



Consolidated Financial Statements

For the Year Ended
June 30, 2009

MOUNT ROYAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

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 University

I have audited the consolidated statement of financial position of Mount Royal College as at June 30, 2009 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, 2009 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 26, 2009

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2009

(thousands of dollars)

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current:		
Cash and cash equivalents (Note 3)	\$ 54,234	\$ 46,979
Accounts receivable	6,345	4,614
Inventories (Note 5)	1,069	657
Prepaid expenses	1,839	1,680
	<u>63,487</u>	<u>53,930</u>
Long term receivable (Note 4)	10,156	6,197
Long term investments (Note 3)	73,933	78,932
Capital assets (Note 6)	<u>173,397</u>	<u>171,570</u>
	<u>\$ 320,973</u>	<u>\$ 310,629</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 10,895	\$ 9,227
Deferred revenues	5,551	5,552
Accrued vacation pay	6,551	5,653
Deferred contributions (Note 7)	17,881	19,349
Current portion of long-term liabilities (Note 9)	1,673	2,190
	<u>42,551</u>	<u>41,971</u>
Unamortized deferred capital contributions (Note 10)	125,827	124,358
Long-term deferred contributions (Note 7)	1,142	8,243
Deferred capital contributions (Note 8)	27,680	12,336
Long-term liabilities (Note 9)	<u>42,367</u>	<u>43,515</u>
	<u>239,567</u>	<u>230,423</u>
Net assets:		
Unrestricted Net Assets		
Cumulative excess of revenue over expense	82	674
Cumulative net unrealized gains on investments (Note 3)	1,939	1,720
Internally restricted (Note 12)	29,706	31,600
Investment in capital assets	17,952	16,431
Endowments (Note 11)	31,727	29,781
	<u>81,406</u>	<u>80,206</u>
	<u>\$ 320,973</u>	<u>\$ 310,629</u>

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009

(thousands of dollars)

	<u>2009</u>	<u>2008</u>
Revenue:		
Grants	\$ 87,154	\$ 74,524
Tuition and related fees	40,587	35,432
Community programs	20,982	21,692
Sales, rentals and services	24,408	22,254
Investment (loss) income (Note 13)	(5,483)	6,539
Donations and contributions	4,729	2,162
Gain on disposal of capital assets	-	827
Earned capital contributions (Note 10)	6,207	6,432
	<u>178,584</u>	<u>169,862</u>
Expense (Note 16):		
Salaries and benefits (Note 17)	121,835	106,432
Supplies and services	32,590	32,306
Cost of goods sold	6,421	5,640
Utilities	5,152	5,434
Scholarships and bursaries	3,435	2,407
Amortization and loss on disposal of capital assets	10,117	10,178
	<u>179,550</u>	<u>162,397</u>
Excess of (expense over revenue) revenue over expense	<u>\$ (966)</u>	<u>\$ 7,465</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, 2009

(thousands of dollars)

	2009					2008	
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Total Operating Net Assets	Endowments (Note 11)	Total	Total
Excess of revenue over expense	\$ (966)	\$ -	\$ -	\$ (966)	\$ -	\$ (966)	\$ 7,465
Transfers	621	(1,895)	1,274	-	-	-	-
Internally funded:							
Acquisition of capital assets	(3,000)	-	3,000	-	-	-	-
Repayment of debt	(1,187)	-	1,187	-	-	-	-
Amortization and loss on disposal of capital assets	3,940	-	(3,940)	-	-	-	-
Contributions to endowments	-	-	-	-	1,946	1,946	1,403
(Decrease) increase in net assets	(592)	(1,895)	1,521	(966)	1,946	980	8,868
Balance, beginning of year	674	31,601	16,431	48,706	29,781	78,487	69,619
Balance, end of year	82	29,706	17,952	47,740	31,727	79,467	78,487
Cummulative unrealized gains on investments (Note 3)	1,939	-	-	1,939	-	1,939	1,720
Balance, end of year	<u>\$ 2,021</u>	<u>\$ 29,706</u>	<u>\$ 17,952</u>	<u>\$ 49,679</u>	<u>\$ 31,727</u>	<u>\$ 81,406</u>	<u>\$ 80,207</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, 2009

(thousands of dollars)

	<u>2009</u>	<u>2008</u>
Operating Activities:		
Excess of revenue over expense	\$ (966)	\$ 7,465
Non-cash transactions:		
Amortization and net gain/loss on disposal of capital assets	10,117	9,352
Earned capital contributions (Note 10)	(6,207)	(6,432)
Employee leave balance	<u>297</u>	<u>446</u>
	3,241	10,831
Net realized change in non-cash working capital (Note 15)	<u>(1,180)</u>	<u>7,129</u>
Cash generated from operating activities	<u>2,061</u>	<u>17,960</u>
Investing Activities:		
Acquisition of capital assets:		
From internal funds	(4,274)	(3,145)
From capital contributions	(7,676)	(1,182)
Proceeds on the disposal of assets	30	2,841
Disposal of investments, net	5,193	(10,757)
(Decrease) in long-term deferred contributions	<u>(7,101)</u>	<u>(4,055)</u>
Cash used for investing activities	<u>(13,828)</u>	<u>(16,298)</u>
Financing Activities:		
(Increase) in long term receivable	(3,959)	(6,197)
Repayment of long-term liabilities	(1,984)	(1,275)
Contributions to endowments	1,946	1,403
Capital contributions	<u>23,019</u>	<u>8,581</u>
Cash generated from financing activities	<u>19,022</u>	<u>2,512</u>
Increase in cash and cash equivalents	7,255	4,174
Cash and cash equivalents, beginning of year	<u>46,979</u>	<u>42,805</u>
Cash and cash equivalents, end of year	<u>\$ 54,234</u>	<u>\$ 46,979</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 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. Such estimates have been made using judgments determined by the College's administration. The resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Consolidated Statements

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

- (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.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(c) Revenue Recognition (Continued)

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.

(d) Inventories

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

(e) Credit, Interest, Foreign Exchange, Commodity Price and Market Risk

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk, commodity price risk and market risk. 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 commodity price risk is the risk of rising costs related to the purchase of electricity and natural gas to operate the College's facilities. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(f) Financial Instruments

The College has adopted the provisions of Canadian Institute of Chartered Accountants handbook section 3855 "Financial Instruments, Recognition Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation" in place of Sections 3862 and 3863. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges.

These standards required the College to revalue certain financial assets and liabilities, including derivatives, at fair value on the initial date of implementation and at each subsequent report date. 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.

The College financial instruments are classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Available-for-Sale	Fair Value
Investments	Available-for-Sale	Fair Value
Accounts receivable	Loans and Receivables	Cost
Other long-term assets	Loans and Receivables	Amortized Cost
Accounts payable	Other Liabilities	Cost
Long-term liabilities	Other Liabilities	Amortized Cost

The College's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. 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.

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.

When the market value of an investment falls below its cost, and the decline is determined to be other-than-temporary, the cumulative loss that had been recognized directly in net assets is removed and recognized directly in the Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Statement of Operations for a financial instrument classified as available-for-sale are not reversed in subsequent years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(g) 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.

(h) 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.

(i) Capital Disclosures

Effective July 1, 2008, the College adopted CICA 1535: Capital Disclosures. The new standard requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new note disclosure is as follows:

The College defines its capital as the amounts included in deferred contributions (Note 7), deferred capital contributions (Note 8), endowment net assets (Note 11), and unrestricted net assets. A significant portion of the College's capital is externally restricted and the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(i) Capital Disclosures (Continued)

College's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The College has investment policies (Note 3), spending policies and cash management procedures to ensure the College can meet its capital obligations.

Under the Post-Secondary Learning Act, the Institute must receive ministerial approval for a deficit budget, borrowing, and the sale of any land or buildings.

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. Cost base includes the cost of investments, net of unamortized premiums or discounts and a provision for investments that have a decline in market value below cost that is other than temporary. Market value is based upon the quoted market price of the securities.

	2009			2008		
	Cost Base	Unrealized Gain	Market Value	Cost Base	Unrealized Gain (Loss)	Market Value
Cash and cash equivalents	\$ 54,234	\$ -	\$ 54,234	\$ 46,979	\$ -	\$ 46,979
Fixed Income Pooled Funds	32,812	504	33,316			
Federal, Provincial and Municipal Bonds	-	-	-	19,153	221	19,374
Corporate Bonds	-	-	-	17,710	(286)	17,424
Equities - Canadian	20,103	1,318	21,421	20,076	5,080	25,156
Equities - International	17,918	1,278	19,196	19,086	(2,108)	16,978
	125,067	3,100	128,167	123,004	2,907	125,911
Held as long-term investments	70,833	3,100	73,933	76,025	2,907	78,932
Held as cash and short-term investments	\$ 54,234	\$ -	\$ 54,234	\$ 46,979	\$ -	\$ 46,979

The amount held as long-term investments represents funds not available for current operations and includes endowments and deferred contributions externally restricted for capital or specific purposes as outlined below. The long-term portion at any time will equal or exceed the restricted obligations. For the 2009 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)

	<u>2009</u>	<u>2008</u>
Endowments (Note 11)	\$ 31,727	\$ 29,781
Long-term deferred contributions (Note 7)	1,142	8,243
Deferred capital contributions (Note 8)	<u>27,680</u>	<u>12,336</u>
Total restricted long-term	60,549	50,360
Unrestricted long-term	<u>10,284</u>	<u>25,665</u>
Total long-term cash and investments	<u>\$ 70,833</u>	<u>\$ 76,025</u>

The overall rate of return on cash and investments for the year was (6.9)% (2008: 7.2%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	<u>2009</u>						<u>2008</u>			
	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	\$ 54,234	1.47%	\$ -	0.00%	\$ -	0.00%	\$ 54,234	1.47%	\$ 46,979	3.89%
Federal, Provincial and Municipal bonds	-		-		-		-		19,153	4.32%
Corporate Bonds	-		-		-		-		17,710	5.56%
	<u>\$ 54,234</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 54,234</u>		<u>\$ 83,842</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)

	2009		
	Unrealized (loss) gain recorded in deferred contributions (Note 7)	Unrealized (loss) gain recorded in unrestricted net assets	Total
Net unrealized (loss) on available-for-sale investments	\$ (1,284)	\$ (1,923)	\$ (3,207)
Decline in the value of equity investments that is other than temporary	1,258	2,142	3,400
(Decrease) increase in unrealized gain	(26)	219	193
Balance, beginning of year	1,187	1,720	2,907
Net unrealized gains on available-for-sale investments June 30, 2009	\$ 1,161	\$ 1,939	\$ 3,100

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, 2009 of \$10,156 (2008: \$6,197).

Note 5 Inventories

	2009	2008
Bookstore	\$ 996	\$ 600
Recreation	12	14
Printing	47	25
Smart Card	6	6
Food services	8	12
	<u>\$ 1,069</u>	<u>\$ 657</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 6 Capital Assets

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and mineral rights	\$ 6,833	\$ 3	\$ 6,830	\$ 6,831
Site improvements	15,438	4,267	11,171	11,769
Buildings	206,340	73,734	132,606	138,078
Furnishings and equipment	49,094	37,187	11,907	12,593
Library acquisitions	5,086	2,707	2,379	2,206
Leasehold improvements	3,828	1	3,827	1
Construction in progress	4,677	-	4,677	92
	<u>\$ 291,296</u>	<u>\$ 117,899</u>	<u>\$ 173,397</u>	<u>\$ 171,570</u>

The net gain on disposal of capital assets in the year was \$ 44 (2008: a net gain of \$827).

Capital assets include assets under capital leases with a cost of \$1,849 and accumulated amortization of \$1,246 (2008:\$1,871 and \$892 respectively).

Capital asset additions include donated assets recorded as gifts in kind of \$24 (2008: \$82).

For assets classified as construction in progress, no interest was capitalized in 2009 or 2008.

Construction projects in progress are not amortized until the project is ready for use.

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>2009</u>	<u>2008</u>
Deferred contributions related to operating funding		
Contributions received during the year:		
Grants	\$ 11,792	\$ 9,170
Donations and other contributions	1,511	2,264
Transferred to revenue:		
Grants	(8,843)	(5,127)
Investment income (Note 13)	521	(2,049)
Donations and contributions	(5,351)	(4,355)
Realized (loss) gain on investments related to deferred contributions	(3,379)	4,043
Transferred to unamortized deferred capital (Note 10)	<u>(4,794)</u>	<u>(1,177)</u>
(Decrease) increase during the year related to operating funding	(8,543)	2,769
Balance related to operating funding, beginning of year	<u>26,405</u>	<u>23,636</u>
Balance related to operating funding, end of year	<u>17,862</u>	<u>26,405</u>
Unrealized gain on investment related to deferred contributions:		
Unrealized gain on investments, beginning of year (Note 3)	1,187	4,469
Change in unrealized gain on investments related to deferred contributions	<u>(26)</u>	<u>(3,282)</u>
Unrealized gain on investments, end of year	<u>1,161</u>	<u>1,187</u>
Net deferred contributions, end of year	<u>\$ 19,023</u>	<u>\$ 27,592</u>

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

Current:

Program support and scholarships	\$ 1,229	\$ 3,187
Conditionally funded programs	1,685	4,550
Renovations, maintenance and repairs	13,806	10,425
Change in unrealized gain on investments related to deferred contributions	<u>1,161</u>	<u>1,187</u>
	17,881	19,349

Long-term:

Special purpose program funding	<u>1,142</u>	<u>8,243</u>
	<u>\$ 19,023</u>	<u>\$ 27,592</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 8 Deferred Capital Contributions

	<u>2009</u>	<u>2008</u>
Contributions received during the year:		
Grants	\$ 15,600	\$ -
Donations and other contributions	<u>2,633</u>	<u>7,406</u>
	18,233	7,406
Transferred to revenue:		
Donations and other contributions	(7)	-
Transferred to unamortized deferred capital contributions (Note 10)	<u>(2,882)</u>	<u>(5)</u>
Increase during the year	15,344	7,401
Balance, beginning of the year	<u>12,336</u>	<u>4,935</u>
Balance, end of year	<u>\$ 27,680</u>	<u>\$ 12,336</u>

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

Campus expansion	<u>\$ 27,680</u>	<u>\$ 12,336</u>
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Note 9 Long-term Liabilities

	<u>2009</u>	<u>2008</u>
Construction financing for student residence (a)	\$ 28,952	\$ 29,750
Construction financing for student centre expansion (b)	12,603	12,807
Capital lease obligations (c)	656	1,021
Employee leave and retirement allowances (d)	1,538	1,830
Supplemental retirement allowances (Note 14)	<u>291</u>	<u>297</u>
	44,040	45,705
Less: current portion	<u>1,673</u>	<u>2,190</u>
	<u>\$ 42,367</u>	<u>\$ 43,515</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)	
2010	\$ 847
2011	899
2012	954
2013	1,012
2014	1,074
	<u>4,786</u>
	<u>\$ 4,786</u>
Wyckham Student Centre Expansion (b)	
2010	\$ 214
2011	224
2012	236
2013	248
2014	260
	<u>1,182</u>
	<u>\$ 1,182</u>
Capital Leases (c)	
2010	\$ 394
2011	203
2012	59
	<u>656</u>
Total minimum lease payments	<u>\$ 656</u>
Employee leave and retirement allowances (d)	
2010	\$ 218
2011 and subsequent years	1,611
	<u>1,829</u>
	<u>\$ 1,829</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 7.87% (2008: 8.19%). During the year, interest expense of \$75 (2008: \$88) 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>2009</u>	<u>2008</u>
Transferred from deferred contributions (Note 7)	\$ 4,794	\$ 1,177
Transferred from deferred capital contributions (Note 8)	2,882	5
Earned and transferred to revenue	<u>(6,207)</u>	<u>(6,432)</u>
Increase (decrease) during the year	1,469	(5,250)
Balance, beginning of year	<u>124,358</u>	<u>129,608</u>
Balance, end of year	<u>\$ 125,827</u>	<u>\$ 124,358</u>

Note 11 Endowments

	<u>2009</u>	<u>2008</u>
External endowments	\$ 31,527	\$ 29,581
Internal endowments	<u>200</u>	<u>200</u>
Total Endowments	<u>\$ 31,727</u>	<u>\$ 29,781</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. The economic value of the endowments are protected by limiting the amount of investment income that may be spent on an annual basis. Investment income earned in excess of this amount is recorded as deferred contributions and may also be added to the endowment principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 11 Endowments (Continued)

Under the *Post-Secondary Learning Act*, the College has the authority to alter the terms and conditions of externally restricted endowments to enable:

- Income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the College and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment return be negative, the spending allocation is funded from unspent earnings. However, for individual endowment funds without sufficient cumulative unspent earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

Note 12 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	<u>2009</u>	<u>2008</u>
Operations:		
Academic program development	\$ 1,275	\$ 1,131
College effectiveness and community needs	268	551
Professional development	276	308
Scholarships and bursaries	904	654
Research and special projects	<u>5,172</u>	<u>6,322</u>
	<u>7,895</u>	<u>8,966</u>
Capital:		
Capital and equipment renewal	4,123	4,244
Residence	957	1,749
New facilities	11,400	12,000
Parking	<u>5,331</u>	<u>4,641</u>
	<u>21,811</u>	<u>22,634</u>
Total	<u>\$ 29,706</u>	<u>\$ 31,600</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 13 Investment Income

	<u>2009</u>	<u>2008</u>
Net investment (loss) income from restricted balances	\$ (344)	\$ 4,448
Net transferred from (to) deferred contributions	<u>(177)</u>	<u>(2,399)</u>
Investment (loss) income from restricted sources (Note 7)	(521)	2,049
Investment (loss) income from unrestricted sources	<u>(4,962)</u>	<u>4,490</u>
Investment (loss) income	<u>\$ (5,483)</u>	<u>\$ 6,539</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.

	2009	2008
Accrued obligation , beginning of year	\$ 394	\$ 407
Current service cost	-	-
Interest cost	21	22
Prior service cost	-	-
Benefit paid	(34)	(35)
Actuarial loss	-	-
Accrued obligation, end of year	<u>\$ 381</u>	<u>\$ 394</u>
Accrued obligation	\$ 381	\$ 394
Unrecognized actuarial loss	(90)	(97)
Unrecognized prior service cost	-	-
Accrued liability, end of year (Note 9)	<u>\$ 291</u>	<u>\$ 297</u>
Current service cost	\$ -	\$ -
Interest cost	21	22
Prior service cost amortization	-	-
Actuarial loss amortization	-	-
Total SRP expense	<u>\$ 21</u>	<u>\$ 22</u>
Assumptions at end of year		
Discount Rate	5.50%	5.50%
Expected average remaining service life of employee	13	14

b) Pension Expense

	2009	2008
Local Authorities Pension Plan	\$ 6,571	\$ 5,510
Defined contribution supplemental pension plan	99	88
Supplemental retirement plan	21	22
	<u>\$ 6,691</u>	<u>\$ 5,620</u>

At December 31, 2008 the Local Authorities Pension Plan (LAPP) reported a deficit of \$4,413,971 as compared to a deficit of \$1,183,334 at December 31, 2007. The contribution rates for 2009 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>2009</u>	<u>2008</u>
Current:		
Increase in accounts receivable	\$ (1,731)	\$ (583)
(Increase) decrease in inventories	(412)	121
(Increase) in prepaid expenses	(159)	(470)
Increase in accounts payable and accrued liabilities	1,668	1,016
(Decrease) in deferred revenue	(1)	(506)
Increase in accrued vacation pay	898	728
(Decrease) Increase in deferred contributions	(1,443)	6,823
	<u>\$ (1,180)</u>	<u>\$ 7,129</u>

Note 16 Expenses by Function

	<u>2009</u>	<u>2008</u>
Instruction	\$ 88,490	\$ 78,544
Student services	24,914	20,104
Institutional support	16,827	15,259
Facility operations and maintenance	16,031	18,058
Ancillary services	12,799	12,030
Computing Services	10,372	8,224
Amortization and loss on disposal of capital assets	10,117	10,178
	<u>\$ 179,550</u>	<u>\$ 162,397</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

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.

	2009				2008
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ^{(3) (5)}	Total	Total
Board Chair	\$ 6	\$ -	\$ -	\$ 6	\$ 5
Board Members	15	-	-	15	18
President (4)	257	55	88	400	473
Vice Presidents					
Academic	202	9	103	314	302
Administrative Services	202	-	79	281	273
External Relations	172	-	51	223	215
Executive Director					
Student Affairs and Campus Life	141	-	44	185	177

- 1) Base Salary includes pensionable base salary.
- 2) Other Cash Benefits include the following. Consistent with other post secondary institutions and in recognition that the College uses the Executives' 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. In lieu of a supplementary retirement plan, the President receives a lump sum transfer to a registered retirement plan on an annual basis which equated to \$35 in 2009 (2008: \$0).
- 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 also include 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.
- 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), 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. During 2009, the College paid the full amount of the accrued benefit owing to the President.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 17 Salaries and Benefits (Continued)

	Supplementary Retirement Benefits			
	Accrued Obligation 2008	Payments	Current Service Pension Cost	Accrued Obligation 2009
President	\$ 100	\$ 100	\$ -	\$ -
Vice Presidents				
Academic	30	-	18	48
Administrative Services	75	-	18	93
External Relations	87	-	16	103
Executive Director				
Student Affairs & Campus Life	34	-	12	46

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:

	2009		2008	
	Current Year Receipts	Current Year Receipts to Deferred Contributions or to Unamortized Deferred Capital Contributions	Current Year Receipts	Current Year Receipts to Deferred Contributions or to Unamortized Deferred Capital Contributions
<u>Advanced Education and Technology</u>				
Operating grant	\$ 68,044	\$ -	\$ 61,552	\$ -
Bachelor of Nursing Degree Funding	-	-	3,145	3,145
ACCESS funding - programs	10,041	-	6,492	-
ACCESS funding - one-time	10,932	9,408	68	-
Access to the Future Funds	3,000	3,000	3,000	3,000
Facilities Infrastructure	7,600	7,600	-	-
Infrastructure Maintenance	3,182	2,764	-	-
Inmate Education Program	279	-	250	1
Literacy - Peer Learning Program	35	1	27	-
Exam Support Assistance	217	-	135	-
High speed network / microsoft rebate	27	-	9	-
International Summer Program	40	-	-	-
<u>Other Provincial Sources</u>				
AB Sports, Rec, Parks, Wildlife Fdn	88	72	-	-
Ministry of Alberta Education	190	190	-	-
AADAC	24	-	24	24
AB Children's Services	100	459	550	543
APAS	168	53	100	97
AB Municipal Affairs and Housing	-	1,273	-	1,435
Alberta Health Care	3,776	3,501	4,387	3,138
eCampus	20	-	21	17
AB Foundation for Arts	113	-	-	-
Comm Facilities Enhancement Progr	-	123	-	123
Comm Initiative Program	-	67	-	67
Calgary Comm Adult Learning Assoc.	32	35	33	3
	<u>\$ 107,908</u>	<u>\$ 28,546</u>	<u>\$ 79,793</u>	<u>\$ 11,593</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 18 Related Party Transactions (Continued)

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, 2009 the College has receivables from the Province of Alberta of \$1,912 (2008: \$165) and payables to the Province of Alberta of \$1,373 (2008: \$541).

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 four years. The minimum operating lease payments for each of the four succeeding fiscal years is as follows:

2010	\$	942
2011		724
2012		651
2013		651

- (b) As at June 30, 2009, the College has commitments of approximately \$5,900 (2008: \$6,200) for capital and expansion projects. As well, in 2008, the College entered into a five year contract (expiring on December 31, 2013) to manage its exposure to volatility in the electrical industry. Based on management's estimate, the annual costs for the year ending June 30, 2010 are expected to be approximately \$3.28 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:

2010	\$	1,985
2011		1,576
2012		1,036
2013		433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 20 Pledges

The estimated realizable value of pledges at June 30, 2009 is \$1,684 (2008: \$1,955). These pledges are expected to be honoured over the next five years and are not recorded as assets in these financial statements.

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 2008/2009 was approved by the Board on April 7, 2008. The approved budget and four year business plan was submitted to the Minister thereafter. The board approved a revised budget for 2008/2009 on Oct. 27, 2008. That approved College budget and the full budget for the consolidated entity are as follows:

	<u>Consolidated Entity Budget</u>
Revenue	
Grants	\$ 97,809
Tuition and related fees	38,905
Community programs	19,293
Sales, rentals and services	20,772
Investment income	5,873
Donations and contributions	2,252
Earned capital contributions	<u>6,431</u>
	<u>\$ 191,335</u>
Expense	
Salaries and benefits	\$ 122,535
Supplies and services	43,571
Cost of goods sold	5,182
Utilities	5,424
Scholarships and bursaries	2,956
Amortization and net loss on disposal of assets	<u>10,180</u>
	<u>\$ 189,848</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars)

Note 22 Subsequent Event

On September 2, 2009, the Lieutenant Governor in Council officially changed the name of Mount Royal College to Mount Royal University through an Order in Council signed on that date. This change was in recognition of ninety-nine years of excellence in post secondary education. The Premier of the Government of Alberta awarded Mount Royal all the rights and privileges pertaining to the Post-Secondary Learning Act which officially allows Mount Royal to be designated as a University offering Baccalaureate and Applied Studies degrees/education.

Note 23 Comparative Figures

Certain 2008 figures have been reclassified to conform to the current year presentation.

Note 24 Approval of Financial Statements

The Board of Governors has approved these financial statements.