



Consolidated Financial Statements

For the Year Ended
June 30, 2008

MOUNT ROYAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements



Auditor's Report

To the Board of Governors of Mount Royal College

I have audited the consolidated statement of financial position of Mount Royal College as at June 30, 2008 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
October 3, 2008

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

(thousands of dollars)

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Current: | | |
| Cash and cash equivalents (Note 3) | \$ 46,979 | \$ 42,805 |
| Accounts receivable | 4,614 | 4,031 |
| Inventories (Note 5) | 657 | 778 |
| Prepaid expenses | 1,680 | 1,210 |
| | <u>53,930</u> | <u>48,824</u> |
| Long term receivable (Note 4) | 6,197 | - |
| Long term investments (Note 3) | 78,932 | 65,268 |
| Capital assets (Note 6) | <u>171,570</u> | <u>178,932</u> |
| | <u>\$ 310,629</u> | <u>\$ 293,024</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current: | | |
| Accounts payable and accrued liabilities | \$ 9,227 | \$ 8,211 |
| Deferred revenues | 5,552 | 6,058 |
| Accrued vacation pay | 5,653 | 4,925 |
| Deferred contributions (Note 7) | 19,349 | 11,338 |
| Current portion of long-term liabilities (Note 9) | 2,190 | 1,399 |
| | <u>41,971</u> | <u>31,931</u> |
| Unamortized deferred capital contributions (Note 10) | 124,358 | 129,608 |
| Long-term deferred contributions (Note 7) | 8,243 | 12,298 |
| Deferred capital contributions (Note 8) | 12,336 | 4,935 |
| Long-term liabilities (Note 9) | <u>43,515</u> | <u>44,634</u> |
| | <u>230,423</u> | <u>223,406</u> |
| Net assets: | | |
| Unrestricted Net Assets | | |
| Cumulative excess of revenue over expense | 674 | 512 |
| Cumulative net unrealized gains on investments (Note 3) | 1,720 | - |
| Internally restricted (Note 12) | 31,600 | 22,764 |
| Investment in capital assets | 16,431 | 17,964 |
| Endowments (Note 11) | <u>29,781</u> | <u>28,378</u> |
| | <u>80,206</u> | <u>69,618</u> |
| | <u>\$ 310,629</u> | <u>\$ 293,024</u> |

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

| | <u>2008</u> | <u>2007</u> |
|--|-----------------|-----------------|
| Revenue: | | |
| Grants | \$ 74,524 | \$ 65,431 |
| Tuition and related fees | 35,432 | 31,772 |
| Community programs | 21,692 | 20,303 |
| Sales, rentals and services | 22,254 | 19,916 |
| Investment income (Note 13) | 6,539 | 4,457 |
| Donations and contributions | 2,162 | 2,170 |
| Gain on disposal of capital assets | 827 | - |
| Earned capital contributions (Note 10) | 6,432 | 7,362 |
| | <u>169,862</u> | <u>151,411</u> |
| Expense (Note 16): | | |
| Salaries and benefits (Note 17) | 106,432 | 94,678 |
| Supplies and services | 32,306 | 26,707 |
| Cost of goods sold | 5,640 | 4,926 |
| Utilities | 5,434 | 5,179 |
| Scholarships and bursaries | 2,407 | 1,882 |
| Loss on disposal of capital assets | - | 84 |
| Amortization of capital assets | 10,178 | 11,311 |
| | <u>162,397</u> | <u>144,767</u> |
| Excess of revenue over expense | <u>\$ 7,465</u> | <u>\$ 6,644</u> |

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

| | 2008 | | | | 2007 | |
|---|------------------------------------|---|---|---------------------------------|------------------|------------------|
| | <u>Unrestricted Net Assets</u> | <u>Internally Restricted Net Assets (Note 12)</u> | <u>Investment in Capital Assets</u> | <u>Endowments (Note 11)</u> | <u>Total</u> | <u>Total</u> |
| Excess of revenue over expense | \$ 7,465 | \$ - | \$ - | \$ - | \$ 7,465 | \$ 6,644 |
| Transfer to internally restricted | (10,439) | 10,439 | - | - | - | - |
| Internally funded: | | | | | | |
| Acquisition of capital assets | (1,542) | (1,603) | 3,145 | - | - | - |
| Repayment of debt | (1,082) | - | 1,082 | - | - | - |
| Amortization and gain on disposal of capital assets | 5,760 | - | (5,760) | - | - | - |
| Contributions to endowments | - | - | - | 1,403 | 1,403 | 3,267 |
| Increase (decrease) in net assets | <u>162</u> | <u>8,836</u> | <u>(1,533)</u> | <u>1,403</u> | <u>8,868</u> | <u>9,911</u> |
| Balance, beginning of year | <u>512</u> | <u>22,764</u> | <u>17,964</u> | <u>28,378</u> | <u>69,618</u> | <u>59,707</u> |
| Balance, end of year | 674 | 31,600 | 16,431 | 29,781 | 78,486 | 69,618 |
| Cummulative unrealized gains and losses on investments (Note 3) | <u>1,720</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,720</u> | <u>-</u> |
| Balance, end of year | <u>\$ 2,394</u> | <u>\$ 31,600</u> | <u>\$ 16,431</u> | <u>\$ 29,781</u> | <u>\$ 80,206</u> | <u>\$ 69,618</u> |

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| Operating Activities: | | |
| Excess of revenue over expense | \$ 7,465 | \$ 6,644 |
| Non-cash transactions: | | |
| Amortization of capital assets | 10,178 | 11,311 |
| (Gain) loss on disposal of capital assets | (827) | 84 |
| Earned capital contributions (Note 10) | (6,432) | (7,362) |
| Unrealized gain on restricted investments (Note 7) | (1,187) | - |
| Employee leave balance | 446 | 136 |
| | <u>9,643</u> | <u>10,813</u> |
| Net change in non-cash working capital (Note 15) | <u>8,317</u> | <u>3,793</u> |
| Cash generated from operating activities | <u>17,960</u> | <u>14,606</u> |
| Investing Activities: | | |
| Acquisition of capital assets: | | |
| From internal funds | (3,145) | (3,810) |
| From capital contributions | (1,182) | (2,938) |
| Proceeds on the disposal of assets | 2,841 | - |
| Disposal of investments, net | (10,757) | (6,946) |
| (Decrease) increase in long-term deferred contributions | (4,055) | 11,492 |
| Cash used for investing activities | <u>(16,298)</u> | <u>(2,202)</u> |
| Financing Activities: | | |
| (Increase) in long term receivable | (6,197) | - |
| Proceeds from long-term liabilities | - | 13,000 |
| Repayment of long-term liabilities | (1,275) | (1,023) |
| Contributions to endowments | 1,403 | 3,267 |
| Capital contributions | 8,581 | 2,292 |
| Cash generated from financing activities | <u>2,512</u> | <u>17,536</u> |
| Increase in cash and cash equivalents | 4,174 | 29,940 |
| Cash and cash equivalents, beginning of year | <u>42,805</u> | <u>12,865</u> |
| Cash and cash equivalents, end of year | <u>\$ 46,979</u> | <u>\$ 42,805</u> |

The accompanying notes are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College's vision is creating exceptional learning experiences for a world of possibilities. The College is a registered charity under Section 149 of the Income Tax Act and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices**(a) General and Use of Estimates**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Change in Accounting Policy

Effective July 1, 2007, the College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards the College has classified cash, short-term investments and long-term investments as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the consolidated statement of financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 3.

(c) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the amounts of the following entities:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(c) Consolidated Statements (continued)

- (i) The Mount Royal College Foundation incorporated under part 9 of the Companies Act of Alberta on March 26, 1991
- (ii) The Mount Royal College Day Care Society incorporated under the Societies Act of Alberta

(d) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the earned capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions, including restricted investment income on endowment net assets, are deferred and then recognized as revenue in the period when the related expense or performance is incurred. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or those to be used to acquire non-amortizable property.

Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(e) Inventories

Inventory values are based upon the first in first out method and presented at the lower of cost or net realizable value.

(f) Investments

Investments are classified as available-for sale and are recorded at market value.

(g) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value.

The carrying value of financial assets and financial liabilities are considered to be fair value unless otherwise disclosed.

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of rising costs related to purchase transactions in United States currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of its long-term investments. Each of these risks is limited by the College through its collection procedures, investment policy, and other internal policies and procedures.

(h) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Capital assets under construction are not amortized until construction is completed and the assets are ready for productive use.

Capital assets are amortized on a straight-line basis as follows:

| | |
|---------------------------|---------------|
| Site improvements | 20 - 40 years |
| Buildings | 25 - 40 years |
| Leasehold improvements | 5 - 15 years |
| Furnishings and equipment | 3 - 10 years |
| Computer equipment | 3 - 5 years |

Library acquisitions are amortized on a declining balance basis at a rate of 10%. Construction in progress includes direct construction costs, architectural costs, and engineering costs and interest on related debt. Interest costs are capitalized until the asset is substantially complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

The College maintains supplemental pension plans for some of its current and past Senior Executives. These plans provide defined benefit and defined contribution pension benefits for the members of the supplemental plans.

Pension costs included in these consolidated financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plans. The College's portion of the pension plan deficits or surpluses are not recorded by the College.

Note 3 Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are recorded at market value, with unrealized gains or losses recorded in deferred contributions or unrestricted net assets. Market value is based upon the quoted market price of the securities.

| | 2008 | | | 2007 | | |
|---|-----------|----------------------|--------------|-----------|----------------------|--------------|
| | Cost Base | Unrealized Gain/Loss | Market Value | Cost Base | Unrealized Gain/Loss | Market Value |
| Cash and cash equivalents | \$ 46,979 | \$ - | \$ 46,979 | \$ 42,805 | \$ 9 | \$ 42,814 |
| Federal, Provincial and Municipal Bonds | 19,153 | 221 | 19,374 | 21,195 | (304) | 20,891 |
| Corporate Bonds | 17,710 | (286) | 17,424 | 13,678 | (234) | 13,444 |
| Equities - Canadian | 20,076 | 5,080 | 25,156 | 13,745 | 8,720 | 22,465 |
| Equities - International | 19,086 | (2,108) | 16,978 | 16,650 | 2,754 | 19,404 |
| | 123,004 | 2,907 | 125,911 | 108,073 | 10,945 | 119,018 |
| Held as long-term investments | 76,025 | 2,907 | 78,932 | 65,268 | 10,936 | 76,204 |
| Held as cash and short-term investments | \$ 46,979 | \$ - | \$ 46,979 | \$ 42,805 | \$ 9 | \$ 42,814 |

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below. The long-term portion at any time will equal or exceed the restricted obligations. For the 2008 fiscal year, long-term investments exceeded the restricted obligation. As such there was no restriction on cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 3 Cash, Cash Equivalents and Investments (Continued)

| | 2008 | 2007 |
|---|------------------|------------------|
| Endowments (Note 11) | \$ 29,781 | \$ 28,378 |
| Long-term deferred contributions (Note 7) | 8,243 | 12,298 |
| Deferred capital contributions (Note 8) | 12,336 | 4,935 |
| Internally restricted net assets, capital (Note 12) | <u>22,634</u> | <u>10,971</u> |
| Total restricted long-term | 72,994 | 56,582 |
| Unrestricted long-term | <u>3,031</u> | <u>8,686</u> |
| Total long-term cash and investments | <u>\$ 76,025</u> | <u>\$ 65,268</u> |

The overall rate of return on cash and investments for the year was 7.2% (2007: 10.3%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

| | 2008 | | | | | | 2007 | | | |
|---|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-------|------------------|-------|
| | Less than | Effective | 1 to 5 | Effective | Over 5 | Effective | Effective | | Effective | |
| | 1 year | Yield | Years | Yield | Years | Yield | Total | Yield | Total | Yield |
| Cash and cash equivalents | \$ 46,979 | 3.89% | \$ - | | \$ - | | \$ 46,979 | 3.89% | \$ 42,805 | 3.84% |
| Federal, Provincial and Municipal bonds | | | 5,858 | 4.37% | 13,295 | 4.31% | 19,153 | 4.32% | 21,195 | 4.57% |
| Corporate Bonds | | | 6,639 | 5.62% | 11,071 | 5.54% | 17,710 | 5.56% | 13,678 | 5.35% |
| | <u>\$ 46,979</u> | | <u>\$ 12,497</u> | | <u>\$ 24,366</u> | | <u>\$ 83,842</u> | | <u>\$ 77,678</u> | |

The College Board of Governors (the "Board") has approved an investment policy. The Board's Audit and Finance Committee has been delegated by the Board of Governors the authority for the oversight of the College's investments. The primary investment objective is to maintain the level of distribution from invested funds while preserving capital in real (inflation adjusted) terms over the long term. The Board provides guidelines on asset mix, diversification, quality and nature of securities, and terms of fixed income. The Audit and Finance Committee periodically reviews the performance of the investment managers to ensure they are in compliance with the investment objectives and policies of the College.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 3 Cash, Cash Equivalents and Investments (Continued)

| | <u>2008</u> |
|---|-----------------|
| Net unrealized gain on investments available-for-sale July 1, 2007 | \$ 10,945 |
| Net unrealized (losses) on available-for-sale investments arising during the year | (6,222) |
| Net investment (gains) realized on available-for-sale investments during the year and reported in the statement of operations | (1,816) |
| Decline in value of equity investments that is other than temporary and reported in the statement of operations | <u>-</u> |
| Net unrealized gains on available-for-sale investments June 30, 2008 | <u>\$ 2,907</u> |

| | <u>2008</u> | | |
|--|---|---|-----------------|
| | Unrealized gain recorded in deferred contributions (Note 7) | Unrealized gain recorded in unrestricted net assets | Total |
| Net unrealized gain on investments available-for-sale July 1, 2007 | \$ 4,469 | \$ 6,476 | \$ 10,945 |
| Decrease during year | <u>(3,282)</u> | <u>(4,756)</u> | <u>(8,038)</u> |
| Net unrealized gains on available-for-sale investments June 30, 2008 | <u>\$ 1,187</u> | <u>\$ 1,720</u> | <u>\$ 2,907</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 4 Long Term Receivable

The College and the Student's Association of Mount Royal College (SAMRC) entered into an agreement to finance the expansion of the SAMRC's Wyckham Student Centre facilities on campus. The College borrowed the sum of \$13 million for this purpose (Note 9). Progress payments for the construction of the Wyckham Student Centre expansion project have generated a receivable at June 30, 2008 of \$6,197.

Note 5 Inventories

| | 2008 | 2007 |
|---------------|---------------|---------------|
| Bookstore | \$ 600 | \$ 717 |
| Recreation | 14 | 16 |
| Printing | 25 | 34 |
| Smart Card | 6 | 5 |
| Food services | 12 | 6 |
| | <u>\$ 657</u> | <u>\$ 778</u> |

Note 6 Capital Assets

| | 2008 | | 2007 | |
|---------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land and mineral rights | \$ 6,833 | \$ 2 | \$ 6,831 | \$ 6,831 |
| Site improvements | 15,366 | 3,597 | 11,769 | 12,247 |
| Buildings | 206,340 | 68,262 | 138,078 | 143,551 |
| Furnishings and equipment | 51,653 | 39,060 | 12,593 | 13,972 |
| Library acquisitions | 4,648 | 2,442 | 2,206 | 2,161 |
| Leasehold improvements | 2 | 1 | 1 | 1 |
| Construction in progress | 92 | - | 92 | 169 |
| | <u>\$ 284,934</u> | <u>\$ 113,364</u> | <u>\$ 171,570</u> | <u>\$ 178,932</u> |

The net gain on disposal of capital assets in the year was \$ 827 (2007: a net loss of \$84).

Capital assets include assets under capital leases with a cost of \$1,871 and accumulated amortization of \$892 (2007: \$1,460 and \$587 respectively).

Capital asset additions include donated assets recorded as gifts in kind of \$82 (2007: \$439).

For assets classified as construction in progress, no interest was capitalized in 2008 or 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 7 Deferred Contributions

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

| | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|
| Deferred contributions related to operating funding | | |
| Contributions received during the year: | | |
| Grants | \$ 9,170 | \$ 16,633 |
| Donations and other contributions | 4,258 | 7,179 |
| Investment Income | 2,049 | 921 |
| Transferred to revenue: | | |
| Grants | (5,127) | (2,015) |
| Investment income (Note 13) | (2,049) | (921) |
| Donations and contributions | (4,355) | (4,371) |
| Transferred to unamortized deferred capital (Note 10) | <u>(1,177)</u> | <u>(2,135)</u> |
| Increase during the year related to operating funding | 2,769 | 15,291 |
| Balance related to operating funding, beginning of year | <u>23,636</u> | <u>8,345</u> |
| Balance related to operating funding, end of year | <u>26,405</u> | <u>23,636</u> |
| Unrealized gain on investment related to deferred contributions: | | |
| Unrealized gain on investments, beginning of year (Note 3) | 4,469 | - |
| Change in unrealized gain on investments related to deferred contributions | <u>(3,282)</u> | <u>-</u> |
| Unrealized gain on investments, end of year | <u>1,187</u> | <u>-</u> |
| Net deferred contributions, end of year | <u>\$ 27,592</u> | <u>\$ 23,636</u> |

Unspent amounts at the end of the year are restricted for the following purposes:

Current:

| | | |
|--|--------------|----------|
| Program support and scholarships | \$ 3,187 | \$ 5,984 |
| Conditionally funded programs | 4,550 | 2,530 |
| Maintenance and repairs | 10,425 | 2,824 |
| Change in unrealized gain on investments related to deferred contributions | <u>1,187</u> | <u>-</u> |
| | 19,349 | 11,338 |

Long-term:

| | | |
|---------------------------------|------------------|------------------|
| Special purpose program funding | <u>8,243</u> | <u>12,298</u> |
| | <u>\$ 27,592</u> | <u>\$ 23,636</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 8 Deferred Capital Contributions

| | <u>2008</u> | <u>2007</u> |
|---|------------------|-----------------|
| Contributions received during the year: | | |
| Restricted investment income | \$ - | \$ 17 |
| Donations and other contributions | 7,406 | 140 |
| | <u>7,406</u> | <u>157</u> |
| Transferred to unamortized deferred capital contributions (Note 10) | <u>(5)</u> | <u>(803)</u> |
| Increase (decrease) during the year | 7,401 | (646) |
| Balance, beginning of the year | <u>4,935</u> | <u>5,581</u> |
| Balance, end of year | <u>\$ 12,336</u> | <u>\$ 4,935</u> |

The balance at the end of year is restricted for the following purposes:

| | | |
|------------------|------------------|-----------------|
| Campus expansion | <u>\$ 12,336</u> | <u>\$ 4,935</u> |
|------------------|------------------|-----------------|

Note 9 Long-term Liabilities

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| Construction financing for student residence (a) | \$ 29,750 | \$ 30,502 |
| Construction financing for student centre expansion (b) | 12,807 | 13,000 |
| Capital lease obligations (c) | 1,021 | 850 |
| Employee leave and retirement allowances (d) | <u>2,127</u> | <u>1,681</u> |
| | 45,705 | 46,033 |
| Less: current portion | <u>2,190</u> | <u>1,399</u> |
| | <u>\$ 43,515</u> | <u>\$ 44,634</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 9 Long-term Liabilities (Continued)

The minimum annual payments for each of the five succeeding fiscal years are as follows:

| | | |
|--|----|--------------|
| Residence Debenture (a) | | |
| 2009 | \$ | 798 |
| 2010 | | 847 |
| 2011 | | 898 |
| 2012 | | 954 |
| 2013 | | 1,012 |
| | | <u>1,012</u> |
| | \$ | <u>4,509</u> |
| Wyckham Student Centre Expansion (b) | | |
| 2009 | \$ | 203 |
| 2010 | | 214 |
| 2011 | | 224 |
| 2012 | | 236 |
| 2013 | | 248 |
| | | <u>248</u> |
| | \$ | <u>1,125</u> |
| Capital Leases (c) | | |
| 2009 | \$ | 379 |
| 2010 | | 380 |
| 2011 | | 203 |
| 2012 | | 60 |
| | | <u>60</u> |
| Total minimum lease payments | \$ | <u>1,022</u> |
| Employee leave and retirement allowances (d) | | |
| 2009 | \$ | 810 |
| 2010 and subsequent years | | 1,317 |
| | | <u>1,317</u> |
| | \$ | <u>2,127</u> |

- a) Pursuant to a loan agreement entered into on August 14, 2002, the College borrowed the sum of \$33.1 million to finance the construction of a student residence. The loan bears interest at 6.125% per annum and matures August 15, 2027. Security pledged for the loan includes all future cash flows generated through the operation of the student residence.
- b) Pursuant to a loan agreement entered into on June 15, 2007, the College borrowed the sum of \$13 million to finance the expansion of the MRC Student Association's Wyckham Student Centre facilities on campus. The loan bears interest at 5% per annum and matures June 15, 2037. In conjunction with this loan agreement is an agreement between the College and SAMARC to pay the College debt of \$13 million over the same payment schedule and maturity date.
- c) The imputed interest rate payable on these leases averages 8.19% (2007: 8.54%). During the year, interest expense of \$ 88 (2007: \$57) has been included in supplies and services expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 9 Long-term Liabilities (Continued)

- d) The College has commitments to certain employees for earned leave and retirement allowances.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets that will be recognized as revenue in future periods.

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| Transferred from deferred contributions (Note 7) | \$ 1,177 | \$ 2,135 |
| Transferred from deferred capital contributions (Note 8) | 5 | 803 |
| Earned and transferred to revenue | <u>(6,432)</u> | <u>(7,362)</u> |
| Decrease during the year | (5,250) | (4,424) |
| Balance, beginning of year | <u>129,608</u> | <u>134,032</u> |
| Balance, end of year | <u>\$ 124,358</u> | <u>\$ 129,608</u> |

Note 11 Endowments

| | <u>2008</u> | <u>2007</u> |
|---------------------|------------------|------------------|
| External endowments | \$ 29,581 | \$ 28,178 |
| Internal endowments | <u>200</u> | <u>200</u> |
| Total Endowments | <u>\$ 29,781</u> | <u>\$ 28,378</u> |

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 12 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| Operations: | | |
| Academic program development | \$ 1,131 | \$ 881 |
| College effectiveness and community needs | 551 | 843 |
| Professional development | 308 | 310 |
| Scholarships and bursaries | 654 | 618 |
| Research and special projects | <u>6,322</u> | <u>9,141</u> |
| | <u>8,966</u> | <u>11,793</u> |
| Capital: | | |
| Capital and equipment renewal | 4,244 | 5,056 |
| Instructional equipment | - | 386 |
| Residence | 1,749 | 2,086 |
| New facilities | 12,000 | - |
| Parking | <u>4,641</u> | <u>3,443</u> |
| | <u>22,634</u> | <u>10,971</u> |
| Total | <u>\$ 31,600</u> | <u>\$ 22,764</u> |

Note 13 Investment Income

| | <u>2008</u> | <u>2007</u> |
|--|-----------------|-----------------|
| Net investment income from restricted balances | \$ 4,448 | \$ 4,100 |
| Net transferred (to) deferred contributions | <u>(2,399)</u> | <u>(3,179)</u> |
| Investment income from restricted sources (Note 7) | 2,049 | 921 |
| Investment income from unrestricted sources | <u>4,490</u> | <u>3,536</u> |
| Investment income | <u>\$ 6,539</u> | <u>\$ 4,457</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 14 Long-term Employee Benefit Liabilities

a) Supplemental Retirement Plan (SRP)

This supplemental retirement plan includes retirement benefits for a former President of Mount Royal College.

| | <u>2008</u> | <u>2007</u> |
|---|---------------|---------------|
| Accrued obligation , beginning of year | \$ 407 | \$ 413 |
| Current service cost | - | - |
| Interest cost | 22 | 22 |
| Prior service cost | - | - |
| Benefit paid | (35) | (32) |
| Actuarial loss | - | 4 |
| Accrued obligation, end of year | <u>\$ 394</u> | <u>\$ 407</u> |
| Accrued obligation | \$ 394 | \$ 407 |
| Unrecognized actuarial loss | (97) | (103) |
| Unrecognized prior service cost | - | - |
| Accrued liability, end of year (Note 9) | <u>\$ 297</u> | <u>\$ 304</u> |
| Current service cost | \$ - | \$ - |
| Interest cost | 22 | 22 |
| Prior service cost amortization | - | - |
| Actuarial loss amortization | - | - |
| Total SRP expense | <u>\$ 22</u> | <u>\$ 22</u> |
| Assumptions at end of year | | |
| Discount Rate | 5.50% | 5.50% |
| Expected average remaining service life of employee | 14 | 15 |

b) Pension Expense

| | <u>2008</u> | <u>2007</u> |
|--|-----------------|-----------------|
| Local Authorities Pension Plan | \$ 5,510 | \$ 4,920 |
| Defined contribution supplemental pension plan | 88 | 80 |
| Supplemental retirement plan | 22 | 22 |
| | <u>\$ 5,620</u> | <u>\$ 5,022</u> |

At December 31, 2007 the Local Authorities Pension Plan (LAPP) reported a deficit of \$1,183,334 as compared to a deficit of \$746,551 at December 31, 2006. The contribution rates for 2008 were unchanged from the prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 15 Net Changes in Non-Cash Working Capital

| | <u>2008</u> | <u>2007</u> |
|--|-----------------|-----------------|
| Current: | | |
| Increase in accounts receivable | \$ (583) | \$ (124) |
| Decrease (Increase) in inventories | 121 | (87) |
| (Increase) decrease in prepaid expenses | (470) | 388 |
| Increase (decrease) in accounts payable and accrued liabilities | 1,016 | (1,053) |
| (Decrease) increase in deferred revenue | (506) | 648 |
| Increase in accrued vacation pay | 728 | 221 |
| Increase in deferred contributions | 8,011 | 3,800 |
| | <u>\$ 8,317</u> | <u>\$ 3,793</u> |

Note 16 Expenses by Function

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Instruction | \$ 78,544 | \$ 71,759 |
| Student services | 20,104 | 14,884 |
| Institutional support | 15,259 | 13,047 |
| Facility operations and maintenance | 18,058 | 15,475 |
| Ancillary services | 12,030 | 11,154 |
| Computing Services | 8,224 | 6,981 |
| Amortization and loss on disposal of capital assets | 10,178 | 11,395 |
| | <u>\$ 162,397</u> | <u>\$ 144,695</u> |

Note 17 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 (amended on June 13, 2007) as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 17 Salaries and Benefits (Continued)

| | 2008 | | | | 2007 (restated (3)) | |
|---------------------------------|-------------------------------|--|--|-------|------------------------|--|
| | Base Salary ⁽¹⁾ | Other Cash Benefits ⁽²⁾ | Other Non-Cash Benefits ^{(3) (5)} | Total | Total | |
| Board Chair | \$ 5 | \$ - | \$ - | \$ 5 | \$ 6 | |
| Board Members | 18 | - | - | 18 | 15 | |
| President (4) | 246 | 20 | 207 | 473 | 390 | |
| Vice Presidents | | | | | | |
| Academic | 193 | 9 | 100 | 302 | 263 | |
| Administrative Services | 193 | - | 80 | 273 | 246 | |
| External Relations | 164 | - | 51 | 215 | 191 | |
| Executive Director | | | | | | |
| Student Affairs and Campus Life | 135 | - | 42 | 177 | 169 | |

- 1) Base Salary includes pensionable base salary.
- 2) Consistent with other post secondary institutions and in recognition that the College uses certain Executive's homes for various College functions, the College pays for certain costs for the general operation of the home determined in accordance with a contractual arrangement entered into with the Executive member and the College. This amount is recognized within other cash benefits.
- 3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, extended health care, dental care, long-term disability, and group life insurance. The other non-cash benefits value also includes the employer's share of the cost of additional benefits including administrative leaves or other special leaves with pay, supplementary retirement plans, car allowances, and club memberships. The comparative figures for 2007 for the Vice President Academic and Vice President Administrative Services have been adjusted to properly reflect the value of the non-cash benefit related to a administrative leave for the respective positions at June 30, 2007.
- 4) The President has a place on the Board for which he receives no remuneration. The college provides a vehicle to the President, the value of which is not included in benefits.
- 5) Under the terms of the supplementary retirement plan (SRP), the Executive Officers may receive supplemental retirement payments. Retirement arrangement costs, as detailed below, are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the defined annual contributions to the plan on behalf of the plan member including accrued interest on the accrued liability in the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 17 Salaries and Benefits (Continued)

| | Supplementary Retirement Benefits | | |
|-------------------------------|-----------------------------------|------------------------------------|-----------------------|
| | Accrued Obligation | Current Service Pension Cost | Accrued Obligation |
| | 2007 | 2008 | 2008 |
| President | \$ 76 | \$ 24 | \$ 100 |
| Vice Presidents | | | |
| Academic | 15 | 15 | 30 |
| Administrative Services | 57 | 18 | 75 |
| External Relations | 70 | 17 | 87 |
| Executive Director | | | |
| Student Affairs & Campus Life | 21 | 13 | 34 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 18 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province are disclosed as follows:

| | 2008 | | 2007 | |
|--------------------------------------|--------------------------|-----------------------------------|--------------------------|-----------------------------------|
| | Current Year Receipts | Deferred Capital Contributions | Current Year Receipts | Deferred Capital Contributions |
| Operating grant | \$ 61,552 | \$ - | \$ 56,387 | \$ - |
| Bachelor of Nursing degree | 3,145 | 3,145 | 10,000 | 10,000 |
| ACCESS funding - programs | 6,492 | | 7,336 | - |
| ACCESS funding - one-time | 68 | | 634 | 337 |
| Access to the Future Funding | 3,000 | 3,000 | 3,000 | 3,000 |
| Infrastructure renewal envelope | - | | 2,420 | 1,852 |
| Inmate Education Program | 250 | | 242 | - |
| Literacy - Peer Learning Program | 26 | | 12 | - |
| Exam Support Assistance | 135 | | 172 | - |
| STEP Grants | - | | 31 | - |
| High Speed Network / Software rebate | 9 | | 39 | - |
| International Summer Program | - | | 7 | - |
| Daycare & Related Program Grants | 216 | | 137 | - |
| | <u>\$ 74,893</u> | <u>\$ 6,145</u> | <u>\$ 80,417</u> | <u>\$ 15,189</u> |

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

At June 30, 2008 the College has receivables from the Province of Alberta of \$160 (2007: \$256) and payables to the Province of Alberta of \$12 (2007: \$769).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 19 Contractual Obligations and Contingencies

- (a) The College leases two facilities within Calgary and one within Edmonton, each with lease terms of up to five years. These leases expire within the next one to five years. The minimum operating lease payments for each of the five succeeding fiscal years is as follows:

| | |
|------|--------|
| 2009 | \$ 697 |
| 2010 | 942 |
| 2011 | 724 |
| 2012 | 651 |
| 2013 | 651 |

- (b) As at June 30, 2008, the College has commitments of approximately \$6.2 million (2007: \$13.4 million) for capital and expansion projects. As well, in 2004, the College entered into a five year contract (expiring on December 31, 2008) to manage its exposure to volatility in the electrical industry. Management has initiated the process to secure a new contract for the College's electrical supply following December 31, 2008. Based on management's estimate, the annual costs for the year ending June 30, 2009 are expected to be approximately \$2.89 million.

- (c) The College entered into an operating lease in February of 2008 for computers. The minimum operating lease payments for these leases for each of the four succeeding years is as follows:

| | |
|------|----------|
| 2009 | \$ 1,690 |
| 2010 | 1,188 |
| 2011 | 767 |
| 2012 | 321 |

Note 20 Pledges

The estimated realizable value of pledges at June 30, 2008 is \$1,955 (2007: \$1,231). These pledges are expected to be honoured over the next six years and are not recorded as assets in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 21 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Advanced Education and Technology for approval. The budget for fiscal year 2007/2008 was approved by the Board on April 16, 2007. The approved budget and four year business plan was submitted to the Minister thereafter. The board approved a revised budget for 2007/2008 on Oct. 26, 2007. That approved College budget and the full budget for the consolidated entity are as follows:

| | <u>Consolidated Entity Budget</u> |
|---|---------------------------------------|
| Revenue | |
| Grants | \$ 75,264 |
| Tuition and related fees | 34,393 |
| Community programs | 19,010 |
| Sales, rentals and services | 18,947 |
| Investment income | 3,903 |
| Donations and contributions | 1,331 |
| Earned capital contributions | <u>7,300</u> |
| | <u>\$ 160,148</u> |
| Expense | |
| Salaries and benefits | \$ 106,941 |
| Supplies and services | 31,571 |
| Cost of goods sold | 3,434 |
| Utilities | 5,863 |
| Scholarships and bursaries | 1,421 |
| Amortization and net loss on disposal of assets | <u>10,926</u> |
| | <u>\$ 160,156</u> |

Note 22 Comparative Figures

Certain 2007 figures have been reclassified to conform to the current year presentation.

Note 23 Approval of Financial Statements

The Board of Governors has approved these financial statements.