

Financial Statements of

RED RIVER COLLEGE

Year ended March 31, 2019



KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

Page 1

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Red River College

Opinion

We have audited the financial statements of Red River College (the Entity) which comprise the statement of financial position as at March 31, 2019, the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of March 31, 2019 and its results of operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards including section 4200 - government not for profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors Responsibilities for the Audit of the Financial Statements*" section of our *auditors' report*.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves the fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 17, 2019

RED RIVER COLLEGE

Statement of Financial Position (In thousands of dollars)

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 1,636	\$ 3,717
Cash and short-term investments (note 3)	60,411	56,708
Accounts receivable (note 4)	5,692	12,114
Inventories (note 5)	1,786	1,870
Prepaid expenses	2,129	1,672
	<u>71,654</u>	<u>76,081</u>
Long term investments - trust and endowment (note 6)	29,135	26,875
Due from Province of Manitoba (note 7)	9,636	9,636
Capital assets (note 8)	285,726	267,231
	<u>\$ 396,151</u>	<u>\$ 379,823</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 28,782	\$ 29,398
Current portion of obligations under capital leases	-	154
Deferred revenue	23,184	19,686
Demand loan (note 11)	4,400	4,400
Current portion of loan payable (note 12)	310	310
	<u>56,676</u>	<u>53,948</u>
Future employee benefits (note 13)	17,978	19,625
Loan payable (note 12)	7,027	7,337
Deferred contributions (note 14)	15,866	12,318
Deferred contributions related to capital assets (note 15)	214,102	202,499
Deferred contributions related to capital campaign (note 16)	5,536	5,620
Deferred contributions capital unspent (note 17)	14,739	17,845
Net assets:		
Invested in capital assets (note 18)	58,751	51,311
Restricted for endowments (note 19)	24,431	23,883
Internally restricted (note 19)	18,372	15,324
Unrestricted net assets	<u>(37,327)</u>	<u>(29,887)</u>
	64,227	60,631
Commitments and contingencies (note 22)		
Contractual rights (note 23)		
	<u>\$ 396,151</u>	<u>\$ 379,823</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, 2019, with comparative information for 2018

	Unrestricted	Invested in capital assets	Restricted for endowments	Internally restricted	2019 Total	2018 Total
Revenue:						
Academic training fees	\$ 49,822	\$ -	\$ -	\$ -	\$ 49,822	\$ 48,912
Grants and reimbursements	100,185	-	-	-	100,185	99,309
International education	13,644	-	-	-	13,644	11,360
Continuing education	12,769	-	-	-	12,769	12,364
Sundry and other revenue	16,885	-	-	-	16,885	15,827
Amortization of deferred contributions	4,120	9,270	-	-	13,390	13,150
	197,425	9,270	-	-	206,695	200,922
Expenses:						
Instruction	118,246	-	-	-	118,246	113,614
Library	2,999	-	-	-	2,999	2,698
Administration and general	39,304	-	-	-	39,304	37,355
Physical plant	20,255	-	-	-	20,255	19,976
Student services	11,985	-	-	-	11,985	10,671
Amortization of capital assets	-	10,990	-	-	10,990	11,771
Future employee benefits	(132)	-	-	-	(132)	1,320
	192,657	10,990	-	-	203,647	197,405
Excess (deficiency) of revenue over expenses	4,768	(1,720)	-	-	3,048	3,517
Balance, beginning of period	(29,887)	51,311	23,883	15,324	60,631	56,658
Endowment gifts	-	-	448	-	448	426
Amounts unrestricted from endowments	-	-	100	-	100	30
Transfer of surplus to internally restricted (note 19)	(3,048)	-	-	3,048	-	-
Investment in capital assets	(9,160)	9,160	-	-	-	-
Balance, end of period	\$ (37,327)	\$ 58,751	\$ 24,431	\$ 18,372	\$ 64,227	\$ 60,631

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,048	\$ 3,517
Items not involving cash:		
Amortization of capital assets	10,990	11,771
Amortization of deferred capital contributions	(9,270)	(9,886)
Other deferred contributions recognized as revenue	(549)	(3,069)
Changes in fair value of investments	(1,415)	(168)
Changes in non-cash operating working capital balances (note 20)	7,284	(768)
	10,088	1,397
Investing activities:		
Purchase of capital assets	(29,485)	(42,913)
Long-term investment for trust and endowment	(973)	(2,483)
Proceeds on disposal of long-term investments for trust and endowment	128	1,585
	(30,330)	(43,811)
Financing activities:		
Long-term loan received	-	7,750
Principal payments on loan payable	(310)	(103)
Endowment gifts received	548	456
Contributions and donations funding capital purposes	17,683	47,048
Repayment of obligations under capital leases	(154)	(243)
Other deferred contributions received	4,097	4,259
	21,864	59,167
Increase in cash and short-term investments	1,622	16,753
Cash and short-term investments, beginning of period	60,425	43,672
Cash and short-term investments, end of period	\$ 62,047	\$ 60,425
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,636	\$ 3,717
Cash and short-term investments	60,411	56,708
	\$ 62,047	\$ 60,425

See accompanying notes to financial statements.

RED RIVER COLLEGE

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2019

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, 2019

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, 2019

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 College 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, 2019

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) and with third party institutions in short-term deposits. Interest rates on short-term investments range between 1.68 percent and 2.00 percent.

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, 2019

4. Accounts receivable:

		2019		2018
Trust and endowment receivables	\$	203	\$	121
Other accounts receivable		5,489		6,310
Capital grant receivable		-		5,683
	\$	5,692	\$	12,114

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended March 31, 2019, inventories totaling \$3,309 were expensed (2018 - \$3,307).

6. Long-term investments:

	2019		2018	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 7,004	\$ 5,801	\$ 6,941	\$ 5,829
Equity investments	20,089	15,288	17,791	12,931
Debentures	2,042	2,042	2,143	2,143
	\$ 29,135	\$ 23,131	\$ 26,875	\$ 20,903

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

The fixed term investments and debentures mature between fiscal 2020 and 2037 and bear interest at rates between 2.0 percent and 6.125 percent (2018 - 3.625 percent and 6.125 percent).

RED RIVER COLLEGE

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

Year ended March 31, 2019

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, 2019 for \$9,636 (2018 - \$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:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 18,429	\$ –	\$ 18,429	\$ 18,429
Equipment and furniture	55,784	50,589	5,195	4,655
Computer equipment and software	20,988	19,809	1,179	1,141
Major renovations	6,338	4,522	1,816	1,251
Buildings	264,194	42,942	221,252	166,239
Vehicles	543	468	75	65
Aircraft	4,488	1,961	2,527	2,751
Leasehold improvements	5,138	4,999	139	233
Construction in progress	32,568	–	32,568	69,381
Assets under capital leases	17,123	17,037	86	283
Library holdings	1,223	–	1,223	1,223
Parking lot improvements	2,458	1,479	979	1,081
Capital renovations	6,087	5,829	258	499
	\$ 435,361	\$ 149,635	\$ 285,726	\$ 267,231

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 \$197 (2018 - \$399).

RED RIVER COLLEGE

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

Year ended March 31, 2019

8. Capital assets (continued):

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

	2019	2018
Balance, beginning of period	\$ 267,231	\$ 236,089
Purchase / transfer of capital assets:		
Funded by deferred capital contributions	20,622	31,318
Funded by deferred capital campaign contributions	136	-
Internally funded	9,160	3,475
Payment of capital lease	(154)	(411)
Financed through (payment of) loan payable	(310)	7,750
Donations of capital assets	31	781
Amortization of capital assets	(10,990)	(11,771)
Balance, end of period	\$ 285,726	\$ 267,231

9. Operating line of credit:

The College has a \$5,000 operating line of credit with the Province, bearing interest at prime, at March 31, 2019, there had been no withdrawals on this operating line.

10. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	\$ 11,098	\$ 10,157
Accrued salaries and benefits	1,561	1,497
Accrued vacation pay	15,017	15,418
Holdback liability	1,106	2,326
	\$ 28,782	\$ 29,398

11. Demand loan:

During fiscal 2017, the College obtained a demand loan in the amount of \$4.4 million with the Toronto-Dominion Bank (Lender) to finance the purchase of land for the Innovation Centre Project. In December 2018, the Lender extended the interest only period on the demand loan to 48 months (formerly 36 months), which now ends in June 2020. The demand loan bears interest at prime less 0.9 percent. The College has a guarantee agreement with the Province of Manitoba and the Lender, where the Province guarantees the payment of the demand loan.

RED RIVER COLLEGE

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

Year ended March 31, 2019

12. Loan payable:

	2019	2018
Loan payable bearing interest at prime less 0.9%, repayable in monthly installments of \$25,833 plus interest	\$ 7,337	\$ 7,647
Current portion of loan payable	310	310
	\$ 7,027	\$ 7,337

Principal repayments over the next five years are as follows:

2020	\$	310
2021		310
2022		310
2023		310

The loan payable is due 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:

	2019	2018
Accrued retirement severance pay	\$ 16,259	\$ 18,270
Accumulated non-vested sick leave benefits	1,719	1,355
	\$ 17,978	\$ 19,625

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 (2018 - 6 percent) and a rate of salary increase of 3.75 percent (2018 - 3.75 percent).

RED RIVER COLLEGE

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

Year ended March 31, 2019

13. Future employee benefits (continued):

The accrued retirement severance pay is actuarially determined on an annual basis. The most recent actuarial report was prepared on March 31, 2019. Information about the College's accrued retirement severance pay is as follows:

	2019	2018
Balance, beginning of period	\$ 18,270	\$ 18,569
Current benefit cost	929	1,250
Interest	1,080	1,107
Actuarial gain	(2,546)	(1,153)
Benefits paid	(1,474)	(1,503)
Balance, end of period	\$ 16,259	\$ 18,270

Significant actuarial assumptions used in the severance obligations at March 31, 2019 and 2018, are as follows:

	2019	2018
Interest rate on obligations	6.00%	6.00%
Employer current service cost as a percentage of salary	1.27%	1.27%

RED RIVER COLLEGE

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

Year ended March 31, 2019

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.

	2019	2018
Deferred provincial contributions:		
Balance, beginning of period	\$ 6,654	\$ 4,842
Amount recognized as revenue during the period	–	(655)
Amount transferred to deferred contributions related to capital assets	–	(1,792)
Amount received related to the following year	3,056	4,259
Balance, end of period	9,710	6,654
Deferred other contributions:		
Balance, beginning of period	5,664	6,285
Amount recognized as revenue during the period	(448)	(426)
Amount transferred to endowed accounts during the year	(101)	(195)
Amount received related to following year	1,041	–
Balance, end of period	6,156	5,664
	\$ 15,866	\$ 12,318

15. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions related to capital assets are as follows:

	2019	2018
Balance, beginning of period	\$ 202,499	\$ 179,925
Less amortization of deferred contributions	(9,050)	(9,526)
Add:		
Contributions received for capital purposes	10,744	27,469
Transfer from deferred contributions capital unspent	9,878	3,850
Donations-in-kind	31	781
Balance, end of period	\$ 214,102	\$ 202,499

RED RIVER COLLEGE

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

Year ended March 31, 2019

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

Unamortized capital contributions of \$214,102 (2018 - \$202,499) 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:

	2019	2018
<u>Princess Street campus:</u>		
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	\$ 8,228	\$ 8,580
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	14,451	15,045
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	6,077	6,320
<u>Heavy Equipment Transportation Centre of Excellence:</u>		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	10,460	10,605
<u>Paterson GlobalFoods Institute:</u>		
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from \$72 - \$78 in the year including principal and interest	12,355	12,718
<u>Notre Dame Campus:</u>		
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$130 - \$506 in the current year including principal and interest	86,913	89,262
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$0.7 - \$5 in the current year including principal and interest	846	869
<u>Skilled Trades and Technology Centre:</u>		
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$10 - \$39 in the current year including principal and interest	6,840	7,025
3.875% interest, maturing January 31, 2059, repayable in monthly instalments ranging from \$275 - \$290 in the current year including principal and interest	53,980	44,756
<u>Deferred Maintenance:</u>		
4.125% interest, maturing March 31, 2057, repayable in monthly instalments	950	975
3.875% interest, maturing April 30, 2058, repayable in monthly instalments	1,954	-
<u>Motive Lab:</u>		
Floating interest rate and terms of promissory note to be arranged, currently paying interest quarterly	1,350	-
	\$ 204,404	\$ 196,155

RED RIVER COLLEGE

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

Year ended March 31, 2019

16. Deferred contributions related to capital campaign:

Deferred contributions related to capital campaign 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:

	2019	2018
Balance, beginning of period	\$ 5,620	\$ 5,921
Less amortization of deferred contributions	(220)	(360)
Add:		
Contributions received during the year	136	59
Balance, end of period	\$ 5,536	\$ 5,620

17. 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.

	2019	2018
Deferred contributions capital unspent:		
Balance, beginning of period	\$ 17,845	\$ 2,956
Amount transferred to deferred contributions related to capital assets during the year	(9,878)	(3,850)
Amount received related to the following year	6,772	18,739
Balance, end of period	\$ 14,739	\$ 17,845

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

Year ended March 31, 2019

18. Investment in capital assets:

The investment in capital assets consists of the following:

	2019	2018
Capital assets, net book value	\$ 285,726	\$ 267,231
Less:		
Amounts financed by deferred capital contributions	(214,102)	(202,499)
Amounts financed by deferred capital campaign contributions	(5,536)	(5,620)
Amounts financed by capital lease	-	(154)
Amounts financed by loan payable	(7,337)	(7,647)
	<u>\$ 58,751</u>	<u>\$ 51,311</u>

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

	2019	2018
Purchase of capital assets internally financed or in working capital	\$ 9,160	\$ 3,475
Amortization of:		
Capital assets	(10,990)	(11,771)
Deferred capital contributions	9,050	9,526
Deferred capital campaign	220	360
Increase in investment in capital assets	<u>\$ 7,440</u>	<u>\$ 1,590</u>

RED RIVER COLLEGE

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

Year ended March 31, 2019

19. 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:

	2019	2018
Princess Street campus structural reserve	\$ 799	\$ 799
Notre Dame campus structural reserve	1,600	1,600
Project reserves	5,545	4,631
Campus renovation reserve	1,000	1,000
Risk Management reserve	200	200
Strategic Development reserve	9,228	7,094
	\$ 18,372	\$ 15,324

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 \$914 was transferred from unrestricted to internally restricted - project reserves, in relation to the net proceeds in these designated project activities incurred.

The College transferred an amount of \$2,134 from unrestricted net assets to internally restricted net assets, relating to the excess of revenue over expenses generated in the year remaining after the transfer to project reserves. The amount was allocated to the Strategic Development reserve.

20. Changes in non-cash working capital balances:

	2019	2018
Accounts receivable	\$ 6,422	\$ (5,166)
Inventories	84	(36)
Prepaid expenses	(457)	13
Accounts payable and accrued liabilities	(616)	1,305
Deferred revenue	3,498	3,261
Future employee benefits	(1,647)	(145)
Changes in non-cash working capital	\$ 7,284	\$ (768)

RED RIVER COLLEGE

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

Year ended March 31, 2019

21. 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 \$8,108 (2018 - \$8,118). 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.

22. Commitments and contingencies:

Commitments:

The College has remaining construction and related equipment costs as at March 31, 2019 relating to the following projects currently under construction:

- Innovation Centre - approximately \$81.6 million remaining to be incurred before the expected completion date of December 31, 2020.
- Motive Lab - approximately \$0.9 million remaining to be incurred before the expected completion date of September 30, 2019.
- Skilled Trades and Technology Centre - approximately \$0.3 million remaining to be incurred before the expected completion date of June 30, 2019.
- Culinary Research Kitchen - approximately \$1.1 million remaining to be incurred before the expected completion date of June 30, 2019.
- Smart Factory/CATT Phase 3 - approximately \$1.4 million remaining to be incurred before the expected completion date of March 31, 2021.

RED RIVER COLLEGE

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

Year ended March 31, 2019

22. Commitments and contingencies (continued):

The College leases classroom and office space in Winnipeg, Steinbach, Portage la Prairie, and Winkler, Manitoba, as well as in the Interlake region. 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.

2020	\$	1,832
2021		888
2022		640
2023		421
2024		66
	\$	3,847

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 relating to a construction project completed in 2014. The CRA has withheld GST input tax credit payments to the College of approximately \$1 million until this review is completed, which are included in accounts receivables as at March 31, 2019.

23. 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 15).

2020	\$	31,980
2021		458
2022		266
2022		146
2024		147
	\$	32,997

RED RIVER COLLEGE

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

Year ended March 31, 2019

24. 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, 2019, net resources of the Blood Bank amount to \$123.

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

25. 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, 2019

25. 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 2018.

(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 2018.

RED RIVER COLLEGE

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

Year ended March 31, 2019

26. 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, 2019, the College has met its externally imposed capital requirements.

27. Comparative information:

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