

Financial Statements of

RED RIVER COLLEGE

Year ended March 31, 2018



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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, 2018, the statements of operations and 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 March 31, 2018, and its results of operations and its cash flows for the year 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

June 18, 2018

Winnipeg, Canada

RED RIVER COLLEGE


Statement of Financial Position (In thousands of dollars)

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 3,717	\$ 3,130
Cash and short-term investments (note 3)	56,708	40,542
Accounts receivable (note 4)	12,114	6,948
Inventories (note 5)	1,870	1,834
Prepaid expenses	1,672	1,685
	<u>76,081</u>	<u>54,139</u>
Long term investments - trust and endowment (note 6)	26,875	25,809
Due from Province of Manitoba (note 7)	9,636	9,636
Capital assets (note 8)	267,231	236,089
	<u>\$ 379,823</u>	<u>\$ 325,673</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 29,398	\$ 28,093
Current portion of obligations under capital leases (note 14)	154	268
Deferred revenue	19,686	16,425
Demand term loan (note 11)	4,400	4,400
Current portion of loan payable (note 12)	310	-
	<u>53,948</u>	<u>49,186</u>
Future employee benefits (note 13)	19,625	19,770
Obligations under capital leases (note 14)	-	129
Loan payable (note 12)	7,337	-
Deferred contributions (note 15)	12,318	11,128
Deferred contributions related to capital assets (note 16)	202,499	179,925
Deferred contributions related to capital campaign (note 17)	5,620	5,921
Deferred contributions capital unspent (note 18)	17,845	2,956
Net assets:		
Invested in capital assets (note 19)	51,311	49,721
Restricted for endowments (note 20)	23,883	23,427
Internally restricted (note 20)	15,324	13,428
Unrestricted net assets	<u>(29,887)</u>	<u>(29,918)</u>
	60,631	56,658
Commitments and contingencies (note 23)		
Contractual rights (note 24)		
	<u>\$ 379,823</u>	<u>\$ 325,673</u>

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)

Year ended March 31, 2018, with comparative information for the nine months ended March 31, 2017

	Unrestricted	Invested in capital assets	Restricted for endowments	Internally restricted	2018 Total	2017 Total
Revenue:						
Academic training fees	\$ 48,912	\$ —	\$ —	\$ —	\$ 48,912	\$ 36,150
Grants and reimbursements	99,309	—	—	—	99,309	74,343
International education	11,360	—	—	—	11,360	6,720
Continuing education	12,364	—	—	—	12,364	8,955
Sundry and other revenue	15,827	—	—	—	15,827	13,662
Amortization of deferred contributions	3,264	9,886	—	—	13,150	8,560
	191,036	9,886	—	—	200,922	148,390
Expenses:						
Instruction	115,993	—	—	—	115,993	84,532
Library	2,745	—	—	—	2,745	2,063
Administration and general	34,588	—	—	—	34,588	26,403
Physical plant	20,156	—	—	—	20,156	17,039
Student services	10,832	—	—	—	10,832	6,268
Amortization of capital assets	—	11,771	—	—	11,771	8,691
Future employee benefits	1,320	—	—	—	1,320	2,065
	185,634	11,771	—	—	197,405	147,061
Excess (deficiency) of revenue over expenses	5,402	(1,885)	—	—	3,517	1,329
Balance, beginning of period	(29,918)	49,721	23,427	13,428	56,658	53,468
Endowment gifts	—	—	426	—	426	1,832
Amounts unrestricted from endowments	—	—	30	—	30	29
Transfer of surplus to internally restricted (note 20)	(1,896)	—	—	1,896	—	—
Investment in capital assets	(3,475)	3,475	—	—	—	—
Balance, end of period	\$ (29,887)	\$ 51,311	\$ 23,883	\$ 15,324	\$ 60,631	\$ 56,658

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for the nine months ended March 31, 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,517	\$ 1,329
Items not involving cash:		
Amortization of capital assets	11,771	8,691
Amortization of deferred capital contributions	(9,886)	(7,144)
Other deferred contributions recognized as revenue	(3,069)	(3,478)
Changes in fair value of investments	(168)	(1,501)
Changes in non-cash operating working capital balances (note 21)	(768)	11,437
	1,397	9,334
Investing activities:		
Purchase of capital assets	(42,913)	(22,952)
Long-term investment for trust and endowment	(2,483)	(317)
Proceeds on disposal of long-term investments for trust and endowment	1,585	72
	(43,811)	(23,197)
Financing activities:		
Long-term loan received	7,750	-
Principal payments on loan payable	(103)	-
Endowment gifts received	456	1,861
Contributions and donations funding capital purposes	47,048	22,814
Repayment of obligations under capital leases	(243)	(565)
Other deferred contributions received	4,259	7,126
	59,167	31,236
Increase in cash and short-term investments	16,753	17,373
Cash and short-term investments, beginning of period	43,672	26,299
Cash and short-term investments, end of period	\$ 60,425	\$ 43,672
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 3,717	\$ 3,130
Cash and short-term investments	56,708	40,542
	\$ 60,425	\$ 43,672

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2018

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 became 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	10-33%

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 March 31, 2018

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)

Year ended March 31, 2018

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)

Year ended March 31, 2018

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.

(l) Accounting policy changes:

On April 1, 2017, the College adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the College and did not result in any adjustments to the financial statements as at April 1, 2017 (note 24).

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 1.27 percent and 1.34 percent. Short-term investments mature June 2018.

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.

RED RIVER COLLEGE

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

Year ended March 31, 2018

4. Accounts receivable:

	2018	2017
Trust and endowment receivables	\$ 121	\$ 773
Other accounts receivable	6,310	4,397
Capital grant receivable	5,683	1,778
	<u>\$ 12,114</u>	<u>\$ 6,948</u>

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended March 31, 2018, inventories totaling \$3,630 were expensed (2017 - \$3,874).

6. Long-term investments:

	2018		2017	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 6,941	\$ 5,829	\$ 7,035	\$ 6,155
Equity investments	17,791	12,931	17,032	12,932
Debentures	2,143	2,143	1,742	1,742
	<u>\$ 26,875</u>	<u>\$ 20,903</u>	<u>\$ 25,809</u>	<u>\$ 20,829</u>

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 3.625 percent and 6.125 percent (2017 - 2.45 percent and 6.125 percent).

RED RIVER COLLEGE

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

Year ended March 31, 2018

7. 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, 2018 for \$9,636 (2017 - \$9,636) arose from the transfer of the severance and vacation pay liabilities for employees of the College 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.

8. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 18,429	\$ –	\$ 18,429	\$ 18,396
Equipment and furniture	53,894	49,239	4,655	6,176
Computer equipment and software	20,621	19,480	1,141	1,319
Major renovations	5,597	4,346	1,251	1,423
Buildings	201,249	35,010	166,239	164,086
Vehicles	507	442	65	44
Aircraft	4,488	1,737	2,751	2,395
Leasehold improvements	5,138	4,905	233	458
Construction in progress	69,381	–	69,381	37,765
Assets under capital leases	17,221	16,938	283	680
Library holdings	1,223	–	1,223	1,223
Parking lot improvements	2,448	1,367	1,081	1,256
Capital renovations	6,087	5,588	499	868
	\$ 406,283	\$ 139,052	\$ 267,231	\$ 236,089

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 \$399 (2017 - \$578).

RED RIVER COLLEGE

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

Year ended March 31, 2018

8. Capital assets (continued):

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

	2018	2017
Balance, beginning of period	\$ 236,089	\$ 221,806
Purchase / transfer of capital assets:		
Funded by deferred capital contributions	31,318	22,814
Internally funded and working capital	3,475	704
Financed through capital lease, net of obligation paid	(411)	(565)
Financed through loan payable	7,750	—
Donations of capital assets	781	21
Amortization of capital assets	(11,771)	(8,691)
Balance, end of period	\$ 267,231	\$ 236,089

9. Operating line of credit:

The College has a \$54,800 interim demand facility with Toronto-Dominion Bank guaranteed by the Province of Manitoba, bearing interest at prime minus 0.9 percent. At March 31, 2018, there had been no withdrawals on this interim demand facility.

10. Accounts payable and accrued liabilities:

	2018	2017
Trade payables	\$ 10,157	\$ 10,479
Accrued salaries and benefits	1,497	1,169
Accrued vacation pay	15,418	15,108
Holdback liability	2,326	1,337
	\$ 29,398	\$ 28,093

11. Demand term loan:

During fiscal 2017, 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.

RED RIVER COLLEGE

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

Year ended March 31, 2018

12. Loan payable:

	2018	2017
Loan payable bearing interest at prime less 0.9%, repayable in monthly installments of \$25,833 plus interest	\$ 7,647	\$ –
Current portion of loan payable	310	–
	\$ 7,337	\$ –

Principal repayments over the next five years are as follows:

2019	\$ 310
2020	310
2021	310
2022	310
2023	310

During 2018, the College obtained a long term loan in the amount of \$7,750 at a floating rate with Toronto Dominion Bank to finance the purchase of Stevenson campus. The loan is due and payable on or before the contractual term maturity date of November 30, 2042 and is secured through a guarantee by the Province of Manitoba.

13. Future employee benefits:

	2018	2017
Accrued retirement severance pay	\$ 18,270	\$ 18,569
Accumulated non-vested sick leave benefits	1,355	1,201
	\$ 19,625	\$ 19,770

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 (2017 - 6 percent) and a rate of salary increase of 3.75 percent (2017 - 3.75 percent).

RED RIVER COLLEGE

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

Year ended March 31, 2018

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, 2018. Information about the College's accrued retirement severance pay is as follows:

	2018	2017
Balance, beginning of period	\$ 18,569	\$ 17,762
Current benefit cost	1,250	1,066
Interest	1,107	1,034
Actuarial loss	(1,153)	36
Benefits paid	(1,503)	(1,329)
Balance, end of period	\$ 18,270	\$ 18,569

Significant actuarial assumptions used in the severance obligations at March 31, 2018 and 2017, are as follows:

	2018	2017
Interest rate on obligations	6.00%	6.00%
Employer current service cost as a percentage of salary	1.27%	1.29%

14. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between April 2018 and December 2020 together with the balances of the obligations under capital leases:

2019	\$	167
Total minimum lease payments		167
Less amount representing interest		(13)
Balance of obligations		154
Current portion		154
	\$	-

Interest expense on the lease obligations amounted to \$13 (2017 - \$28).

RED RIVER COLLEGE

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

Year ended March 31, 2018

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 years.

	2018	2017
Deferred provincial contributions:		
Balance, beginning of period	\$ 4,842	\$ 2,187
Amount recognized as revenue during the period	(655)	(1,597)
Amount transferred to deferred contributions related to capital assets	(1,792)	—
Amount received related to the following year	4,259	4,253
Balance, end of period	6,654	4,843
Deferred other contributions:		
Balance, beginning of period	6,285	5,291
Amount recognized as revenue during the period	(426)	(1,860)
Amount transferred to endowed accounts during the year	(195)	(20)
Amount received related to following year	—	2,874
Balance, end of period	5,664	6,285
	\$ 12,318	\$ 11,128

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:

	2018	2017
Balance, beginning of period	\$ 179,925	\$ 164,277
Less amortization of deferred contributions	(9,526)	(6,892)
Add:		
Contributions received for capital purposes	31,319	20,741
Contribution receivable	—	1,778
Donations-in-kind	781	21
Balance, end of period	\$ 202,499	\$ 179,925

RED RIVER COLLEGE

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

Year ended March 31, 2018

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

Unamortized capital contributions of \$202,499 (2017 - \$179,925) 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.

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

	2018	2017
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	\$ 8,580	\$ 8,933
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	15,045	15,639
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	6,320	6,563
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	10,605	10,742
Paterson GlobalFoods Institute:		
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from \$72 - \$78 in the year including principal and interest	12,718	13,080
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	89,262	91,611
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$0.7 - \$5 in the current year including principal and interest	869	891
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	7,025	7,209
Floating interest rate and terms of promissory note to be arranged, currently paying interest quarterly	44,756	23,529
Capital Projects:		
4.125% interest, maturing March 31, 2057, repayable in monthly instalments	975	1,000
	\$ 196,155	\$ 179,197

RED RIVER COLLEGE

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

Year ended March 31, 2018

17. Deferred contributions related to capital campaign assets:

Deferred contributions related to capital campaign assets represent the unamortized amount of capital campaign funds raised to support capital construction projects.

The amortization of capital campaign contributions is recorded as revenue in the statement of operations. The changes in the deferred capital campaign contribution are as follows:

	2018	2017
Balance, beginning of period	\$ 5,921	\$ 6,003
Less amortization of deferred contributions	(360)	(252)
Add:		
Contributions received during the year	59	170
Balance, end of period	\$ 5,620	\$ 5,921

18. Deferred contributions capital unspent:

Deferred contributions capital unspent represent contributions received from the Province and other contributions that pertain to expenditures of the following year.

	2018	2017
Deferred contributions capital unspent:		
Balance, beginning of period	\$ 2,956	\$ –
Amount transferred to deferred contributions during the year	(3,850)	–
Amount received related to the following year	18,739	2,956
Balance, end of period	\$ 17,845	\$ 2,956

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

Year ended March 31, 2018

19. Investment in capital assets:

The investment in capital assets consists of the following:

	2018	2017
Capital assets, net book value	\$ 267,231	\$ 236,089
Less:		
Amounts financed by deferred capital contributions	(202,499)	(180,050)
Amounts financed by deferred capital campaign contributions	(5,620)	(5,921)
Amounts financed by capital lease	(154)	(397)
Amounts financed by loan payable	(7,647)	-
	<u>\$ 51,311</u>	<u>\$ 49,721</u>

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

	2018	2017
Purchase of capital assets internally financed or in working capital	\$ 3,475	\$ 704
Amortization of:		
Capital assets	(11,771)	(8,691)
Deferred capital contributions	9,526	6,892
Deferred capital campaign	360	252
Increase (decrease) in investment in capital assets	<u>\$ 1,590</u>	<u>\$ (843)</u>

RED RIVER COLLEGE

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

Year ended March 31, 2018

20. 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:

	2018	2017
Princess Street campus structural reserve	\$ 799	\$ 799
Notre Dame campus structural reserve	1,600	600
Project reserves	4,631	3,735
Campus renovation reserve	1,000	1,000
Risk Management reserve	200	200
Strategic Development reserve	7,094	7,094
	<u>\$ 15,324</u>	<u>\$ 13,428</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 \$896 was transferred from unrestricted to internally restricted for net proceeds in project reserves.

The College transferred an amount of \$1,000 from unrestricted net assets to internally restricted net assets, relating to the excess of revenue over expenses generated in the year ending March 31, 2018. The amount was allocated to the Notre Dame campus structural reserve.

21. Changes in non-cash working capital balances:

	2018	2017
Accounts receivable	\$ (5,166)	\$ 2,211
Inventories	(36)	(540)
Prepaid expenses	13	968
Accounts payable and accrued liabilities	1,305	2,170
Deferred revenue	3,261	5,724
Future employee benefits	(145)	904
Changes in non-cash working capital	<u>\$ (768)</u>	<u>\$ 11,437</u>

RED RIVER COLLEGE

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

Year ended March 31, 2018

22. 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 \$8,118 (2017 - \$6,291). 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.

23. Commitments and contingencies:

Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach, Arborg 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 included in the following table, along with construction contract commitments.

2019	\$ 39,669
2020	25,957
2021	25,229
2022	987
2023	781
	\$ 92,623

The College continued the construction contract for the Motive Lab Project with approximately \$1.5 million remaining to be incurred as at March 31, 2018 before the expected completion date of August 31, 2018.

The College has a remaining construction cost for the Skilled Trades and Technology Centre of approximately \$10 million remaining to be incurred as at March 31, 2018 before the expected completion date of June 30, 2018.

RED RIVER COLLEGE

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

Year ended March 31, 2018

23. Commitments and contingencies (continued):

During the year ended March 31, 2018, the College has entered into construction contracts for the following projects with remaining construction cost commitment at March 31, 2018 as follows:

- Innovation Centre project - \$72.3 million construction commitment with the completion date of December 31, 2020;
- Smart factory project - \$1.5 million construction commitment with the completion date of August 31, 2018.

The above commitments do not include provincial future payments on promissory notes, which are fully funded by the Province (note 16).

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, 2018.

24. Contractual rights:

The College is involved in various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future. The contractual rights excludes provincial future funding of payments of promissory notes (note 16).

2019	\$ 43,033
2020	1,178
2021	142
2022	143
2023	145
	<hr/>
	\$ 44,641

RED RIVER COLLEGE

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

Year ended March 31, 2018

25. 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, 2018, net resources of the Blood Bank amount to \$113.

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

26. 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 6.

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

RED RIVER COLLEGE

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

Year ended March 31, 2018

26. Financial instruments (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.

There has been no significant changes to the credit risk exposure from 2017.

(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 2017.

RED RIVER COLLEGE

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

Year ended March 31, 2018

27. 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 twelve months ended March 31, 2018, the College has met its externally imposed capital requirements.

28. Comparative information:

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