

Financial Statements of

**RED RIVER COLLEGE**

Nine months ended March 31, 2017



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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 March 31, 2017, the statements of operations and changes in net assets and cash flows for the nine months 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 March 31, 2017, and its results of operations and its cash flows for the nine months then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

June 21, 2017

Winnipeg, Canada

# RED RIVER COLLEGE

Statement of Financial Position  
(In thousands of dollars)

March 31, 2017, with comparative information for June 30, 2016

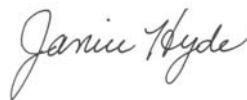
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 3,130	\$ 2,696
Cash and short-term investments (note 3)	40,542	23,603
Accounts receivable (note 4)	6,948	9,159
Inventories (note 5)	1,834	1,294
Prepaid expenses (note 6)	1,685	2,653
	54,139	39,405
Long term investments - trust and endowment (note 7)	25,809	24,063
Due from Province of Manitoba (note 8)	9,636	9,636
Capital assets (note 9)	236,089	221,806
	\$ 325,673	\$ 294,910
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 28,093	\$ 25,923
Current portion of obligations under capital leases (note 14)	268	593
Deferred revenue	17,530	11,806
Demand term loan (note 12)	4,400	4,400
	50,291	42,722
Future employee benefits (note 13)	19,770	18,866
Obligations under capital leases (note 14)	129	369
Deferred contributions (note 15)	12,854	9,205
Deferred contributions related to capital assets (note 16)	185,971	170,280
Net assets:		
Invested in capital assets (note 17)	49,721	50,564
Restricted for endowments (note 18)	23,427	21,566
Internally restricted (note 18)	13,428	12,232
Unrestricted net assets	(29,918)	(30,894)
	56,658	53,468
Commitments and contingencies (note 21)		
Subsequent event (note 25)		
	\$ 325,673	\$ 294,910

See accompanying notes to financial statements.

Approved by the Board of Governors:



Chair



Vice Chair

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017, with comparative information for the year ended June 30, 2016

	Unrestricted	Invested in capital assets	Restricted for endowments	Internally restricted	2017 Total	2016 Total
<b>Revenue:</b>						
Academic training fees	\$ 36,150	\$ -	\$ -	\$ -	\$ 36,150	\$ 47,160
Grants and reimbursements	74,343	-	-	-	74,343	102,211
International education	6,720	-	-	-	6,720	6,481
Continuing education	8,955	-	-	-	8,955	12,621
Sundry and other revenue	13,662	-	-	-	13,662	17,480
Amortization of deferred contributions	1,416	7,144	-	-	8,560	8,754
	141,246	7,144	-	-	148,390	194,707
<b>Expenses:</b>						
Instruction	84,386	-	-	146	84,532	110,515
Library	2,063	-	-	-	2,063	2,818
Administration and general	26,403	-	-	-	26,403	34,307
Physical plant	16,847	-	-	192	17,039	19,703
Student services	6,268	-	-	-	6,268	9,066
Amortization of capital assets	-	8,691	-	-	8,691	9,500
Future employee benefits	2,065	-	-	-	2,065	2,545
	138,032	8,691	-	338	147,061	188,454
Excess (deficiency) of revenue over expenses	3,214	(1,547)	-	(338)	1,329	6,253
Balance, beginning of period	(30,894)	50,564	21,566	12,232	53,468	29,116
Endowment gifts	-	-	1,832	-	1,832	1,620
Amounts unrestricted from endowments	-	-	29	-	29	68
Contribution of land (note 9)	-	-	-	-	-	16,411
Transfer to internally restricted for project reserves (note 18)	(205)	-	-	205	-	-
Transfer of surplus to internally restricted (note 18)	(1,329)	-	-	1,329	-	-
Investment in capital assets	(704)	704	-	-	-	-
Balance, end of period	\$ (29,918)	\$ 49,721	\$ 23,427	\$ 13,428	\$ 56,658	\$ 53,468

See accompanying notes to financial statements.

# RED RIVER COLLEGE

## Statement of Cash Flows (In thousands of dollars)

Nine months ended March 31, 2017, with comparative information for the year ended June 30, 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,329	\$ 6,253
Items not involving cash:		
Amortization of capital assets	8,691	9,500
Amortization of deferred capital contributions	(7,144)	(6,973)
Other deferred contributions recognized as revenue	(3,478)	(2,593)
Loss on disposal of capital assets	-	12
Changes in fair value of investments	(1,501)	373
Changes in non-cash operating working capital balances (note 19)	11,437	4,631
	9,334	11,203
Investing activities:		
Purchase of capital assets	(22,952)	(114,504)
Long-term investment for trust and endowment	(317)	(1,089)
Proceeds on disposal of long-term investments for trust and endowment	72	1,631
	(23,197)	(113,962)
Financing activities:		
Long-term loan received	-	4,400
Endowment gifts received	1,861	1,688
Contributions and donations funding capital purposes	22,814	110,269
Repayment of obligations under capital leases	(565)	(914)
Other deferred contributions received	7,126	2,622
	31,236	118,065
Increase in cash and short-term investments	17,373	15,306
Cash and short-term investments, beginning of period	26,299	10,993
Cash and short-term investments, end of period	\$ 43,672	\$ 26,299
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 3,130	\$ 2,696
Cash and short-term investments	40,542	23,603
	\$ 43,672	\$ 26,299

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Notes to Financial Statements  
(In thousands of dollars)

Nine months ended March 31, 2017

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## 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 - 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

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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)

Nine months ended March 31, 2017

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## 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 period in which the related expenses are incurred. Endowment contributions and contributions of capital assets with unlimited lives 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 period is recorded as deferred revenue. Sundry and other revenue is recognized as revenue when earned. 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 period, 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 period in which the related expenses are recognized.

### (e) 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.

### (f) 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.



# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (g) Deferred contributions:

Debt owing to the Province of Manitoba (the Province) is reflected as deferred contributions related to capital assets on the statement of financial position. The related revenue earned from the Post-Secondary Education and Workforce Development Division (PSEWDD) to offset the principal repayment and the related interest expense are both excluded from the statement of operations.

### (h) 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 period incurred.

### (i) 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 period 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)

Nine months ended March 31, 2017

## 2. Significant accounting policies (continued):

### (j) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars on a monthly basis at month end exchange rates with any gain or loss included in income in the same month. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

### (k) 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 of Manitoba (the Province) in short-term deposits. Interest rates on short-term investments range between 0.35 percent and 0.59 percent. Short-term investments mature June 2017.

The carrying value of the short-term investments at the beginning and end of the period approximated fair value due to the short-term maturity of these deposits.

## 4. Accounts receivable:

	2017	2016
Trust and endowment receivables	\$ 773	\$ 99
Other accounts receivable	4,397	3,895
Capital grant receivable from the Province	1,778	5,165
	<b>\$ 6,948</b>	<b>\$ 9,159</b>

## 5. Inventories:

Inventories consist primarily of books purchased for resale. During the nine months ended March 31, 2017, inventories totaling \$3,874 were expensed (2016 - \$4,721).

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 6. Prepaid expenses:

	2017		2016	
Prepaid property taxes	\$	–	\$	1,136
Other prepaid expenses		1,685		1,517
	\$	1,685	\$	2,653

## 7. Long-term investments:

	2017		2016	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 7,035	\$ 6,155	\$ 7,352	\$ 6,179
Equity investments	17,032	12,932	14,921	13,188
Debentures	1,742	1,742	1,790	1,790
	\$ 25,809	\$ 20,829	\$ 24,063	\$ 21,157

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

The fixed term investments and debentures mature between fiscal 2019 and 2041 and bear interest at rates between 2.45 percent and 6.125 percent (2016 - 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. The balance outstanding at March 31, 2017 is \$9,636.

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)

Nine months ended March 31, 2017

## 9. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 18,396	\$ —	\$ 18,396	\$ 18,396
Equipment and furniture	53,430	47,254	6,176	7,199
Computer equipment and software	20,157	18,838	1,319	1,416
Major renovations	5,424	4,001	1,423	1,636
Buildings	192,337	28,251	164,086	169,170
Vehicles	461	417	44	64
Aircraft	3,843	1,448	2,395	2,539
Leasehold improvements	5,138	4,680	458	607
Construction in progress	37,765	—	37,765	15,955
Assets under capital leases	17,338	16,658	680	1,259
Library holdings	1,223	—	1,223	1,223
Parking lot improvements	2,448	1,192	1,256	1,343
Capital renovations	5,944	5,076	868	999
	\$ 363,904	\$ 127,815	\$ 236,089	\$ 221,806

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 \$578 (2016 - \$1,024).

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

	2017	2016
Balance, beginning of period	\$ 221,806	\$ 116,726
Purchase / transfer of capital assets:		
Funded by deferred capital contributions	22,814	93,423
Internally funded	704	5,149
Financed through capital lease, net of obligation paid	(565)	(826)
Donations of capital assets	21	435
Contribution of land	—	16,411
Loss on disposal of capital assets	—	(12)
Amortization of capital assets	(8,691)	(9,500)
Balance, end of period	\$ 236,089	\$ 221,806

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 10. Operating line of credit:

The College has a \$5,000 operating line of credit with the Province, bearing interest at prime. At March 31, 2017, there had been no withdrawals on this operating line.

## 11. Accounts payable and accrued liabilities:

	2017	2016
Trade payables	\$ 10,479	\$ 5,909
Accrued salaries and benefits	1,169	3,394
Accrued vacation pay	15,108	15,956
Holdback liability	1,337	664
	<b>\$ 28,093</b>	<b>\$ 25,923</b>

## 12. Demand term loan:

During fiscal 2016, the College obtained a demand term loan in the amount of \$4,400 with the Toronto-Dominion Bank (Lender) to finance the purchase of land for the Innovation Centre Project. The term loan is due in full on June 28, 2019 and bears interest at prime less 0.9 percent. Concurrently, the College entered into a guarantee agreement with the Province of Manitoba and the Lender, where the Province guaranteed the payment of the term loan.

## 13. Future employee benefits:

	2017	2016
Accrued retirement severance pay	\$ 18,569	\$ 17,762
Accumulated non-vested sick leave benefits	1,201	1,104
	<b>\$ 19,770</b>	<b>\$ 18,866</b>

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 6 percent (2016 - 6 percent) and a rate of salary increase of 3.75 percent (2016 - 3.75 percent).

**RED RIVER COLLEGE**

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

Nine months ended March 31, 2017

**13. 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, 2017. Information about the College's accrued retirement severance pay is as follows:

	2017	2016
Balance, beginning of period	\$ 17,762	\$ 15,889
Current benefit cost	1,066	1,024
Interest	1,034	977
Actuarial loss	36	677
Benefits paid	(1,329)	(805)
<b>Balance, end of period</b>	<b>\$ 18,569</b>	<b>\$ 17,762</b>

Significant actuarial assumptions used in the severance obligations at March 31, 2017 and June 30, 2016, are as follows:

	2017	2016
Interest rate on obligations	6.00%	6.00%
Employer current service cost as a percentage of salary	1.29%	0.93%

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 14. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between April 2017 and December 2019 together with the balances of the obligations under capital leases:

2018	\$	253
2019		161
Total minimum lease payments		414
Less amount representing interest (ranging from 2.76% to 10.36%)		(17)
Balance of obligations		397
Current portion		268
	\$	129

Interest expense on the lease obligations amounted to \$28 (2016 - \$65).

## 15. 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 year.

	2017	2016
Deferred provincial contributions:		
Balance, beginning of period	\$ 3,914	\$ 3,196
Amount recognized as revenue during the period	(1,597)	(903)
Amount received related to the following year	4,252	1,621
Balance, end of period	6,569	3,914
Deferred other contributions:		
Balance, beginning of period	5,291	5,980
Amount recognized as revenue during the period	(1,860)	(1,690)
Amount transferred to endowed accounts during the year	(20)	-
Amount received related to following year	2,874	1,001
Balance, end of period	6,285	5,291
	\$ 12,854	\$ 9,205

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 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:

	2017	2016
Balance, beginning of period	\$ 170,280	\$ 83,395
Less amortization of deferred contributions	(7,144)	(6,973)
Add:		
Contributions received/transferred for capital purposes	20,866	87,896
Contribution receivable	1,778	5,165
Donations-in-kind	21	435
Donations received during the period	170	362
<b>Balance, end of period</b>	<b>\$ 185,971</b>	<b>\$ 170,280</b>

Unamortized capital contributions of \$185,971 (2016 - \$170,280) 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 PSEWDD.



# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

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

No revenue or expense is recorded in accordance with their extinguishment. The balances of the promissory notes are as follows:

	2017	2016
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	\$ 8,933	\$ 9,198
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	15,639	16,085
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	6,563	6,746
Heavy Equipment Transportation Centre of Excellence: 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	10,742	10,839
Paterson GlobalFoods Institute: 4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from \$72 - \$78 in the year including principal and interest	13,080	13,352
Notre Dame Campus: 3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$130 - \$506 in the current year including principal and interest	91,611	93,373
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$0.7 - \$5 in the current year including principal and interest	891	909
Skilled Trades and Technology Centre: 3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$10 - \$39 in the current year including principal and interest	7,209	7,348
Floating interest rate and terms of promissory note to be arranged, currently paying interest quarterly	23,529	501
Capital Projects: 4.125% interest, maturing March 31, 2057, repayable in monthly instalments	1,000	-
	<b>\$ 179,197</b>	<b>\$ 158,351</b>

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 17. Investment in capital assets:

The investment in capital assets consists of the following:

	2017	2016
Capital assets, net book value	\$ 236,089	\$ 221,806
Less:		
Amounts financed by deferred capital contributions	(185,971)	(170,280)
Amounts financed by capital lease	(397)	(962)
	<u>\$ 49,721</u>	<u>\$ 50,564</u>

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

	2017	2016
Purchase of capital assets internally financed	\$ 704	\$ 5,149
Contribution of land	-	16,411
Amortization of:		
Capital assets	(8,691)	(9,500)
Deferred capital contributions	7,144	6,973
Loss on disposal of capital assets	-	(12)
Increase (decrease) in investment in capital assets	<u>\$ (843)</u>	<u>\$ 19,021</u>

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

## 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:

	2017	2016
Princess Street campus structural reserve	\$ 799	\$ 799
Notre Dame campus structural reserve	600	600
Project reserves	3,735	3,530
Campus renovation reserve	1,000	1,000
Risk Management reserve	200	50
Strategic Development reserve	7,094	6,253
	<u>\$ 13,428</u>	<u>\$ 12,232</u>

Under the College's internal best practice guidelines, net proceeds earned from designated project activities are restricted and eligible for expenditure under certain conditions, in the year following project completion. During the year, an amount of \$205 was transferred from unrestricted to internally restricted for net proceeds in project reserves.

The College transferred an amount of \$1,329 from unrestricted net assets to internally restricted net assets, relating to the excess of revenue over expenses generated during the nine months ended March 31, 2017. The amount was allocated to the reserve for Strategic Development and Risk Management reserves.

## 19. Changes in non-cash working capital balances:

	2017	2016
Accounts receivable	\$ 2,211	\$ (3,995)
Inventories	(540)	(395)
Prepaid expenses	968	455
Accounts payable and accrued liabilities	2,170	5,049
Deferred revenue	5,724	1,824
Future employee benefits	904	2,076
Due from Province	-	(383)
Changes in non-cash working capital	<u>\$ 11,437</u>	<u>\$ 4,631</u>

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

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## 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 CPA Canada Handbook, Section 3462.

The expense related to the pension plan was \$6,291 (2016 - \$7,731). 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 and contingencies:

### *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 and services, in aggregate, for each of the next five years, is approximately as follows:

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2018	\$ 48,427
2019	11,972
2020	11,480
2021	11,274
2022	10,951
	<hr/> \$ 94,104 <hr/>

During the year ended March 31, 2017, the College entered into a construction contract for the Motive Lab Project with approximately \$8 million remaining to be incurred before the expected completion date of March 31, 2018. In addition, the College has a remaining construction cost for the Skilled Trades and Technology Centre of approximately \$27 million remaining to be incurred before the expected completion date of April 30, 2018.

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

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## 21. Commitments and contingencies (continued):

### *Contingencies:*

The College is involved in various legal matters arising in the ordinary course of business. Management believes the resolution of these matters is not likely to have a material adverse effect on the College's financial position, results of operations or cash flows.

The College is currently involved in a review by the Canada Revenue Agency (CRA) over GST income tax credits. Any amount payable back to CRA has not been accrued as at March 31, 2017.

## 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 February 28, 2017, net resources of the Blood Bank amount to \$146.

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)

Nine months ended March 31, 2017

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## 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 is 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.

There has been no significant changes to the credit risk exposure from 2016.

### (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 significant changes to the interest rate and foreign exchange risk exposure from 2016.

# RED RIVER COLLEGE

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

Nine months ended March 31, 2017

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## **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 nine months ended March 31, 2017, the College has met its externally imposed capital requirements.

## **25. Subsequent event:**

Subsequent to year end, the College entered into an offer to purchase the Stevenson Aviation facility, subject to the Province's approval. The College is currently renting this facility for aviation programs.

## **26. Comparative information:**

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