

Financial Statements of

**RED RIVER COLLEGE**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Red River College

### **Opinion**

We have audited the financial statements of Red River College (the "College"), which comprise the statement of financial position as at March 31, 2021, the statements of operations and accumulated surplus, changes in net debt and 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 College as at March 31, 2021 and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **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 College 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 College'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 College or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the College'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 College'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 College'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 College 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 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 21, 2021

# RED RIVER COLLEGE

Statement of Financial Position  
(In thousands of dollars)

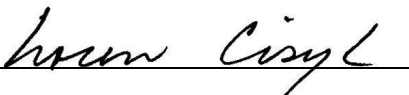
March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash and cash equivalents (note 3)	\$ 65,420	\$ 47,455
Accounts receivable (note 4)	10,437	7,560
Due from Province of Manitoba (note 7)	9,636	9,636
Portfolio investments - restricted for endowments (note 6)	34,758	27,958
	<u>120,251</u>	<u>92,609</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 9)	30,457	30,890
Unearned revenue (note 15)	40,614	30,756
Unspent capital funding	4,430	3,646
Demand term loan payable (note 10)	37,100	4,400
Loan payable (note 11)	6,717	7,027
Promissory notes - due to Province of Manitoba (note 12)	193,100	198,840
Employee future benefits (note 13)	18,842	18,731
	<u>331,260</u>	<u>294,290</u>
Net debt	(211,009)	(201,681)
Non-financial assets:		
Tangible capital assets (note 8)	332,524	303,783
Inventories	1,877	1,818
Prepaid expenses	2,197	1,807
	<u>336,598</u>	<u>307,408</u>
Accumulated surplus (note 22)	\$ 125,589	\$ 105,727

Commitments and contingencies (note 18)  
Contractual rights (note 19)

See accompanying notes to financial statements.

Approved by the Board of Governors:

 Chair

 Vice Chair

# RED RIVER COLLEGE

Statement of Operations and Accumulated Surplus  
(In thousands of dollars)

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget (Note 5)	2021	2020
<b>Revenue:</b>			
Student tuition and academic fees	\$ 53,043	\$ 51,631	\$ 52,495
<b>Grants:</b>			
Government of Manitoba grants (note 1)	128,297	134,185	136,039
Federal and other government grants	28,126	28,194	20,408
Ancillary revenue	5,928	3,450	9,233
Contributions and other revenue	9,532	10,834	10,178
Interest income	470	259	1,303
	<u>225,396</u>	<u>228,553</u>	<u>229,656</u>
<b>Expenses (note 14):</b>			
Academic instruction	111,066	107,206	114,566
Student support and general operations	47,763	54,595	55,369
Facility operations and maintenance	20,888	21,083	23,236
Amortization of capital assets	12,937	12,559	11,627
Ancillary services	5,241	4,150	7,480
Interest expense	9,183	9,098	9,404
	<u>207,078</u>	<u>208,691</u>	<u>221,682</u>
Annual surplus	18,318	19,862	7,974
Accumulated surplus, beginning of year		105,727	97,753
Accumulated surplus, end of year		<u>\$ 125,589</u>	<u>\$ 105,727</u>

See accompanying notes to financial statements.

# RED RIVER COLLEGE

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

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget (Note 5)	2021	2020
Annual surplus	\$ 18,318	\$ 19,862	\$ 7,974
Acquisition of tangible capital assets	(50,425)	(41,300)	(29,684)
Amortization and disposals of tangible capital assets	12,937	12,559	11,627
Change in inventories	-	(59)	(32)
Change in prepaid expenses	-	(390)	322
Change in net debt	(19,170)	(9,328)	(9,793)
Net debt, beginning of year		(201,681)	(191,888)
Net debt, end of year		\$ (211,009)	\$ (201,681)

See accompanying notes to financial statements.

**RED RIVER COLLEGE**

Statement of Cash Flows  
(In thousands of dollars)

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 19,862	\$ 7,974
Items not involving cash:		
Amortization and disposals of tangible capital assets	12,559	11,627
Changes in non-cash operating working capital balances (note 16)	6,210	4,282
	<u>38,631</u>	<u>23,883</u>
Investing activities:		
Purchase of capital assets	(41,300)	(29,684)
Change in portfolio investments	(6,800)	2,813
Increase (decrease) in unspent capital funding	784	(4,093)
	<u>(47,316)</u>	<u>(30,964)</u>
Financing activities:		
Demand term loan received	32,700	–
Principal repayments on loan payable	(310)	(310)
Proceeds on promissory notes	–	150
Repayment of promissory notes	(5,740)	(5,715)
	<u>26,650</u>	<u>(5,875)</u>
Increase (decrease) in cash and cash equivalents	17,965	(12,956)
Cash and cash equivalents, beginning of year	47,455	60,411
Cash and cash equivalents, end of year	<u>\$ 65,420</u>	<u>\$ 47,455</u>

See accompanying notes to financial statements.



# RED RIVER COLLEGE

Notes to Financial Statements  
(In thousands of dollars)

Year ended March 31, 2021

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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 became governed by its own Act, *The Red River College Act*.

The College is a registered charity under the *Income Tax Act*.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

During fiscal 2021, the College experienced a closure of its educational facilities and a movement to virtually instructed courses based on public health recommendations, lay-offs of part-time and casual employees and mandatory working from home requirements for those able to do so as a result of the COVID-19 pandemic. At the time of approval of these financial statements, access to the College’s educational facilities remain restricted with most courses being virtually instructed.

During fiscal 2021, the College received one-time funding from the Province of Manitoba’s Transition Support Fund in the amount of \$4,605,000, which is included in the Government of Manitoba grants amount in the statement of operations. This Fund was established by the Province of Manitoba to help post-secondary institutions address and respond to the challenges and opportunities that have come from the COVID-19 pandemic.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the College is not known at this time.

## 2. Significant accounting policies:

### (a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) without Sections PS4200-4270.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

Government transfers from the Province of Manitoba are recognized as revenue in the period in which all eligibility criteria have been met and the amounts are authorized.

When revenue is received without eligibility criteria and with stipulations, it is recognized when the government transfer is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the College. If the obligation does meet the definition of a liability, the related revenue is recognized as the obligation is settled. Funding received for the acquisition or development of tangible capital assets is recognized as revenue in one of two ways:

- i. Assets funded by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.
- ii. Assets funded by an allocation of cash: revenue is recognized immediately when all eligibility criteria are met and no stipulations exist. If stipulations exist and the funding obligation meets the definition of a liability for the College, the revenue is deferred until the stipulations are met.

Any unrestricted non-government contributions or grants, including donations and fundraising, are recorded as revenue in the year received or in the years the funds are committed to the College if the amount can be reasonably estimated and collection is reasonably assured.

All non-government contributions or grants, including donations and fundraising, that are externally restricted, and the associated externally restricted investment income are recorded as unearned revenue if the terms for their use create a liability. These resources are recognized as revenue as the terms are met and when the College complies with its communicated use.

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments, exclusive of restricted transfers or donations, are recognized in the statement of operations when the related investments are sold. Investment income and unrealized gains and losses from restricted transfers or donations are allocated to their respective balances according to the provisions with the individual agreements. The College's portfolio investments at March 31, 2021 and March 31, 2020 are restricted for endowments with the unrealized gain and losses recorded in unearned revenue. As the remaining unrestricted portfolio investments are in short-term deposits, the carry-value approximates the fair value and no unrealized gains or losses exists on the unrestricted portfolio investments.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

## 2. Significant accounting policies (continued):

The unearned portion of tuition fees and contractual training revenue received, but not earned until next fiscal period, is recorded as unearned revenue. Ancillary revenue is recognized as revenue when earned.

### (c) 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 applied to the various classes of assets as follows:

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.

### (d) Inventories:

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

### (e) Accrued retirement severance pay:

Eligible employees of the College, participating in the Manitoba Government Employees Master Agreement, are eligible to receive a severance payout at retirement. The accrued retirement severance pay is actuarially determined, with any actuarial gain or loss amortized over the expected average remaining service life (EARSL) of the membership group.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

(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.

(g) 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.

(h) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, 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 to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in unearned revenue until they are realized, at which point they are transferred to the statement of operations.

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.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted to income statement.

When the asset is sold, the unrealized gains and losses previously recognized in the unearned revenue are recognized in the statement of operations.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

## 2. Significant accounting policies (continued):

### (i) 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.

### (j) 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. Cash equivalents:

Cash equivalents amounting to \$17,531 as at March 31, 2021 (2020 - \$1,624) represent short-term deposits held with the Department of Finance of the Province of Manitoba (the "Province"). Interest rates on short-term investments range between 0.02 percent and 0.06 percent (2020 - 1.01 percent and 1.77 percent). Short-term investments mature June 1, 2021.

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:

	2021	2020
Trust and endowment receivables	\$ 81	\$ 121
Tuition and fees receivable	3,254	2,105
Trades receivable	2,010	2,361
Capital funding receivable	2,399	1,336
Other accounts receivable	2,693	1,637
	<b>\$ 10,437</b>	<b>\$ 7,560</b>

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**5. Budget:**

On April 29, 2020, the Board of Directors approved the final budget for the College for the year ended March 31, 2021.

**6. Portfolio investments - restricted for endowments:**

	2021		2020	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 7,426	\$ 6,162	\$ 7,881	\$ 6,633
Equity investments	25,505	17,753	18,141	16,710
Debentures	1,827	1,827	1,936	1,936
	<u>\$ 34,758</u>	<u>\$ 25,742</u>	<u>\$ 27,958</u>	<u>\$ 25,279</u>

The fixed term investments and debentures mature between fiscal 2021 and 2037 and bear interest at rates between 0.06 percent and 6.125 percent (2020 - 1.01 percent and 6.125 percent).

The College's assets which are recorded at fair value are required to be classified into one of three levels, depending on the inputs used for valuation. The hierarchy of inputs is summarized below:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**6. Portfolio investments - restricted for endowments (continued):**

	Level 1	Level 2	Level 3	2021 Total
Cash held for investment purposes	\$ 426	\$ –	\$ –	\$ 426
Canadian equity investments	20,043	–	–	20,043
US equity investments	3,906	–	–	3,906
Fixed income securities	–	8,827	–	8,827
Real estate	–	–	1,556	1,556
	\$ 24,375	\$ 8,827	\$ 1,556	\$ 34,758

	Level 1	Level 2	Level 3	2020 Total
Cash held for investment purposes	\$ 224	\$ –	\$ –	\$ 224
Canadian equity investments	14,063	–	–	14,063
US equity investments	2,760	–	–	2,760
Fixed income securities	–	9,593	–	9,593
Real estate	–	–	1,318	1,318
	\$ 17,047	\$ 9,593	\$ 1,318	\$ 27,958

The change in fair value in the level 3 classification from March 31, 2020 to March 31, 2021 is due to purchases of real estate investments of \$254 (2020 - \$795) and unrealized losses of \$16 (2020 - gains of \$65).

**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, 2020 of \$9,636 (2019 - \$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.

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**8. Tangible capital assets:**

Cost	Balance at March 31, 2020	Additions	Disposals/ transfers	2021 Total	2020 Total
Land	\$ 18,429	\$ 202	\$ —	\$ 18,631	\$ 18,429
Equipment and furniture	63,516	4,660	(106)	68,070	63,516
Computer equipment and software	7,652	780	—	8,432	7,652
Major renovations	7,571	—	—	7,571	7,571
Buildings	267,854	13,816	—	281,670	267,854
Vehicles	704	520	—	1,224	704
Aircraft	4,551	—	—	4,551	4,551
Leasehold improvements	5,138	—	—	5,138	5,138
Construction in progress	47,738	36,818	(15,967)	68,589	47,738
Assets under capital leases	14,946	—	(543)	14,403	14,946
Library holdings	1,223	—	—	1,223	1,223
Parking lot improvements	2,458	—	—	2,458	2,458
Capital renovations	6,160	478	—	6,638	6,160
	\$ 447,940	\$ 57,274	(16,616)	\$ 488,598	\$ 447,940

Accumulated Amortization	Balance at March 31, 2020	Additions	Disposals	2021 Total	2020 Total
Equipment and furniture	\$ 51,568	\$ 2,239	\$ (99)	\$ 53,708	\$ 51,568
Computer equipment and software	6,087	540	—	6,627	6,087
Major renovations	4,731	247	—	4,978	4,731
Buildings	51,584	8,870	—	60,454	51,584
Vehicles	495	59	—	554	495
Aircraft	2,186	229	—	2,415	2,186
Leasehold improvements	5,055	49	—	5,104	5,055
Assets under capital leases	14,946	—	(543)	14,403	14,946
Parking lot improvements	1,575	83	—	1,658	1,575
Capital renovations	5,930	243	—	6,173	5,930
	\$ 144,157	\$ 12,559	\$ (642)	\$ 156,074	\$ 144,157



# RED RIVER COLLEGE

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

Year ended March 31, 2021

## 8. Tangible capital assets (continued):

Net book value	2021 Total	2020 Total
Land	\$ 18,631	\$ 18,429
Equipment and furniture	14,362	11,948
Computer equipment and software	1,806	1,565
Major renovations	2,593	2,840
Buildings	221,216	216,270
Vehicles	669	209
Aircraft	2,136	2,365
Leasehold improvements	34	83
Construction in progress	68,589	47,738
Library holdings	1,223	1,223
Parking lot improvements	800	883
Capital renovations	465	230
	<b>\$ 332,524</b>	<b>\$ 303,783</b>

## 9. Accounts payable and accrued liabilities:

	2021	2020
Trade payables and other liabilities	\$ 8,334	\$ 11,064
Accrued salaries and benefits	2,496	2,793
Accrued vacation pay	16,887	15,884
Holdback liability	2,740	1,149
	<b>\$ 30,457</b>	<b>\$ 30,890</b>

## 10. Demand term loan:

During fiscal 2017, the College obtained a demand term loan in the amount of \$4,400 with the Toronto-Dominion Bank (the "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 66 months, which now ends in December 2021. 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 guaranteed the payment of the demand loan.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

## 10. Demand term loan (continued):

During fiscal 2021, the College initiated draws on a credit facility with the Province of Manitoba (the "Province"), approved by Order in Council dated December 16, 2020 of up to \$54,800 to finance the construction of Innovation Centre Project. During fiscal 2021, the Province has advanced the College \$32,700. The advances are interest only, at a rate of prime minus 1.5 percent, and will convert to a fixed term loan with a fixed repayment schedule at the completion of the Innovation Centre.

## 11. Loan payable:

A loan payable is due to the Lender on or before the contractual term maturity date of November 30, 2042. The loan payable bears interest at prime less 0.9%, repayable in monthly installments of \$25.8 plus interest.

Principal repayments over the next five years are as follows:

2022	\$	310
2023		310
2024		310
2025		310
2026		310

## 12. Promissory notes - due to Province of Manitoba:

The College has executed promissory notes payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by the Advanced Education, Skills and Immigration Department of the Province.

The balances of the promissory notes are as follows:

	2021	2020
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	\$ 7,523	\$ 7,876
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	13,264	13,858

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**12. Promissory notes - due to Province of Manitoba (continued):**

	2021	2020
Princess Street campus (continued):		
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	\$ 5,590	\$ 5,834
Heavy Equipment Transportation Centre of Excellence: 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	10,146	10,308
Paterson Global Foods Institute: 4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from \$72 - \$78 in the current year including principal and interest	11,630	11,993
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	82,215	84,564
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$0.7 - \$5 in the current year including principal and interest	800	823
Skilled Trades and Technology Centre (STTC): 3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from \$10 - \$39 in the current year including principal and interest	6,470	6,655
STTC: 3.875% interest, maturing January 31, 2059, repayable in monthly instalments ranging from \$275 - \$290 in the current year including principal and interest	51,270	52,625
Capital Projects: 4.125% interest, maturing March 31, 2057, repayable in monthly instalments of \$5.1 - \$5.4 in the current year including principal and interest.	900	925
Deferred maintenance (Advance 32): 3.875% interest, maturing April 30, 2058, repayable in monthly instalments of \$10.2 - \$10.6 in the current year including principal and interest.	1,854	1,904
Motive lab: 3.25% interest, maturing July 31, 2059, repayable in monthly instalments of \$6.9 - \$2.3 in the current year including principal and interest.	1,438	1,475
	\$ 193,100	\$ 198,840

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**13. Employee future benefits:**

	2021	2020
Accrued retirement severance pay	\$ 16,376	\$ 16,681
Accumulated non-vested sick leave benefits	2,466	2,050
	<b>\$ 18,842</b>	<b>\$ 18,731</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 5.75 percent (2020 - 5.75 percent) and a rate of salary increase of 3.50 percent (2020 - 3.50 percent).

The accrued retirement severance pay is actuarially determined on an annual basis. The most recent actuarial report was prepared on March 31, 2021. Information about the College's accrued retirement severance pay is as follows:

	2021	2020
Accrued retirement severance pay	\$ 18,081	\$ 16,636
Unamortized actuarial gain (loss)	(1,705)	45
Balance, end of year	<b>\$ 16,376</b>	<b>\$ 16,681</b>

	2021	2020
Balance, beginning of year	\$ 16,681	\$ 16,259
Current benefit cost	874	844
Interest	921	960
Amortization of actuarial gain	(5)	-
Benefits paid	(2,095)	(1,382)
Balance, end of year	<b>\$ 16,376</b>	<b>\$ 16,681</b>

Actuarial gains and losses are amortized over the expected average remaining service life of the membership group (EARSL) which is estimated to be 8 years. Significant actuarial assumptions used in the severance obligations at March 31, 2021 and 2020, are as follows:

	2021	2020
Interest rate on obligations	5.75%	5.75%
Employer current service cost as a percentage of salary	1.24%	1.27%

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

**14. Classification of expenditures by object:**

The statement of operations reports the expenditures by function; the following classifies those same expenditures by object:

	2021	2020
Salaries and employee benefits	\$ 146,630	\$ 149,349
Materials, supplies and services	22,379	30,756
Utilities	3,048	3,546
Maintenance and repairs	8,025	9,576
Costs of goods sold	2,120	3,041
Amortization of tangible capital assets	12,559	11,627
Interest expense	9,170	9,504
Scholarships and bursaries	4,760	4,283
<b>Total expenditures by object</b>	<b>\$ 208,691</b>	<b>\$ 221,682</b>

**15. Unearned revenue:**

Unearned revenue represents the unearned portion of grants received where external stipulations outlined by agreement have not been met and other unearned revenue from unearned tuition, student residences charges and other amounts received relating to future fiscal periods.

	2021	2020
Tuition	\$ 19,569	\$ 14,526
Projects	7,608	7,384
Apprenticeship	2,114	3,536
Unrealized net gain attributable to portfolio investments related to endowments	8,865	3,098
Other	2,458	2,212
	<b>\$ 40,614</b>	<b>\$ 30,756</b>

# RED RIVER COLLEGE

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

Year ended March 31, 2021

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

	2021	2020
Accounts receivable	\$ (2,877)	\$ 895
Inventories	(59)	(32)
Prepaid expenses	(390)	322
Accounts payable and accrued liabilities	(433)	2,223
Unearned revenue	9,858	121
Future employee benefits	111	753
<b>Changes in non-cash working capital</b>	<b>\$ 6,210</b>	<b>\$ 4,282</b>

## 17. 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 Chartered Professional Accountants of Canada's Handbook, Public Sector Accounting Standards, Section 3250, and Retirement Benefits.

The expense related to the pension plan was \$8,524 (2020 - \$8,430). 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.

## 18. Commitments and contingencies:

### *Commitments:*

The College has remaining construction and related equipment costs as at March 31, 2021 relating to the following projects currently under construction:

- Innovation Centre - approximately \$26,900 remaining to be incurred before the expected substantial completion date of October 31, 2021.
- Vehicle Technology and Research Centre - approximately \$1,360 remaining to be incurred before the expected completion date of March 31, 2022.
- Other commitments - approximately \$410 remaining to be incurred for various capital projects before the expected completion dates ranging between fiscal 2022 to fiscal 2023.

# RED RIVER COLLEGE

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

Year ended March 31, 2021

## 18. 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.

2022	\$	1,581
2023		902
2024		398
2025		326
2026		109
	\$	3,316

### *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 legal proceedings with the Canada Revenue Agency (CRA) over GST income tax credits relating to a construction project completed in 2014. In previous years the CRA withheld GST input tax credit payments to the College of approximately \$800 until this review is completed, which are included in accounts receivable as at March 31, 2021 and at March 31, 2020.

## 19. 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 12).

2022	\$	12,213
2023		21
2024		2
	\$	12,236

# RED RIVER COLLEGE

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

Year ended March 31, 2021

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## 20. Financial risks:

### (a) 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 allowances established as required.

There has been no significant changes to the credit risk exposure from 2020, other than potential impacts from the on-going COVID-19 situation (note 1).

### (b) Interest rate and foreign exchange risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through its loans payable, demand term loan and one of its promissory notes.

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.

The College's investments, including fixed term investments and debentures, are disclosed in note 6.

There has been no significant changes to the interest rate and foreign exchange risk exposure from 2020, other than potential impacts from the on-going COVID-19 situation (note 1).

### (c) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements.



**RED RIVER COLLEGE**

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

Year ended March 31, 2021

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**20. Financial risks (continued):**

The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2020, other than potential impacts from the on-going COVID-19 situation (note 1)

**(d) Market risk:**

Market risk is the risk that changes in market prices, such as interest rates, will affect the College's revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2020.

**21. Economic dependence:**

The College received approximately 52 percent (2020 - 51 percent) of its operating revenue from the Province of Manitoba as operating grants and is economically dependent on the Province of Manitoba for continued operations.

**22. Accumulated surplus:**

	2021	2020
Invested in tangible capital assets	\$ 95,607	\$ 93,519
Accumulated surplus restricted for endowments	24,011	23,334
Net surplus (deficit)	5,971	(11,126)
	<b>\$ 125,589</b>	<b>\$ 105,727</b>

Accumulated surplus 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.

**RED RIVER COLLEGE**

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

Year ended March 31, 2021

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**22. Accumulated surplus (continued):**

From time-to-time, the College may restrict funds for strategic initiatives and other future purposes and may establish reserves for these purposes. The use of internally restricted reserves is approved by the Board of Governors. Net surplus (deficit) includes unrestricted deficit and the following internally restricted reserves:

	2021	2020
Project reserves	\$ 2,185	\$ 1,918
Strategic Development reserve	3,397	9,227
Infrastructure reserve	3,399	3,399
Sustainability reserve	3,134	3,134
Research reserve	830	849
Unrestricted deficit	(6,974)	(29,653)
	<b>\$ 5,971</b>	<b>\$ (11,126)</b>

**23. Comparative figures:**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.