	$ 15,458	$ 6,695	$ (31,682)	$ 23,694

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statements of Cash Flows
(In thousands of dollars)

Years ended June 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 1,142	$ 1,805
Items not involving cash:		
Amortization of intangible assets	2	2
Amortization of capital assets	10,592	9,824
Amortization of deferred capital contributions	(6,826)	(5,943)
Other deferred contributions recognized as revenue	(3,111)	(1,087)
Loss (gain) on disposal of capital assets	(17)	23
Changes in fair value of investments	(185)	(203)
Changes in non-cash operating working capital balances (note 19)	1,457	(282)
	3,054	4,139
Investing activities:		
Purchase of capital assets	(10,563)	(25,285)
Long-term investment for trust and endowment	(3,051)	(1,140)
Proceeds on disposal of capital assets	98	64
Proceeds on disposal of long-term investments for trust and endowment	809	55
Note principal repayments by RRC Students' Association	–	25
	(12,707)	(26,281)
Financing activities:		
Endowment gifts received	1,453	1,121
Contributions received for capital purposes	5,481	8,117
Capital campaign contributions	3,374	123
Repayment of obligations under capital leases	(2,352)	(2,689)
Other deferred contributions received	526	3,660
	8,482	10,332
Decrease in cash and short-term investments	(1,171)	(11,810)
Cash and short-term investments, beginning of year	8,558	20,368
Cash and short-term investments, end of year	$ 7,387	$ 8,558
Comprised of:		
Cash and short-term investments - trust and endowment	$ 868	$ 1,483
Cash and short-term investments	6,519	7,075
	$ 7,387	$ 8,558

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 $2,193 (June 30, 2012 - $2,717; July 1, 2011 - $1,546).

See accompanying notes to financial statements.

1. General:

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

On July 1, 2012, the College adopted Canadian public sector accounting standards (PS). The College has also elected to apply the PS 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the College has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is July 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenses is provided in note 25.

2. Significant accounting policies:

(a) Inventories:

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

2. Significant accounting policies (continued):

(b) 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

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.

(c) Donations:

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

(d) 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.

2. Significant accounting policies (continued):

The unearned portion of tuition fees and contractual training revenue received, but not earned until next fiscal year is recorded as deferred revenue. Investment income includes interest income and realized investment gains and losses. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized.

(e) Intangible asset:

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

(f) 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.

(g) Accumulated non-vested sick leave benefits:

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the usage of sick days used in excess of the annual sick days earned, and average employee compensation per day.

(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.

2. Significant accounting policies (continued):

(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:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected not to record any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(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.

(In thousands of dollars)

3. Change in accounting policy:

On July 1, 2012, the College adopted Public Accounting Standard PS 3450 - *Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the College's accounting policy.

There were no adjustments to net assets as at July 1, 2012 as a result of the adoption of PS 3450.

4. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province in short-term deposits. Interest rates on short-term investments range between 0.91 percent and 0.92 percent. Short-term investments mature between August 2013 and September 2013.

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:

	June 30, 2013	June 30, 2012	July 1, 2011
Trust and endowment receivables	$ 207	$ 193	$ 155
Other accounts receivable	5,228	3,966	4,356
	$ 5,435	$ 4,159	$ 4,511

6. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2013, inventories totaling $3,759 were expensed (2012 - $3,533).

(In thousands of dollars)

7. Prepaid expenses:

	June 30, 2013	June 30, 2012	July 1, 2011
Prepaid property taxes	$ 930	$ 876	$ 1,032
Other prepaid expenses	1,196	1,006	1,312
Deferred salary and benefits	–	–	425
	$ 2,126	$ 1,882	$ 2,769

8. Long-term investments:

	June 30, 2013		June 30, 2012		July 1, 2011	
	Fair value	Cost	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 12,152	$ 11,277	$ 13,325	$ 11,859	$ 12,706	$ 11,859
Equity investments	6,715	6,020	4,315	4,199	3,591	2,963
Debentures	1,580	1,580	379	379	434	434
	$ 20,447	$ 18,877	$ 18,019	$ 16,437	$ 16,731	$ 15,256

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

The fixed term investments and debentures mature between fiscal 2014 and 2037 and bear interest at rates between 1.75 percent and 5.8 percent.

9. Due from Province of Manitoba:

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

(In thousands of dollars)

10. Capital assets:

June 30, 2013	Cost	Accumulated amortization	Net book value
Equipment and furniture	$ 50,569	$ 36,785	$ 13,784
Computer equipment and software	18,979	18,020	959
Major renovations	6,819	3,758	3,061
Buildings	111,659	13,642	98,017
Vehicles	395	311	84
Aircraft	2,156	911	1,245
Leasehold improvements	9,631	7,009	2,622
Construction in progress	93	–	93
Assets under capital leases	18,331	14,649	3,682
Library holdings	1,223	–	1,223
	$ 219,855	$ 95,085	$ 124,770

June 30, 2012	Cost	Accumulated amortization	Net book value
Equipment and furniture	$ 45,511	$ 32,846	$ 12,665
Computer equipment and software	19,609	18,330	1,279
Major renovations	6,720	3,414	3,306
Buildings	68,059	11,358	56,701
Vehicles	384	273	111
Aircraft	2,078	807	1,271
Leasehold improvements	8,719	6,193	2,526
Construction in progress	39,643	–	39,643
Assets under capital leases	16,797	12,970	3,827
Library holdings	1,223	–	1,223
	$ 208,743	$ 86,191	$ 122,552

July 1, 2011	Cost	Accumulated amortization	Net book value
Equipment and furniture	$ 49,920	$ 29,329	$ 13,591
Computer equipment and software	19,576	17,933	1,643
Major renovations	6,430	3,086	3,344
Buildings	65,337	9,703	55,634
Vehicles	324	238	86
Aircraft	2,035	705	1,330
Leasehold improvements	7,189	5,294	1,895
Construction in progress	21,996	–	21,996
Assets under capital leases	15,272	11,656	3,616
Library holdings	1,223	–	1,223
	$ 182,302	$ 77,944	$ 104,358

(In thousands of dollars)

10. Capital assets (continued):

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 $2,261 (2012 - $2,419).

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

	2013	2012
Balance, beginning of year	$ 122,552	$ 104,358
Purchase of capital assets:		
Funded by deferred capital contributions	5,397	4,015
Funded by deferred capital campaign contributions	3,374	123
Funded by deferred capital revenue (construction in progress)	84	4,645
Internally funded	3,961	19,127
Financed through capital lease, net of obligation paid	(159)	28
Donations of capital assets	136	103
Gain (loss) on disposal of capital assets	17	(23)
Amortization of capital assets	(10,592)	(9,824)
Balance, end of year	$ 124,770	$ 122,552

11. Operating line of credit:

The College has a $5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2013 and 2012, there had been no withdrawals on this operating line.

12. Accounts payable and accrued liabilities:

	June 30, 2013	June 30, 2012	July 1, 2011
Trade payables	$ 4,293	$ 4,388	$ 7,742
Trust and endowment payables	3	–	13
Accrued salaries and benefits	1,964	2,270	1,902
Accrued retirement severance pay	12,580	11,846	11,369
Accrued vacation pay	13,907	12,766	11,259
Accumulated non-vested sick leave benefits	780	780	780
	$ 33,527	$ 32,050	$ 33,065

(In thousands of dollars)

12. Accounts payable and accrued liabilities (continued):

The accrued retirement severance pay is actuarially determined. Significant actuarial assumptions used in the severance obligations at June 30, 2013, June 30, 2012 and July 1, 2011 are as follows:

	June 30, 2013	June 30, 2012	July 1, 2011
Interest rate on obligations	6.50%	6.50%	6.50%
Employer current service cost as a percentage of salary	0.89%	0.89%	0.89%

The College provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the College's accumulated non-vested sick leave benefits include a discount rate of 5 percent (June 30, 2012 - 5 percent; July 1, 2011 - 5 percent) and a rate of salary increase of 3.75 percent (June 30, 2012 - 3.75 percent; July 1, 2011 - 3.75 percent).

13. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between September 2013 and January 2017 together with the balances of the obligations under capital leases:

2014	$	1,645
2015		939
2016		444
2017		240
Total minimum lease payments		3,268
Less amount representing interest (ranging from 3.82% to 8.04%)		(184)
Balance of obligations		3,084
Current portion		1,529
	$	1,555

Interest expense on the lease obligations amounted to $186 (2012 - $201).

(In thousands of dollars)

14. 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.

	2013	2012
Deferred provincial contributions:		
Balance, beginning of year	$ 8,782	$ 7,201
Amount recognized as revenue during the year	(2,139)	(274)
Amount transferred to deferred contributions related to capital assets	(3,871)	(543)
Amount received related to the following year	3,056	2,398
Balance, end of year	5,828	8,782
Deferred other contributions:		
Balance, beginning of year	4,238	3,847
Amount recognized as revenue during the year	(971)	(813)
Amount restricted for endowment	(280)	(58)
Amount received related to following year	1,342	1,262
Balance, end of year	4,329	4,238
	$ 10,157	$ 13,020

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:

	2013	2012
Balance, beginning of year	$ 2,774	$ 2,938
Less amortization of deferred capital campaign contributions during the year	(333)	(287)
Add donations received during the year	3,374	123
Less donations transferred to deferred capital contributions	–	–
Balance, end of year	$ 5,815	$ 2,774

(In thousands of dollars)

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:

	2013	2012
Balance, beginning of year	$ 83,315	$ 80,208
Less amortization of deferred contributions	(6,493)	(5,656)
Add:		
Contributions received for capital purposes	1,609	8,117
Transferred from deferred capital campaign contributions	–	–
Transferred from deferred provincial contributions	3,871	543
Donations-in-kind	136	103
Balance, end of year	$ 82,438	$ 83,315

Unamortized capital contributions of $82,438 (June 30, 2012 - $83,315; July 1, 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.

(In thousands of dollars)

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

No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	June 30, 2013	June 30, 2012	July 1, 2011
Princess Street campus:			
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from $80 - $86 including principal and interest	$ 10,256	$ 10,608	$ 10,961
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from $137 - $148 including principal and interest	17,866	18,460	19,054
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from $57 - $62 including principal and interest	7,475	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	11,192	11,298	11,398
Paterson GlobalFoods Institute:			
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from $77 - $79 in fiscal 2014 including principal and interest	14,500	–	–
	$ 61,289	$ 48,084	$ 49,374

(In thousands of dollars)

17. Investment in capital and intangible assets:

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

	June 30, 2013	June 30, 2012	July 1, 2011
Capital assets, net book value	$ 124,770	$ 122,552	$ 104,358
Intangible asset, net book value	2	3	5
Less:			
Amounts financed by deferred capital campaign contributions	(5,815)	(2,774)	(2,938)
Deferred capital contributions	(82,438)	(83,315)	(80,208)
Amounts financed by capital lease	(3,084)	(3,243)	(3,215)
	$ 33,435	$ 33,223	$ 18,002

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

	2013	2012
Purchase of capital assets internally financed	$ 3,963	$ 19,127
Amortization of:		
Capital and intangible assets	(10,594)	(9,826)
Deferred capital contributions	6,493	5,656
Deferred capital campaign contributions	333	287
Gain (loss) on disposal of capital assets	17	(23)
Increase in investment in capital and intangible assets	$ 212	$ 15,221

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.

(In thousands of dollars)

18. Restrictions on net assets (continued):

Internally restricted net assets consist of the following:

	June 30, 2013	June 30, 2012	July 1, 2011
Princess Street campus structural reserve	$ 799	$ 799	$ 693
Notre Dame campus structural reserve	600	600	400
Contract training net proceeds	4,907	4,296	3,438
Campus renovation reserve	1,000	1,000	645
	$ 7,306	$ 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.

19. Changes in non-cash working capital balances:

	2013	2012
Accounts receivable	$ (1,276)	$ 352
Inventories	170	(18)
Prepaid expenses	(244)	887
Accounts payable and accrued liabilities	1,477	(1,015)
Deferred revenue	1,330	(488)
Changes in non-cash working capital	$ 1,457	$ (282)

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 $5,602 (2012 - $4,397). 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.

(In thousands of dollars)

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:

2014	$ 1,811
2015	1,620
2016	1,602
2017	998
2018	104
	$ 6,135

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.

(b) 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, 2013, net resources of the Blood Bank amount to $191.

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 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.

(In thousands of dollars)

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, 2013 and 2012 the College has met its externally imposed capital requirements.

25. Transitional adjustments:

(a) Unrestricted net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the College's unrestricted net assets as of July 1, 2011 and June 30, 2012:

Unrestricted net assets:		
As previously reported under Canadian generally accepted accounting principles, June 30, 2011	$	(13,227)
Adjustment to recognize accumulated non-vested sick leave		(780)
Adjustment to recognize unamortized actuarial loss for the employee future pre-retirement benefit plan		(2,740)
Restated, July 1, 2011	$	(16,747)

(In thousands of dollars)

25. Transitional adjustments (continued):

Unrestricted net assets:		
As previously reported under Canadian generally accepted accounting principles, June 30, 2012	$	(28,505)
Adjustment to recognize accumulated non-vested sick leave		(780)
Adjustment to recognize unamortized actuarial loss for the employee future pre-retirement benefit plan		(2,740)
Adjustment to reverse 2012 amortization of actuarial loss recognized on transition		343
Restated, June 30, 2012	$	(31,682)

As at the transition date of July 1, 2011, the College recognized accumulated non-vested sick leave, which is required under Canadian public sector accounting standards.

In accordance with transitional provisions of Canadian public sector accounting standards, the College has elected to use the exemption for employee future benefits. The College has elected to recognize all cumulative actuarial gains and losses for the employee future pre-retirement benefits plan in net assets at July 1, 2011.

(b) Statement of operations:

As a result of the above noted elections and the retrospective application of Canadian public sector accounting standards, the College recorded the following adjustments to excess of revenue over expenses for the year ended June 30, 2012:

Excess of revenue over expenses:		
As previously reported under Canadian generally accepted accounting principles for the year ended June 30, 2012	$	1,462
Adjustment to reverse amortization of actuarial loss		343
Restated for the year ended June 30, 2012	$	1,805