



**ROYAL ROADS  
UNIVERSITY**

**Audited Financial Statements  
for the Year Ended March 31, 2009**

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## Auditors' report

Grant Thornton LLP  
3rd Floor  
888 Fort Street  
Victoria, BC  
V8W 1H8  
T (250) 383-4191  
F (250) 381-4623  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the board of governors of  
Royal Roads University

We have audited the statement of financial position of Royal Roads University as at March 31, 2009, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of Royal Roads University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, Canada  
May 8, 2009

*Grant Thornton LLP*

Chartered accountants

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The university is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. These financial statements present fairly the financial position of the university as at March 31, 2009, and the results of its operations and changes in net assets for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the university has developed and maintains a system of internal controls designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors carries out its responsibility for review of the financial statements. The Board of Governors may meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Board of Governors with and without the presence of management.

The financial statements for the year ended March 31, 2009 have been reported on by Grant Thornton LLP, Chartered Accountants. The auditors' report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the financial statements.



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Allan Cahoon  
President



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Dan Tulip  
Vice President & Chief Financial Officer

May 21, 2009

**Royal Roads University**  
**Statement of Financial Position**  
**as at March 31, 2009**

	<u>2009</u>	<u>2008</u> <i>(Note 15)</i>
<b>Assets</b>		
Current		
<i>Cash and cash equivalents</i>	\$ 7,273,033	\$ 7,702,186
<i>Short term investments</i>	19,467,170	18,643,783
<i>Accounts receivable, note 4</i>	3,182,124	3,228,373
<i>Inventory</i>	224,399	246,364
<i>Prepays</i>	<u>364,036</u>	<u>337,680</u>
	30,510,762	30,158,386
Long term		
<i>Capital assets, note 5</i>	19,778,896	18,731,936
<i>Due from related party, note 7</i>	<u>2,083,213</u>	<u>2,231,668</u>
	<u>\$ 52,372,871</u>	<u>\$ 51,121,990</u>
<b>Liabilities</b>		
Current		
<i>Accounts payable and accruals</i>	\$ 6,348,631	\$ 5,837,182
<i>Deferred revenue, note 8</i>	10,369,351	10,010,416
<i>Current portion of long term debt</i>	-	182,436
	<u>16,717,982</u>	<u>16,030,034</u>
Long term		
<i>Deferred contributions, note 9</i>	3,149,829	2,994,356
<i>Unamortized deferred capital contributions, note 10</i>	<u>10,029,095</u>	<u>9,669,556</u>
	13,178,924	12,663,912
	<u>29,896,906</u>	<u>28,693,946</u>
<b>Net Assets</b>		
<i>Invested in capital assets, note 5</i>	9,749,801	9,062,380
<i>Internally restricted, note 13</i>	6,708,822	7,135,466
<i>Unrestricted</i>	<u>6,017,342</u>	<u>6,230,198</u>
	22,475,965	22,428,044
	<u>\$ 52,372,871</u>	<u>\$ 51,121,990</u>

The accompanying notes to the financial statements form an integral part of the financial statements  
 Commitments (note 11)



Peter Robinson  
 Chair, Board of Governors



Allan Cahoon  
 President

**Royal Roads University**  
**Statement of Changes in Net Assets**  
**for the year ending March 31, 2009**

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	<b>Invested in Capital Assets</b> <i>(note 5)</i>	<b>Restricted Net Assets</b> <i>(note 13)</i>	<b>Unrestricted Net Assets</b>	<b>Total 2009</b>	<b>Total 2008</b>
Balance, beginning of year	\$ 9,062,380	\$ 7,135,466	\$ 6,230,198	\$ 22,428,044	\$ 21,113,025
Excess (deficiency) of revenues over expenses	(1,204,192)	(426,644)	1,678,757	47,921	1,315,019
Capital transactions	1,891,613		(1,891,613)	-	-
Balance, end of year	\$ <u>9,749,801</u>	\$ <u>6,708,822</u>	\$ <u>6,017,342</u>	\$ <u>22,475,965</u>	\$ <u>22,428,044</u>

**Royal Roads University**  
**Statement of Revenues and Expenses**  
**for the year ending March 31, 2009**

	<u>2009</u>	<u>2008</u> <i>(note 15)</i>
<b>Revenues</b>		
<i>Tuition fees</i>	\$ 23,954,018	\$ 22,792,375
<i>Other learner fees</i>	1,394,967	1,422,747
<i>Provincial grants</i>	16,353,689	15,299,730
<i>Research grants</i>	2,251,583	1,852,015
<i>Managed contracts</i>	1,109,677	268,877
<i>Ancillary revenue</i>	3,195,381	3,332,952
<i>Interest income</i>	1,347,256	1,282,009
<i>Amortization of deferred capital contributions, note 10</i>	902,631	959,461
<i>Other revenue</i>	167,592	285,166
	<u><b>50,676,794</b></u>	<u><b>47,495,332</b></u>
<b>Expenses</b>		
<i>Salaries &amp; benefits, note 12</i>	25,714,731	25,123,221
<i>Contracted services</i>	9,636,759	7,831,903
<i>Instructional &amp; program delivery</i>	1,620,560	1,564,645
<i>Computing &amp; technology</i>	1,434,278	1,436,168
<i>Marketing &amp; business development</i>	1,990,969	1,768,023
<i>Awards &amp; scholarships</i>	663,989	830,980
<i>Supplies &amp; services</i>	2,636,067	2,585,617
<i>Professional development</i>	388,251	377,983
<i>Grounds, facilities &amp; equipment</i>	1,004,143	1,130,898
<i>Telephone &amp; utilities</i>	871,441	789,778
<i>Amortization</i>	2,106,822	2,119,578
<i>Capital campaign contributions, note 14</i>	1,449,374	-
<i>Provision for bad debts</i>	194,566	52,729
<i>Legal, audit &amp; banking</i>	914,650	556,104
<i>Interest on long term debt</i>	2,273	12,686
	<u><b>50,628,873</b></u>	<u><b>46,180,313</b></u>
<b>Excess of revenues over expenses</b>	<u><u><b>\$ 47,921</b></u></u>	<u><u><b>\$ 1,315,019</b></u></u>

**Royal Roads University  
Statement of Cash Flows  
for the year ending March 31, 2009**

**Increase (decrease) in cash and cash equivalents from:**

	<u>2009</u>	<u>2008</u> <i>(note 15)</i>
<b>Operating activities</b>		
<i>Excess of revenues over expenses</i>	\$ 47,921	\$ 1,315,019
<i>Items not affecting cash</i>		
<i>Amortization of deferred capital contributions</i>	(902,631)	(959,461)
<i>Amortization of capital assets</i>	2,106,822	2,119,578
<i>Decrease in deferred contributions related to operations</i>	(552,088)	(45,816)
<i>Changes in non-cash working capital</i>		
<i>Net increase in non-cash current assets</i>	41,859	619,887
<i>Net increase in accounts payable, accruals and deferred revenue</i>	870,384	37,528
<b>Cash provided by operating activities</b>	<u>1,612,267</u>	<u>3,086,735</u>
<b>Investing activities</b>		
<i>Net increase in short term investments</i>	(823,387)	(2,901,563)
<i>Net capital asset acquisitions</i>	(3,153,783)	(1,566,390)
<b>Cash used in investing activities</b>	<u>(3,977,170)</u>	<u>(4,467,953)</u>
<b>Financing activities</b>		
<i>Principal repayments on bank loan</i>	(182,436)	(242,268)
<i>Capital contributions received from the Province</i>	1,966,837	836,180
<i>Capital contributions received from other sources</i>	2,894	665,153
<i>Decrease (increase) in due from related party</i>	148,455	(1,768,554)
<b>Cash provided by (used in) from financing activities</b>	<u>1,935,750</u>	<u>(509,489)</u>
<b>Net decrease in cash and cash equivalents</b>	(429,153)	(1,890,707)
<b>Cash and cash equivalents, beginning of year</b>	<u>7,702,186</u>	<u>9,592,893</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,273,033</u>	<u>\$ 7,702,186</u>



**Note 1 – Authority and purpose**

Royal Roads University operates under the authority of the *Royal Roads University Act*, Province of British Columbia. The University is a Board-governed undergraduate and graduate degree granting institution dedicated solely to studies and research activities that support the applied and professional fields. The University is a registered charity and exempt from income taxes under section 149 of the Income Tax Act.

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**Note 2 – Significant accounting policies**

**a) General**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

**b) Recognition of revenue**

The University follows the deferral method of accounting for contributions.

Under this method, externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts are used for the purposes designated by the contributors.

Externally restricted capital contributions for the acquisition of capital assets are recorded as deferred contributions until the amount is invested in capital assets (see note 9). Once the amount is invested, it is transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue over the remaining useful life of the related capital assets (see note 10).

Operating government grants that are not restricted as to their use are recognized as revenue when receivable. Such grants, if contributed for future periods, are reported as deferred contributions until that future period. Other unrestricted revenues include tuition fees and sales of products and services. Tuition revenues are recognized on a pro rata basis, based on course credits completed by the year-end. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services are rendered.

Donations of materials and services that would have otherwise been purchased are recorded at their fair market value. Other gifts-in-kind are not recorded in these financial statements.

**c) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand and in bank, and instruments with maturity dates of three months or less when purchased.

**d) Short-term investments**

Short-term investments are all highly liquid marketable securities that have a term to maturity of three months to one year when purchased.

**e) Inventory**

Inventories of merchandise held for resale are recorded at the lower of cost or net realizable value.

**f) Capital assets**

Capital assets are recorded at cost less accumulated depreciation. Amortization is provided on a declining basis over the estimated useful life of the assets as shown in the schedule below. Amortization is not provided on projects in progress until the assets are in use. Works of art are not depreciated as they are deemed to have permanent value.

Automotive equipment	20%
Computer equipment & systems	20% - 33.3%
Furnishings & equipment	10%
Library acquisitions	10%
Leasehold improvements	3.33% - 10%

**g) Long-lived assets**

The University regularly reviews the carrying value of long-lived assets and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. There were no write downs recorded in the year due to impairment. If the estimates or related assumptions change in the future an impairment charge may be required for these assets.

**h) Use of estimates**

In preparing the University's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

**i) Financial instruments**

The University's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accruals and long term debt. The fair value of these financial instruments approximates their carrying values, unless otherwise stated. It is management's opinion that the University is not exposed to significant interest rate, and currency risk. Credit risk is monitored on a regular basis, and management determines the probable losses and sets up a provision for losses based on the estimated realizable value.

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**Note 3 – Change in accounting policies**

**Inventories**

Effective April 1, 2008 the University adopted new accounting standard CICA Section 3031, Inventories. The standard requires certain costs, previously recorded as period costs to be allocated to inventory and included in cost of sales when inventory is sold. Prior to the adoption of this standard, these costs were treated as operating expenses. The adoption of this standard is not expected to have a material effect on the University's results of operations or cash flow.

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<b>Note 4 – Accounts receivable</b>	<b>2009</b>	<b>2008</b>
Trade accounts receivable	\$ 3,616,943	\$ 3,251,716
GST receivable	<u>48,728</u>	<u>269,331</u>
	<b>3,665,671</b>	<b>3,521,047</b>
Allowance for doubtful accounts	<u>(483,547)</u>	<u>(292,674)</u>
	<b>\$ 3,182,124</b>	<b>\$ 3,228,373</b>

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**Note 5 – Capital assets and invested in capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2009 Net Book Value</b>	<b>2008</b>
Automotive equipment	\$ 591,409	\$ 364,879	\$ 226,730	\$ 203,587
Computer equipment & systems	7,417,524	5,210,158	2,207,366	2,802,629
Furnishings & equipment	7,267,205	3,375,166	3,892,039	3,631,081
Library acquisitions	858,054	464,001	394,053	437,837
Artwork	11,608	-	11,608	-
Leasehold improvements	24,842,004	14,575,736	10,266,268	10,952,989
Work in progress	<u>2,780,832</u>	-	<u>2,780,832</u>	<u>703,813</u>
	<b>\$ 43,768,636</b>	<b>\$ 23,989,940</b>	<b>19,778,896</b>	<b>18,731,936</b>
Unamortized deferred capital contributions			<u>(10,029,095)</u>	<u>(9,669,556)</u>
Invested in capital assets			<b>\$ 9,749,801</b>	<b>\$ 9,062,380</b>

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**Note 6 – Capital assets lease**

The University leases the Royal Roads University Campus and related assets from the Government of Canada for \$1 per annum. This lease covers approximately 59.5 hectares and is for a term of 50 years, commencing December 1, 2000 and terminating November 30, 2050, plus two renewal options of 25 years and 24 years respectively, for a total of 99 years. The University also leases the Adjacent Lands from the Government of Canada for \$1 per annum. This lease covers approximately 169.34 hectares, and is for a term of 25 years to November 30, 2035, plus options for subsequent 5 year terms. The fair value of the campus and related assets cannot be reasonably estimated at this time.

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**Note 7 – Due from related party**

The University exercises influence over the Royal Roads Foundation by virtue of appointments to the board and common purpose.

The University financed pre-operating costs relating to capital campaign fundraising of the Foundation to September 30, 2008. The balance due from the Foundation is as follows:

	2009	2008
Royal Roads University Foundation		
- capital campaign	\$ 1,941,470	\$ 1,471,860
- receivables	<u>141,743</u>	<u>759,808</u>
	<u>\$ 2,083,213</u>	<u>\$ 2,231,668</u>

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**Note 8 – Deferred revenue**

	2009	2008
Deferred tuition	\$ 7,330,318	\$ 7,007,848
Other deferred revenue	2,213,795	2,014,063
Prepaid tuition	<u>825,238</u>	<u>988,505</u>
	<u>\$ 10,369,351</u>	<u>\$ 10,010,416</u>

- Deferred tuition relates to tuition fees for the period April 1 to June 30, 2009 that were charged to learners' Accounts Receivable as at March 31, 2009.
  - Other deferred revenue relates to non-credit tuition for executive development, continuous learning programs, other student fees, conference and event deposits, and deferred research grants.
  - Prepaid tuition relates to tuition deposits received for programs commencing in fiscal 2009/10 and tuition fees received for courses commencing after June 30, 2009.
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**Note 9 – Deferred contributions**

Deferred contributions represent externally restricted contributions that will be used in future years for capital acquisitions and academic program requirements.

	2009	2008
Balance, beginning of year	\$ 2,994,356	\$ 1,547,557
Provincial capital grants received during the year	704,667	836,180
Other capital and fundraising grants received during the year	2,894	665,153
Funds used during the year for maintenance and related expenses	<u>(552,088)</u>	<u>(54,534)</u>
Balance, end of year	\$ <u>3,149,829</u>	\$ <u>2,994,356</u>

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**Note 10 – Unamortized deferred capital contributions**

Unamortized deferred capital contributions represent the portion of externally restricted contributions used to acquire capital assets that will be recognized as revenue in future periods over the remaining useful life of the assets.

	2009	2008
Balance, beginning of year	\$ 9,669,556	\$ 10,623,402
Current year's acquisitions funded by provincial capital contributions	1,262,170	5,615
Amortization of deferred capital contributions	<u>(902,631)</u>	<u>(959,461)</u>
Balance, end of year	\$ <u>10,029,095</u>	\$ <u>9,669,556</u>

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**Note 11 – Commitments**

The University has operating lease commitments for office space and computers.

Computers:

2010	\$ 693,571
2011	560,909
2012	229,282
2013	79,037

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**Note 11 – Commitments** (continued)

Office space:

2010	\$	150,975
2011		150,975
2012		163,053
2013		163,053

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**Note 12 – Employee benefits**

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 11,000 active members from college senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has about 150,000 active members, with approximately 5,000 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The University expensed its contributions of \$1,443,434 (2007/08: \$1,364,111) to the plans in the current year.

The University also contributes to a health care benefit plan covering extended health, dental, life insurance, and long term disability for regular employees. The plan is administered by the Manufacturers Life Insurance Company (Manulife). Manulife retains the ultimate liability for these health care benefits. The total amount expensed for the year in respect of these benefits amounts to \$1,364,444 (2007/08: \$1,148,878).

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**Note 13 – Restricted net assets**

The Board of Governors has internally restricted the following funds:

	<b>2009</b>	<b>2008</b>
Infrastructure Fund	\$ 5,679,973	\$ 5,679,973
Program Development and Research Fund	350,000	350,000
Marketing and Market Research Fund	350,000	350,000
Human Resources Strategy Fund	<u>328,849</u>	<u>755,493</u>
	<u>\$ 6,708,822</u>	<u>\$ 7,135,466</u>

**Note 13 – Restricted net assets (continued)**

**a) Infrastructure Fund**

The purpose of this Fund is to create a reserve to help finance major capital improvements in the near future. The fund, which was first established in 1997/98, is funded by Board approved appropriations. Project expenditures from the fund are pre-approved by the Board.

**b) Program Development and Research Fund**

During 1998/99, the Board approved the appropriation of \$350,000 to be used in future years for program development and research.

**c) Marketing and Market Research Fund**

During 1998/99, the Board approved the appropriation of \$350,000 to be used in future years for marketing and market research.

**d) Human Resources Strategy Fund**

In 2006/07, the Board approved the appropriation of \$1 million to be used in future years to implement a comprehensive human resources plan and strategy. During 2008/2009 \$426,645 (2007/08: \$244,507) was spent towards this initiative.

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**Note 14 – Royal Roads University Foundation**

Royal Roads University Foundation was incorporated November 25, 1998 under the Society Act, Province of British Columbia and commenced operations on April 1, 1999. The main purpose of the Foundation is fundraising in order to further the interests and objective of Royal Roads University.

Endowments to the Foundation are to be held in perpetuity. The balance is not available for other purposes without the approval of the Board of Directors of the Foundation. Whereas, income earned on these endowments is to be used for operating expenses of the Foundation, for named scholarships and bursaries for Royal Roads University learners, or other specific purposes as directed by the donors.

The Foundation also receives other restricted donations and contributions in support of the University. Periodically, the Foundation grants these amounts to the University for specific projects.

During the current year the University agreed to grant the Foundation \$1,449,374 for operating costs related to the capital campaign.

During the current year the Foundation received \$139,365 (2007/08: \$311,521) in endowed contributions and \$479,980 (2007/08: \$816,194) in restricted donations and other contributions.

**Note 14 – Royal Roads University Foundation** (continued)

During the current year the Foundation transferred \$330,233 (2007/08: \$935,311) to the University in support of learner bursaries, heritage capital projects, academic programs and gardens and grounds.

Key financial information for the Foundation, prepared using Canadian generally accepted accounting principles.

	2009	2008
<b>Assets</b>		
Cash	\$ 102,515	\$ 511,911
Accounts receivable	569	1,424
	<u>103,084</u>	<u>513,335</u>
Deferred capital campaign costs	1,941,470	1,470,773
Investments	4,972,078	5,232,297
Investment in life insurance	19,199	20,604
	<u>6,932,747</u>	<u>6,723,674</u>
	<u><u>\$ 7,035,831</u></u>	<u><u>\$ 7,237,009</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 3,000	\$ 4,087
Due to related party	2,083,213	2,230,580
	<u>2,086,213</u>	<u>2,234,667</u>
<b>Fund balances</b>		
Endowment fund	4,294,906	4,032,177
Restricted fund	654,712	970,165
	<u>4,949,618</u>	<u>5,002,342</u>
	<u><u>\$ 7,035,831</u></u>	<u><u>\$ 7,237,009</u></u>
<b>Excess revenues over expenses</b>	<u><u>\$ (52,724)</u></u>	<u><u>\$ 88,744</u></u>

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**Note 15 – Comparative figures**

Certain March 31, 2008 figures have been restated to conform to current year presentation.

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