

Financial Statements of

RED RIVER COLLEGE

Year ended June 30, 2015



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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, 2015, 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 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 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, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

October 28, 2015

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 879	\$ 1,012
Cash and short-term investments (note 3)	10,114	6,973
Accounts receivable (note 4)	5,164	6,031
Inventories (note 5)	899	924
Prepaid expenses (note 6)	3,108	2,112
	<u>20,164</u>	<u>17,052</u>
Long term investments - trust and endowment (note 7)	24,978	23,914
Due from Province of Manitoba (note 8)	9,253	9,253
Capital assets (note 9)	116,726	121,443
	<u>\$ 171,121</u>	<u>\$ 171,662</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 20,874	\$ 21,725
Current portion of obligations under capital leases (note 13)	870	1,060
Deferred revenue	9,982	10,635
	<u>31,726</u>	<u>33,420</u>
Future employee benefits (note 12)	16,790	15,842
Obligations under capital leases (note 13)	918	961
Deferred contributions (note 14)	9,176	8,817
Deferred capital campaign contributions (note 15)	5,969	6,038
Deferred contributions related to capital assets (note 16)	77,426	80,624
Net assets:		
Invested in capital and intangible assets (note 17)	31,543	32,760
Restricted for endowments (note 18)	19,878	18,786
Internally restricted (note 18)	6,107	6,394
Unrestricted net assets	<u>(28,412)</u>	<u>(31,980)</u>
Commitments (note 21)	29,116	25,960
	<u>\$ 171,121</u>	<u>\$ 171,662</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, 2015, with comparative information for 2014

	Budget	2015	2014
Revenue:			
Academic training fees	\$ 40,553	\$ 44,784	\$ 42,064
Provincial grants and reimbursements	99,039	100,058	98,252
International education	5,192	6,426	4,676
Continuing education	10,438	9,566	9,236
Sundry and other revenue	17,243	17,025	16,864
Amortization of deferred contributions	6,264	7,916	8,155
(Loss) gain on disposal of capital assets	–	(21)	12
	<u>178,729</u>	<u>185,754</u>	<u>179,259</u>
Expenses:			
Instruction	102,428	110,156	105,721
Library	2,535	2,634	2,422
Administration and general	37,730	32,814	32,320
Physical plant	19,078	18,917	19,364
Student services	6,549	8,636	7,895
Amortization of capital and intangible assets	8,953	9,128	10,324
Future employee benefits	2,336	1,405	3,417
	<u>179,609</u>	<u>183,690</u>	<u>181,463</u>
Excess (deficiency) of revenue over expenses (note 18)	\$ (880)	\$ 2,064	\$ (2,204)

See accompanying notes to financial statements.

RED RIVER COLLEGE

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

Year ended June 30, 2015, with comparative information for 2014

	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	\$ 32,760	\$ 18,786	\$ 6,394	\$ (31,980)	\$ 25,960	\$ 26,569
Endowment gifts	–	1,279	–	–	1,279	1,550
Amounts unrestricted from endowments	–	(187)	–	–	(187)	–
Amounts restricted for endowments	–	–	–	–	–	45
Transfer to (from) internally restricted	–	–	(287)	287	–	–
Excess (deficiency) of revenue over expenses	(2,887)	–	–	4,951	2,064	(2,204)
Investment in capital assets	1,670	–	–	(1,670)	–	–
Balance, end of year	\$ 31,543	\$ 19,878	\$ 6,107	\$ (28,412)	\$ 29,116	\$ 25,960

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 2,064	\$ (2,204)
Items not involving cash:		
Amortization of intangible assets	2	2
Amortization of capital assets	9,126	10,322
Amortization of deferred capital contributions	(6,263)	(6,895)
Other deferred contributions recognized as revenue	(1,443)	(2,322)
Loss (gain) on disposal of capital assets	21	(12)
Changes in fair value of investments	156	(2,331)
Changes in non-cash operating working capital balances (note 19)	(660)	5,339
	3,003	1,899
Investing activities:		
Purchase of capital assets	(1,972)	(6,386)
Long-term investment for trust and endowment	(6,156)	(4,853)
Proceeds on disposal of capital assets	13	33
Proceeds on disposal of long-term investments for trust and endowment	4,935	3,717
	(3,180)	(7,489)
Financing activities:		
Endowment gifts received	1,093	1,550
Contributions received for capital purposes	1,371	4,785
Capital campaign contributions	250	532
Repayment of obligations under capital leases	(1,332)	(1,704)
Other deferred contributions received	1,803	1,025
	3,185	6,188
Increase in cash and short-term investments	3,008	598
Cash and short-term investments, beginning of year	7,985	7,387
Cash and short-term investments, end of year	\$ 10,993	\$ 7,985
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 879	\$ 1,012
Cash and short-term investments	10,114	6,973
	\$ 10,993	\$ 7,985

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 \$1,097 (2014 - \$641).

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended June 30, 2015

1. General:

Red River College (the College) was established as a board-governed institution on April 1, 1993, and was governed by the College Act of Manitoba until June 30, 2015 when it now is governed by its own Act, *The Red River College Act*. The College is a registered charity under the *Income Tax Act*.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

(a) Inventories:

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

(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
Parking lot improvements	5%
Capital renovations	20%
Leased computers and equipment	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.

RED RIVER COLLEGE

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

Year ended June 30, 2015

2. Significant accounting policies (continued):

(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.

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 immediately recognized in the period in which it arises.

RED RIVER COLLEGE

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

Year ended June 30, 2015

2. Significant accounting policies (continued):

(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 of Manitoba ("the Province") is reflected as deferred contributions related to capital assets in the statement of financial position. The related revenue earned from the Education and Advanced Learning (EAL) 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:

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.

RED RIVER COLLEGE

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

Year ended June 30, 2015

2. Significant accounting policies (continued):

(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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual results could differ from those estimates.

(m) Adoption of new accounting policy:

Effective July 1, 2014, the College has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard did not result in any adjustments to liabilities, capital assets or net assets of the College.

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 0.60 percent and 0.61 percent. Short-term investments mature between August 2015 and September 2015.

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:

	2015		2014	
Trust and endowment receivables	\$	–	\$	343
Other accounts receivable		5,164		5,688
	\$	5,164	\$	6,031

RED RIVER COLLEGE

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

Year ended June 30, 2015

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2015, inventories totaling \$4,373 were expensed (2014 - \$4,231).

6. Prepaid expenses:

	2015		2014	
Prepaid property taxes	\$	1,115	\$	939
Other prepaid expenses		1,993		1,173
	\$	3,108	\$	2,112

7. Long-term investments:

	2015		2014	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 8,754	\$ 7,701	\$ 8,571	\$ 7,500
Equity investments	14,326	13,054	13,341	10,787
Debentures	1,898	1,898	2,002	2,002
	\$ 24,978	\$ 22,653	\$ 23,914	\$ 20,289

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

The fixed term investments and debentures mature between fiscal 2015 and 2041 and bear interest at rates between 2.45 percent and 6.125 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 retirement 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 retirement severance liability, including the interest accretion, is reflected in the funding for retirement severance expense. The portion of the receivable related to the vacation pay is paid annually through the operating grants.

RED RIVER COLLEGENotes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2015

9. Capital assets:

			2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value		
Equipment and furniture	\$ 52,309	\$ 43,273	\$ 9,036	\$ 11,152		
Computer equipment and software	20,042	18,426	1,616	1,588		
Major renovations	5,424	3,504	1,920	2,204		
Buildings	113,857	19,308	94,549	97,336		
Vehicles	450	371	79	64		
Aircraft	3,453	1,131	2,322	1,188		
Leasehold improvements	5,113	4,327	786	950		
Construction in progress	10	—	10	—		
Assets under capital leases	18,134	15,951	2,183	2,423		
Library holdings	1,223	—	1,223	1,223		
Parking lot improvements	2,429	990	1,439	1,324		
Capital renovations	5,696	4,133	1,563	1,991		
	\$ 228,140	\$ 111,414	\$ 116,726	\$ 121,443		

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 \$1,348 (2014 - \$1,832).

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

	2015		2014	
Balance, beginning of year	\$ 121,443	\$ 124,770		
Purchase of capital assets:				
Funded by deferred capital contributions	1,371	4,776		
Funded by deferred capital campaign contributions	250	532		
Funded by deferred capital revenue (construction in progress)	—	(84)		
Internally funded	1,670	2,741		
Financed through capital lease, net of obligation paid	(235)	(1,062)		
Donations of capital assets	1,374	80		
Gain (loss) on disposal of capital assets	(21)	12		
Amortization of capital assets	(9,126)	(10,322)		
Balance, end of year	\$ 116,726	\$ 121,443		

RED RIVER COLLEGE

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

Year ended June 30, 2015

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, 2015, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

	2015	2014
Trade payables	\$ 2,972	\$ 4,393
Accrued salaries and benefits	2,397	2,307
Accrued vacation pay	15,505	15,025
	<u>\$ 20,874</u>	<u>\$ 21,725</u>

12. Future employee benefits:

	2015	2014
Accrued retirement severance pay	\$ 15,889	\$ 14,906
Accumulated non-vested sick leave benefits	901	936
	<u>\$ 16,790</u>	<u>\$ 15,842</u>

RED RIVER COLLEGE

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

Year ended June 30, 2015

12. Future employee benefits (continued):

The accrued retirement severance pay is actuarially determined every three years. The most recent actuarial report was prepared on March 31, 2015. Information about the College's accrued retirement severance pay is as follows:

	2015	2014
Balance, beginning of year	\$ 14,906	\$ 12,580
Current benefit cost	1,036	1,004
Interest	965	883
Actuarial loss	194	1,443
Benefits paid	(1,212)	(1,004)
Balance, end of year	\$ 15,889	\$ 14,906

Significant actuarial assumptions used in the severance obligations at June 30, 2015 and June 30, 2014, are as follows:

	2015	2014
Interest rate on obligations	6.00%	6.50%
Employer current service cost as a percentage of salary	0.97%	0.98%

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 (2014 - 6 percent) and a rate of salary increase of 3.75 percent (2014 - 3.75 percent).

RED RIVER COLLEGENotes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2015

13. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between August 2015 and December 2018 together with the balances of the obligations under capital leases:

2016	\$	933
2017		597
2018		229
2019		134
Total minimum lease payments		1,893
Less amount representing interest (ranging from 2.76% to 10.36%)		(105)
Balance of obligations		1,788
Current portion		870
	\$	918

Interest expense on the lease obligations amounted to \$94 (2014 - \$130).

14. Deferred contributions:

Deferred contributions represent contributions received from the Province and other contributions that pertain to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2015	2014
Deferred provincial contributions:		
Balance, beginning of year	\$ 2,332	\$ 5,828
Amount recognized as revenue during the year	(350)	(1,062)
Amount transferred to deferred contributions related to capital assets	-	(2,556)
Amount received related to the following year	1,214	122
Balance, end of year	3,196	2,332
Deferred other contributions:		
Balance, beginning of year	6,485	4,329
Amount recognized as revenue during the year	(1,092)	(1,260)
Amount restricted for endowment	-	(44)
Amount received related to following year	587	3,460
Balance, end of year	5,980	6,485
	\$ 9,176	\$ 8,817

RED RIVER COLLEGE

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

Year ended June 30, 2015

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:

	2015	2014
Balance, beginning of year	\$ 6,038	\$ 5,815
Less amortization of deferred capital campaign contributions during the year	(319)	(309)
Add donations received during the year	250	532
Balance, end of year	\$ 5,969	\$ 6,038

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:

	2015	2014
Balance, beginning of year	\$ 80,624	\$ 82,438
Less amortization of deferred contributions	(5,943)	(6,586)
Add:		
Contributions received for capital purposes	1,371	2,136
Transferred from deferred provincial contributions	-	2,556
Capital asset donations	1,374	80
Balance, end of year	\$ 77,426	\$ 80,624

Unamortized capital contributions of \$77,426 (2014 - \$80,624) 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 EAL.

RED RIVER COLLEGENotes to Financial Statements (continued)
(In thousands of dollars)

Year ended June 30, 2015

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:

	2015	2014
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from \$76 - \$82 including principal and interest	\$ 9,551	\$ 9,903
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from \$131 - \$142 including principal and interest	16,679	17,272
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from \$54 - \$59 including principal and interest	6,989	7,232
Heavy Equipment Transportation Centre of Excellence: 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	10,964	11,081
Paterson GlobalFoods Institute: 4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from \$72 - \$78 in the current year including principal and interest	13,715	14,077
	\$ 57,898	\$ 59,565

17. Investment in capital and intangible assets:

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

	2015	2014
Capital assets, net book value	\$ 116,726	\$ 121,443
Less:		
Amounts financed by deferred capital campaign contributions	(5,969)	(6,038)
Deferred capital contributions	(77,426)	(80,624)
Amounts financed by capital lease	(1,788)	(2,021)
	\$ 31,543	\$ 32,760

RED RIVER COLLEGE

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

Year ended June 30, 2015

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

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

	2015	2014
Purchase of capital assets internally financed	\$ 1,670	\$ 2,741
Amortization of:		
Capital and intangible assets	(9,128)	(10,322)
Deferred capital contributions	5,943	6,585
Deferred capital campaign contributions	319	309
Gain (loss) on disposal of capital assets	(21)	12
Decrease in investment in capital and intangible assets	\$ (1,217)	\$ (675)

18. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

	2015	2014
Princess Street campus structural reserve	\$ 799	\$ 799
Notre Dame campus structural reserve	600	600
Project reserves	3,658	3,945
Campus renovation reserve	1,000	1,000
Risk Management reserve	50	50
	\$ 6,107	\$ 6,394

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.

The College budgeted for a 2015 operating deficit of \$880, which management planned on funding through a transfer from internally restricted net assets - project reserves related to closed projects. As the College ended up with an operating surplus, this transfer was not required in the current year.

RED RIVER COLLEGE

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

Year ended June 30, 2015

19. Changes in non-cash working capital balances:

	2015	2014
Accounts receivable	\$ 867	\$ (596)
Inventories	25	(140)
Prepaid expenses	(996)	14
Accounts payable and accrued liabilities	97	4,040
Deferred revenue	(653)	2,021
Changes in non-cash working capital	\$ (660)	\$ 5,339

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 Public Sector Accounting Standards, Section PS 3250.

The expense related to the pension plan was \$7,305 (2014 - \$6,462). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

21. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach, Neepawa, 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:

2016	\$ 2,961
2017	1,526
2018	567
2019	383
2020	367
	\$ 5,804

RED RIVER COLLEGE

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

Year ended June 30, 2015

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 that 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, 2015, net resources of the Blood Bank amount to \$190.

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

23. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

RED RIVER COLLEGE

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

Year ended June 30, 2015

23. Financial risks (continued):

(b) Credit risk:

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

(c) Interest rate and foreign exchange risk:

Interest rates, maturities and security affect the interest rate risk of certain of the College's financial assets and liabilities. The College is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

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

There has been no change to the above noted risk exposures from 2014.

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, 2015, the College has met its externally imposed capital requirements.

RED RIVER COLLEGE

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

Year ended June 30, 2015

25. Comparative information:

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