Financial Statements of

RED RIVER COLLEGE

And Independent Auditors' Report thereon

Year ended March 31, 2022

KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

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

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, 2022, 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, 2022 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 22, 2022

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

March 31, 2022, with comparative information for 2021

		2022		2021
Financial assets:				
Cash and cash equivalents (note 3)	$	74,553	$	65,420
Accounts receivable (note 4)		9,970		10,437
Due from Province of Manitoba (note 7)		9,636		9,636
Portfolio investments - restricted for endowments (note 6)		40,937		34,758
		135,096		120,251
Financial liabilities:				
Accounts payable and accrued liabilities (note 9)		30,385		30,457
Unearned revenue (note 15)		42,002		40,614
Unspent capital funding		2,180		4,430
Long term loan – Province of Manitoba (note 10)		47,900		–
Demand term loan payable (note 10)		–		37,100
Loan payable (note 11)		6,407		6,717
Province of Manitoba funded promissory notes (note 12)		191,337		193,100
Employee future benefits (note 13)		20,136		18,842
		340,347		331,260
Net debt		(205,251)		(211,009)
Non-financial assets:				
Tangible capital assets (note 8)		345,268		332,524
Inventories		1,661		1,877
Prepaid expenses		1,829		2,197
		348,758		336,598
Accumulated surplus (note 22)	$	143,507	$	125,589

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

See accompanying notes to financial statements.

Approved by the Board of Governors:

Loren Cisyk Chair

Janice Hyde Vice Chair

RED RIVER COLLEGE

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

Year ended March 31, 2022, with comparative information for 2021

	2022 Budget (Note 5)	2022	2021
Revenue:			
Student tuition and academic fees	$ 56,954	$ 56,013	$ 51,631
Grants:			
Government of Manitoba grants	135,415	134,596	136,633
Federal and other government grants	15,613	23,033	28,194
Ancillary revenue	4,830	3,853	3,450
Contributions and other revenue	9,867	15,115	8,386
Interest income	469	411	259
	223,148	233,021	228,553
Expenses (note 14):			
Academic instruction	115,274	114,012	107,206
Student support and general operations	49,734	52,979	54,595
Facility operations and maintenance	23,121	21,095	21,083
Amortization of capital assets	15,358	14,251	12,559
Ancillary services	4,556	3,748	4,150
Interest expense	9,670	9,018	9,098
	217,713	215,103	208,691
Annual surplus	5,435	17,918	19,862
Accumulated surplus, beginning of year		125,589	105,727
Accumulated surplus, end of year		$ 143,507	$ 125,589

See accompanying notes to financial statements.

RED RIVER COLLEGE

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

Year ended March 31, 2022, with comparative information for 2021

	2022 Budget (Note 5)	2022	2021
Annual surplus	$ 5,435	$ 17,918	$ 19,862
Acquisition of tangible capital assets	(27,446)	(26,995)	(41,300)
Amortization and disposals of tangible capital assets	15,358	14,251	12,559
Change in inventories	–	216	(59)
Change in prepaid expenses	–	368	(390)
Change in net debt	(6,653)	5,758	(9,328)
Net debt, beginning of year		(211,009)	(201,681)
Net debt, end of year		$ (205,251)	$ (211,009)

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 17,918	$ 19,862
Items not involving cash:		
Amortization and disposals of tangible capital assets	14,251	12,559
Changes in non-cash operating working capital balances (note 16)	3,661	6,210
	35,830	38,631
Investing activities:		
Purchase of capital assets	(26,995)	(41,300)
Change in portfolio investments	(5,479)	(6,800)
Increase (decrease) in unspent capital funding	(2,950)	784
	(35,424)	(47,316)
Financing activities:		
Long term loan - Province of Manitoba received	15,200	32,700
Principal repayments on demand term loan	(4,400)	–
Principal repayments on loan payable	(310)	(310)
Proceeds on Province of Manitoba funded promissory notes	4,000	–
Repayment on Province of Manitoba funded promissory notes	(5,763)	(5,740)
	8,727	26,650
Increase in cash and cash equivalents	9,133	17,965
Cash and cash equivalents, beginning of year	65,420	47,455
Cash and cash equivalents, end of year	$ 74,553	$ 65,420

See accompanying notes to financial statements.

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 to the virus.

These measures, which include implementation of travel bans, quarantine periods, mask mandates and social distancing, have caused material disruption to businesses and supply chains globally and in Manitoba. Government and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, COVID-related impacts continue to be experienced worldwide and in Manitoba, affecting businesses as well as current and potential students of RRC.

During fiscal 2022, the College experienced a partial closure of its educational facilities and continued to offer in-person, virtual and blended instruction courses based on public health recommendations. The partial closure as a result of the COVID-19 pandemic also had ongoing impacts to operations, including continued lay-offs of some employees and working from home for those able to do so.

At the time of approval of these financial statements, College plans for Fall 2022 include an increase to on-campus operations in both instruction for students and the supports provided by staff. This will be balanced with the continuation of blended learning options for students, which has been successful over the past two years and implementing a new interim remote work policy for staff.

Also during fiscal 2022, the rapid increase in inflation and continuing supply chain challenges are increasing the cost of operations and causing delays in acquiring certain goods which impacts the schedule of completion of work such as maintenance and other projects.

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.

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 debt (Province of Manitoba funded promissory notes): 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 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 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. The College's portfolio investments at March 31, 2022 and March 31, 2021 are restricted for endowments with the unrealized gains 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.

(In thousands of dollars)

RED RIVER COLLEGE

2. Significant accounting policies (continued):

The unearned portion of tuition fees and contractual training revenue received, but not earned until a future 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 estimated 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% or building remaining useful life if less than 20 years
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 cost.

(e) Accrued retirement severance pay:

Eligible employees of the College 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, 2022

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2. Significant accounting policies (continued):

(f) Accumulated non-vested sick leave benefit:

The accumulated non-vested sick leave benefit is calculated annually utilizing an internally developed valuation method which takes into account the number 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 the 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, 2022

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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 $1,001 as at March 31, 2022 (2021 - $17,531) 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 0.13 percent and 0.25 percent (2021 - 0.02 percent and 0.06 percent). Short-term investments mature April 4, 2022.

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:

		2022		2021
Trust and endowment receivables	$	84	$	81
Tuition and fees receivable		2,916		3,254
Trades receivable		3,262		2,010
Capital funding receivable		3,265		2,399
Other accounts receivable		443		2,693
	$	9,970	$	10,437

RED RIVER COLLEGE

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

Year ended March 31, 2022

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5. Budget:

On February 10, 2021, the Board of Directors approved the final budget for the College for the year ended March 31, 2022.

6. Portfolio investments - restricted for endowments:

	2022		2021	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 10,294	$ 9,489	$ 7,426	$ 6,159
Equity investments	27,700	17,616	25,505	17,753
Debentures	2,943	2,943	1,827	1,827
	$ 40,937	$ 30,048	$ 34,758	$ 25,739

The fixed term investments and debentures mature between fiscal 2022 and 2037 and bear interest at rates between 0.66 percent and 6.125 percent (2021 - 0.06 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, 2022

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

	Level 1	Level 2	Level 3	2022 Total
Cash held for investment purposes	$ 155	$ –	$ –	$ 155
Canadian equity investments	21,929	–	–	21,929
US equity investments	3,358	–	–	3,358
Fixed income securities	–	13,082	–	13,082
Real estate	–	–	2,413	2,413
	$ 25,442	$ 13,082	$ 2,413	$ 40,937

	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

The change in fair value in the level 1 and 2 classifications from March 31, 2021 to March 31, 2022 is due to purchases of debenture investments of $1,229 (2021 - nil) and unrealized gains of $3,548 (2021 - gains of $6,629).

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, 2022 of $9,636 (2019 - $9,636) arose from the transfer of the severance and vacation pay liabilities for employees transferred from the Province to the College in 1996.

The College is responsible for funding liabilities for vacation pay and severance pay benefits accumulated after the transfer of employees through its general revenues. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense.

RED RIVER COLLEGE

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

Year ended March 31, 2022

8. Tangible capital assets:

Cost	Balance at March 31, 2021	Additions	Disposals/ transfers	2022 Total	2021 Total
Land	$ 18,631	$ –	$ –	$ 18,631	$ 18,631
Equipment and furniture	68,070	5,879	(403)	73,546	68,070
Computer equipment and software	8,432	181	(3)	8,610	8,432
Major renovations	7,571	–	–	7,571	7,571
Buildings	281,670	82,394	–	364,064	281,670
Vehicles	1,224	349	–	1,573	1,224
Aircraft	4,551	–	–	4,551	4,551
Leasehold improvements	5,138	–	–	5,138	5,138
Construction in progress	68,589	4,398	(66,206)	6,781	68,589
Assets under capital leases	14,403	–	(7)	14,396	14,403
Library holdings	1,223	–	–	1,223	1,223
Parking lot improvements	2,458	–	–	2,458	2,458
Capital renovations	6,638	–	–	6,638	6,638
	$ 488,598	$ 93,201	$ (66,619)	$ 515,180	$ 488,598

Accumulated Amortization	Balance at March 31, 2021	Additions	Disposals	2022 Total	2021 Total
Equipment and furniture	$ 53,708	$ 2,795	$ (403)	$ 56,100	$ 53,708
Computer equipment and software	6,627	723	(3)	7,347	6,627
Major renovations	4,978	247	–	5,225	4,978
Buildings	60,454	9,848	–	70,302	60,454
Vehicles	554	178	–	732	554
Aircraft	2,415	213	–	2,628	2,415
Leasehold improvements	5,104	34	–	5,138	5,104
Assets under capital leases	14,403	–	(7)	14,396	14,403
Parking lot improvements	1,658	76	–	1,734	1,658
Capital renovations	6,173	137	–	6,310	6,173
	$ 156,074	$ 14,251	$ (413)	$ 169,912	$ 156,074

RED RIVER COLLEGE

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

Year ended March 31, 2022

8. Tangible capital assets (continued):

Net Book Value		2022 Total		2021 Total
Land	$	18,631	$	18,631
Equipment and furniture		17,446		14,362
Computer equipment and software		1,263		1,806
Major renovations		2,346		2,593
Buildings		293,762		221,216
Vehicles		841		669
Aircraft		1,923		2,136
Leasehold improvements		–		34
Construction in progress		6,781		68,589
Library holdings		1,223		1,223
Parking lot improvements		724		800
Capital renovations		328		465
	$	345,268	$	332,524

9. Accounts payable and accrued liabilities:

		2022		2021
Trade payables and other liabilities	$	8,777	$	8,334
Accrued salaries and benefits		4,506		2,496
Accrued vacation pay		16,892		16,887
Holdback liability		210		2,740
	$	30,385	$	30,457

10. Long term loan – Province of Manitoba:

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, 2021, of up to $54,800 to finance the construction of the Innovation Centre Project. During fiscal years 2021 and 2022, the Province advanced the College a total of $48,000. With the completion of Manitou a bi Bii daziigae (formerly referred to as the Innovation Centre Project), these draws were converted to a fixed, long-term loan on February 28, 2022, at an interest rate of 3.50 percent per annum. The loan is due and payable on or before the contractual term maturity date of February 28, 2062.

(In thousands of dollars)

10. Long term loan – Province of Manitoba (continued):

Principal repayments over the next five years are as follows:

2023	$	1,200
2024		1,200
2025		1,200
2026		1,200
2027		1,200

11. Loan payable:

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

Principal repayments over the next five years are as follows:

2023	$	310
2024		310
2025		310
2026		310
2027		310

12. Province of Manitoba funded promissory notes:

The balances of the promissory notes are as follows:

		2022		2021
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	$	7,170	$	7,523
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		12,670		13,264

RED RIVER COLLEGE

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

Year ended March 31, 2022

12. Province of Manitoba funded promissory notes (continued):

		2022		2021
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	$	5,348	$	5,590
Heavy Equipment Transportation Centre of Excellence:				
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest		9,976		10,146
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		11,268		11,630
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		79,866		82,215
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from $0.7 - $5 in the current year including principal and interest		777		800
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		6,285		6,470
STTC:				
3.875% interest, maturing January 31, 2059, repayable in monthly instalments ranging from $275 - $290 in the current year including principal and interest		49,915		51,270
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.		875		900
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.		1,804		1,854
Deferred maintenance (Advance 22):				
3.350% interest, maturing January 31, 2062, repayable in monthly instalments of $19.1 - $19.6 in the current year including principal and interest.		3,983		–
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.		1,400		1,438
	$	191,337	$	193,100

RED RIVER COLLEGE

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

Year ended March 31, 2022

13. Employee future benefits:

	2022	2021
Accrued retirement severance pay	$ 17,490	$ 16,376
Accumulated non-vested sick leave benefits	2,646	2,466
	$ 20,136	$ 18,842

The significant assumptions adopted in measuring the College's severance obligations as at March 31, 2022 include a discount rate of 5.75 percent (2021 - 5.75 percent) and a rate of salary increase of 3.50 percent (2021 - 3.50 percent). 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.

The accrued retirement severance pay is actuarially determined on an annual basis. The most recent actuarial report was prepared on March 31, 2022. Information about the College's accrued retirement severance pay is as follows:

	2022	2021
Accrued retirement severance pay	$ 20,868	$ 18,081
Unamortized actuarial gain (loss)	(3,378)	(1,705)
Balance, end of year	$ 17,490	$ 16,376

	2022	2021
Balance, beginning of year	$ 16,376	$ 16,681
Current benefit cost	888	874
Interest	1,036	921
Amortization of actuarial gain (loss)	212	(5)
Benefits paid	(1,022)	(2,095)
Balance, end of year	$ 17,490	$ 16,376
Employer current service cost as a percentage of salary	1.27%	1.24%

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 (2021 - 5.75 percent) and a rate of salary increase of 3.50 percent (2021 - 3.50 percent).

(In thousands of dollars)

RED RIVER COLLEGE

14. Classification of expenditures by object:

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

		2022		2021
Salaries and employee benefits	$	151,128	$	146,630
Materials, supplies and services		25,620		22,379
Utilities		3,718		3,048
Maintenance and repairs		6,568		8,025
Costs of goods sold		1,972		2,120
Amortization of tangible capital assets		14,248		12,559
Interest expense		9,088		9,170
Scholarships and bursaries		2,761		4,760
Total expenditures by object	$	215,103	$	208,691

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 tuition, student residences charges and other amounts received relating to future fiscal periods.

		2022		2021
Tuition	$	19,678	$	19,569
Projects		8,776		7,608
Apprenticeship		1,163		2,114
Unrealized net gain attributable to portfolio investments related to endowments		10,875		8,865
Other		1,510		2,458
	$	42,002	$	40,614

RED RIVER COLLEGE

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

Year ended March 31, 2022

16. Changes in non-cash working capital balances:

		2022		2021
Accounts receivable	$	467	$	(2,877)
Inventories		216		(59)
Prepaid expenses		368		(390)
Accounts payable and accrued liabilities		(72)		(433)
Unearned revenue		1,388		9,858
Future employee benefits		1,294		111
Changes in non-cash working capital	$	3,661	$	6,210

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 $8,473 (2021 - $8,524). 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, 2022 relating to the following projects currently under construction:

- Vehicle Technology and Research Centre - approximately $796 remaining to be incurred before the expected completion date of March 31, 2023.

- CFI Smart Factory Enhancement - approximately $192 remaining to be incurred before the expected completion date of March 31, 2023.

RED RIVER COLLEGE

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

Year ended March 31, 2022

18. Commitments and contingencies (continued):

The College leases classroom and office space in Winnipeg, Steinbach, Southport, and Winkler, as well as in the Interlake region of 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.

2023	$	1,144
2024		742
2025		512
2026		109
2027		–
	$	2,507

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.

In fiscal year 2022, legal proceedings with Canada Revenue Agency (CRA) over GST input tax credits relating to a construction project concluded in favour of the College. The College received all withheld GST input tax credits plus interest.

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 exclude Province of Manitoba funded promissory notes (note 12).

2023	$	955
2024		234
2025		194
2026		73
2027		73
	$	1,529

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 change to the credit risk exposure from 2021, 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 loan payable.

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 change to the interest rate and foreign exchange risk exposure from 2021, 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, 2022

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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 2021, 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.

Global supply constraints, war in Ukraine and high inflation are all contributing to uncertainty in financial markets, and interest rates have begun to rise from historic lows. Market risk exposure is shifting in real time, and the overall impact to the College's diversified portfolio is unknown at this time.

21. Economic dependence:

The College received approximately 51 percent (2021 - 52 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:

	2022	2021
Invested in tangible capital assets	$ 99,624	$ 95,607
Accumulated surplus restricted for endowments	28,347	24,011
Net surplus	15,536	5,971
	$ 143,507	$ 125,589

RED RIVER COLLEGE

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

Year ended March 31, 2022

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22. Accumulated surplus (continued):

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 fund various scholarships, bursaries and other expenditures

From time-to-time, the College may restrict non-endowed funds for strategic initiatives and other future purposes and may establish reserves for these purposes.

23. Comparative figures:

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