



**The King's University**  
**Annual Report**  
**2015/16**

For fiscal year ended 31 March 2016  
Submitted 21 October 2016

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## **Accountability Statement**

The King's University's Annual Report for the year ended March 31, 2016 was prepared under the Board of Governor's direction in accordance with ministerial guidelines. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

## Management's Responsibility for Reporting

The King's University's management is responsible for the preparation, accuracy, objectivity, and integrity of the information contained in the Annual Report, including the financial statements, performance results and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information and to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized and executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained and assets are properly accounted for and safeguarded.

The Finance Committee of the Board of Governors provides oversight in the development of the consolidated financial statements and the accompanying management discussion and analysis. Kingston Ross Pasnak performs an annual independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Annual Report has been approved by the Board of Governors and is prepared in accordance with Ministerial guidelines.

Signature



Bill Diepeveen  
Board Chair

Signature



Melanie Humphreys, PhD  
President

## President's Message

Over the 2015-2016 year, The King's University made significant progress towards our vision of becoming widely known as a Christian university serving to build a more humane, just and sustainable world. From its establishment in 1979, King's was intent on becoming an accredited university. King's began with the appropriate university governance structures and faculty engagement in scholarship in place.

We took an important step this past year in accomplishing a long-awaited, much anticipated name change for the University. The King's University has offered accredited undergraduate degrees since 1983. A festive and excited group of faculty, staff, students and community members attended the third reading of our private bill at the Legislative Assembly on December 9, 2015. Rebranding is complete and we are beginning to live into our new name.

The King's University consistently ranks at the top of national engagement surveys for quality of teaching, student sense of belonging, and intellectual engagement. A King's education prepares students for a lifetime of learning, professional success and civic engagement. Employers are increasingly identifying a gap in the education of those trained in a narrow field of expertise. Our alumni are highly employed and employable.

One year into our strategic plan, Shared Vision 2020, and we have much to celebrate with regards to what we have accomplished. Approved by the Board of Governors in March 2015, Shared Vision 2020 was arrived at through a broadly consultative process engaging faculty, staff and students. The same energy and creativity that created the plan has gone into accomplishing it. There are too many accomplishments to list here however; I am delighted that we completed our institutional commitment to the Truth and Reconciliation Commission (TRC) with the dedication of a TRC bench and garden. Other highlights include: exceeding our projected enrolment, establishing a bridge program to high school students, developing four new academic programs, launching a renewal of our campus master plan and submitting a nomination for our Tier 2 Canada Research Chair position.

Advocacy over the upcoming year will focus on tuition equity for King's students, and our ability as an institution to borrow for capital projects at the same rate as the public institutions. Although eligible for some federal grants, King's does not receive any capital funding from the province to date.

It is a tremendous privilege to serve at King's and to play a role in equipping and inspiring the next generation for the challenges that face our world. I am proud of what we accomplished this year.

Melanie Humphreys, PhD

## Public Interest Disclosure (Whistleblower Protection) Act

The Alberta Public Interest Disclosure (Whistleblower Protection) Act (PIDA) came into force on June 1, 2013. PIDA facilitates the disclosure and investigation of wrongdoing in the public sector and protects public employees from reprisals for making a disclosure. While not technically part of the public sector, The King's University is one of the twenty-six publically funded post-secondary institutions in Alberta.

The King's University (the "University") is committed to the highest standard of legal, fiscal, and ethical behaviour. The University provides a positive, supportive environment whereby employees can seek advice and make a disclosure of wrongdoing without fear of reprisal. A commitment to preserving the confidentiality of employees and all records or information is of primary importance to the University.

## Operational Overview

The King's University's 2015 Comprehensive Institutional Plan had some well-defined goals as to what should be accomplished in the 2015/16 academic year. This annual report shows that some of these goals were reached beyond expectation while others, due to unforeseen circumstances, did not fully materialize.

The 2015/16 year was a year of significant enrolment growth. Student enrolment increased by 9.7% (based on FLE). It is difficult to surmise what brought about this larger than expected growth. Some of it might be attributed to a downturn in the provincial economy, some of it to our recruitment strategy and in particular to its well-defined communication protocol with potential students, applicants, and admitted and registered students.

What was not expected was that we were not able to achieve the projected enrolment growth in the Leder School of Business, in spite of offering significant scholarships. An informal survey of those applicants who were admitted but did not register seems to suggest that the tuition could be a deterrent. Tuition at The King's University is significantly higher than at the University of Alberta and at McEwan University, our two main competitors.

Through the Leder School of Business the University was successful in offering a dual-credit course. In addition we were able to organize a very successful high school business competition. All these are efforts to have prospective students consider The King's University as a viable option for their post-secondary studies.

On the new academic program development front The King's University is responding to student interest in a Kinesiology degree program. This interest corroborates the data from the Alberta Application Submission Initiative. Of the 2,463 qualified applicants in Parks, Recreation, Leisure and

Fitness studies in 2014/15, 714 were turned away. Of these, 245 turn-away applicants did not attend any post-secondary institution in Alberta.

The university is also responding to student interest in a 4-year B.A. Sociology degree program. One of the options in this proposed program is a Community Engaged Research thematic area. The 4-year B.A. Sociology degree program proposal is currently being prepared for the Campus Alberta Quality Council review.

The King's University faculty continues to be actively engaged in scholarship. Research sabbaticals are routinely granted and scholarly expectations are part of the annual evaluation process. Faculty members are encouraged to apply for research grants. Upon receiving a major research grant a faculty member can apply for a reduction in teaching responsibilities in order to devote more time to research. The involvement of undergraduate students in faculty research projects is steadily increasing. Although the University's first submission for filling the Canada Research Chair position in Continental Philosophy of Religion was not successful, a revised application will be submitted in October 2016.

The University continues to operate in a very constrained fiscal environment. Although very grateful for the increase in enrollment in 2015/16 and for the 2% increase in the provincial government grant, the down-turn in the provincial economy presents a significant challenge to reaching the anticipated private donation revenue budget amount. In the 2015/16 budget year, this revenue challenge coincided with significant extra expenses associated with our rebranding following the legal name change, and the unexpected maintenance expenses associated with an aging campus infrastructure. The net result was an operational deficit of \$191,238.

## Goals, Priority Initiatives, Expected Outcomes and Performance Measures

The King's University's 2015 Comprehensive Institutional Plan identified **Increase in Accessibility** and **Program Quality** as two of the main goals for the 2015/16 academic year. Each of these goals had several priority initiatives that are reported on below.

### **GOAL: Increase in Accessibility**

#### **Priority Initiative: Increase in Enrolment**

The table below summarizes the enrolment over the 2013-2016 period. As noted, we exceeded the projected enrolment of a headcount of 740 students for Fall 2015/16 by ending up with an actual Fall enrollment of 771 students and a full year (unduplicated head count) of 799. The 2015/16 FLE was 629.



**Table 1: Enrolment 2013-2016**

<i>Academic Year</i>	<i>Projected Fall Enrolment (head count)</i>	<i>Actual Enrolment</i>	
		<i>Unduplicated Head Count</i>	<i>FLE</i>
2013/14		732	568.5
2014/15		750	573.2
2015/16	740	799	629

The enrolment of international students at The King's University has remained fairly stable, as can be noted from the table below. Budgetary constraints have hampered our ability to invest in a targeted international recruitment strategy that would result in an increase in international student enrolment.

**Table 2: International Student Enrolment 2010-2016**

<i>Academic Year</i>	<i>International Student Enrolment</i>
2010/11	43
2011/12	44
2012/13	44
2013/14	48
2014/15	52
2015/16	55

In its 2015 Comprehensive Institutional Plan the University projected to create a Global Experiences Office that would enhance national and international partnership agreements, assist international student from application to graduation, and promote study abroad opportunities and student exchange.

Although no Global Experiences Office was created in 2015-16, the following student exchange experiences took place:

- Two students from the Christelijke Hogeschool<sup>1</sup> in Ede, the Netherlands, spent the Fall term of the 2015/16 academic year at The King's University taking a full load of courses.
- Six students from The King's University took a one-month-long intensive International Business course at the Christelijke Hogeschool in Ede, the Netherlands.

<sup>1</sup> The King's University has a Memorandum of Understanding with the Christelijke Hogeschool in Ede. (CHE – Christian University of Applied Sciences).

In May 2016, The King's University signed a Memorandum of Understanding with Handong Global University, Pohang, South Korea. This MoU includes exchange of students and of faculty.

With the launch of the Leder School of Business in September 2014 we projected an increase in the enrolment in the Bachelor of Commerce degree program. More financial resources were devoted to the marketing of the B.Comm. program, and several significant academic awards became available to B.Comm. students. The table below shows the initial results of these efforts.

**Table 3: B.Comm. Enrolment- Actual and Projected 2009-2020**

<i>Term</i>	<i>Projected</i>		<i>Actual</i>	
	<i>B.Comm Enrolment (head count)</i>	<i>First year B.Comm Students (head count)</i>	<i>Total B.Comm Enrolment (head count)</i>	<i>First year B.Comm Students (head count)</i>
Fall 2009			53	25
Fall 2010			47	10
Fall 2011			53	20
Fall 2012			49	23
Fall 2013			59	17
Fall 2014			76	22
Fall 2015	88	27	80	23
Fall 2016	101	33		
Fall 2017	114	37		
Fall 2018	126	43		
Fall 2019	138	49		
Fall 2020	150	55		

**Priority Initiative: Establish bridge and outreach program to high school students.**

In Fall 2015 The Leder School of Business at The King's University offered, in collaboration with the Edmonton Catholic School board, an introduction to business course (Business 200) as a dual-credit course. In a dual-credit course, the students get both high school and university credit. A total of 14 high school students completed this course. With the uncertainty in respect to government funding to the Edmonton Public and Catholic school boards for dual credit courses, it might be difficult to maintain this initiative. The King's University has agreed to offer the dual credit course for 2016/17, in spite of the lack of adequate government funding for dual-credit courses to the school boards. Current enrolment is 13 high school students.

In Fall 2015 The Leder School of Business also hosted a high school business competition. Fourteen teams consisting of four high school students each developed business cases for projects designed to reduce poverty in Edmonton. The teams presented their cases to a panel of judges, consisting of influential leaders in the Edmonton community. The winning team shared

the \$1,000 prize. A similar high school business competition is planned for the current academic year.

**Priority Initiative: Develop new academic programs that advance the University's mission.**

In order to increase accessibility, the University's *Shared Vision 2020* strategic plan calls for the addition of five new academic programs by 2020. These programs should be developed in areas that would be of interest to students for whom The King's University is currently not an option. The table below lists the status of four new academic programs that are currently in various stages of development or approval.

**Table 4: Status Update of Academic Program Development**

<i>Proposed Degree Program</i>	<i>Stage of development or approval</i>	<i>Comments and/or anticipated start date</i>
4-year B.A.Sociology	Has been approved by Senate and has been reviewed by the Ministry of Advanced Education. Nearly ready for submission to the Campus Alberta Quality Council	July 1, 2017. By that time we will have three Full-time faculty members in Sociology.
4-year Bachelor of Kinesiology	Program development nearly completed. Will go through the internal approval process October 2016. Following approval it will be submitted to the Ministry of Advanced Education for a Systems Review.	Full implementation will depend on funding for equipment and laboratory space. Upcoming Faculty hiring in Biology will be in support of this degree program.
4-year B.Sc. Interdisciplinary Sciences	The proposal for this degree program is currently being developed in the faculty of Natural Sciences. Will need to be approved internally before it can be submitted for government approval.	Once approved, this degree program will be particularly applicable for those students interested in the Health Sciences, Secondary Education, or in Industry and Entrepreneurship.
3-year B.A. Liberal Studies (Education)	This program is being proposed by the Faculty of Education. Will need to be approved internally before it can be submitted for government approval.	The structure of the proposed program is such that it is an ideal preparation for the B.Ed. elementary After Degree program.

**GOAL: Program Quality****Priority Initiative: Academic Programs to Equip Student Success**

The University is committed to quality academic programs that are critical to the well-being of the University as a whole and to that of its students. As required by the Campus Alberta Quality Council the University has launched an aggressive plan of cyclical reviews of its academic programs. Student feedback is an integral part of the review process. Table 5 summarizes the programs that have been reviewed in the 2015/16 academic year and those that will be reviewed in the 2016/17 year. The final reports of the completed reviews have been submitted to the Campus Alberta Quality Council.

**Table 5: Academic Program Review Schedule – 2015 - 2017**

<i>Academic year</i>	<i>Program to be reviewed</i>	<i>Status</i>
2015-16	B.Ed. Elementary Education	Completed
	B.Ed. Secondary Education	Completed
	B.A. Politics, History and Economics	Completed
	B.A. English (3-yr and 4 yr)	Completed
	B.A. Social Sciences	Completed
	Foundations	Ongoing
2016-17	B.Sc. Chemistry	Started
	B.A. Music and B.Mus.	Started
	B.Com.	Started
	Interdisciplinary Studies	Started

**Priority Initiative: Development of a career and professional development centre**

In the 2015/16 academic year the groundwork has been laid for the establishment of a career and professional development centre, called a Student Success Centre. The launching of this centre will be dependent on the University's ability to secure the necessary funding. The centre has been incorporated in the University's Campus Master Plan. The latter will be presented to the Board of Governors in October 2016.

**Priority Initiative: Foster a culture of academic scholarship.**

When The King's University was established as a post-secondary institution in 1979 it was expected of faculty members to be involved in scholarship. A deliberate institutional effort needs to be made in order to maintain this unique feature, and to involve undergraduate students in it. The table below summarizes the Scholarly productivity between January 2015 and August 31, 2016. Of the total of 243 scholarly contributions, 72 involved research by undergraduate students, with 61 of them involved in authoring the contribution.

**Table 6: Summary of Scholarly Contributions**

<i>Type of Scholarly Contribution</i>	<i>Number of contributions</i>
	<i>Jan 2015 – August 2016</i>
Authored/Co-authored academic book	4
Edited/Co-edited academic book	2
Chapter in academic book	14
Peer-reviewed academic article	41
Non-peer reviewed article	10
Creative work	13
Presentation at academic conference	97
Refereed conference presentation	33
Other	29
<b>Total Scholarly Contributions</b>	<b>243</b>

**Priority Initiative: Canada Research Chair application**

As a result of having a three-year running average of \$100,000 or more in federal research funding, the University was allotted a special Tier 2 Canada Research Chair. A nomination for a Canada Research Chair in Continental Philosophy of Religion was submitted to the Canada Research Chair Secretariat in October 2015. Although the nomination was not successful, we were strongly encouraged to resubmit the application this fall, addressing the few concerns that were raised. The reviews spoke highly of the quality of the institutional environment, the institutional commitment to the nomination, and the fit of the proposed chair with the strategic research plan of the University. In addition, the quality of the nominee meets the expectation of the Tier 2 Canada Research Chair. The revised application will be resubmitted in October 2016.

**Priority Initiative: Research Funding**

In order to maintain a quality program of scholarship, it is important to ensure that adequate external research funds are obtained. Table 7 presents the total amount of research funding obtained over the past seven years. The numbers demonstrate that the University has consistently been able to maintain a reasonable level of research funding. The decline from the 2015 amount can be attributed to the end of multi-year federal research grants. Recent success in obtaining SSHRC Insight and Insight Development grants will bring a return to higher amounts in the years to come.

**Table 7: Research Funding – 2010 - 2016**

<i>Fiscal Year</i>	<i>Revenue Source</i>		<i>Total</i>
	<i>External Funding</i>	<i>Internal Funds</i>	
2010	\$ 274,767	\$ 55,000	\$ 329,767
2011	\$ 289,213	\$ 57,000	\$ 346,213
2012	\$ 335,733	\$ 59,000	\$ 394,733
2013	\$ 316,646	\$ 61,000	\$ 377,646
2014	\$ 303,128	\$ 63,000	\$ 366,128
2015	\$ 391,759	\$ 65,000	\$ 456,759
2016	\$ 336,099	\$ 65,000	\$ 401,099
<b>Total</b>	<b>\$ 2,247,345</b>	<b>\$ 425,000</b>	<b>\$ 2,672,345</b>

**Progress on Research Action Plans**

The King's University's 2015 Comprehensive Institutional Plan identified seven action plans established to achieve the objectives of the institution's Strategic Research Plan. In the 2015/16 academic year the following was achieved:

- Developed a framework for the organizational structure of the proposed Centre for Christian Thought and Action as was called for in the University's Strategic Plan *Shared Vision 2020*.
- Identified donors who are potentially interested in funding the proposed Centre for Christian Thought and Action. The next step will be the development of a case book to be used for fundraising purposes.
- Allocated funds in the 2016-17 academic budget for administrative support for the community engaged research initiative that was launched in the 2014/15 academic year.
- In response to the results of the Tri-Council financial monitoring review streamlined the administration of research grants.
- Significantly restructured the VP Academic office in order to be able to provide greater support for faculty research.
- An increase in the involvement of undergraduate students in research, as evidenced in Table 6 summarizing faculty scholarly contributions.

## Financial and Budget Information

Table I below provides actual vs budgeted revenues and expenses for the year 2015-2016.

**Table 8: Operations 2015-2016 Actual vs Budget (\$ thousands)**

	Actual 2015-16	Budget 2015-16	Difference
<b>Revenue</b>			
Tuition	\$ 7,772	\$ 7,184	\$ 588
Government funding	4,704	4,551	152
Donations	2,981	3,395	(414)
Residence & other	3,130	2,831	299
<b>Total</b>	<b>18,586</b>	<b>17,961</b>	<b>625</b>
<b>Expenses</b>			
Salaries and benefits	11,408	11,285	(123)
Interest	397	456	59
Cost of sales	963	878	(85)
Other expenses	4,404	3,733	(670)
Amortization	1,606	1,608	2
<b>Total</b>	<b>18,777</b>	<b>17,961</b>	<b>(816)</b>
<b>Surplus (Deficit)</b>	<b>\$ (191)</b>	<b>\$ (0)</b>	<b>\$ (191)</b>
<b>FLE enrolment</b>	<b>629</b>	<b>599</b>	<b>30</b>
<b>Average Headcount</b>	<b>746</b>	<b>710</b>	<b>36</b>

The annual audit of the consolidated financial statements by our external auditors, Kingston Ross Pasnak, was finalized in June 2016. A copy of the audited financial statements is included in Appendix A. Despite our best efforts, the 2015-16 year ended with an operating deficit of \$191,238, primarily resulting from higher than budgeted expenses. Some highlights are as follows:

- Student enrolment growth was positive with a 7.8% increase in average headcount, exceeding budget targets, and resulted in additional tuition revenue.
- The Alberta government's base operating grant to King's increased by 2% and available Access to the Future funding was utilized.
- Considerable effort has been made to grow our donor pool and attract higher levels of annual giving for operations but the impact of the down-turn in the Alberta economy presents a significant challenge.
- Expenses in 2015-16 included the cost of rebranding needed after our change in legal name. Also, maintenance costs on our aging campus facilities were higher than anticipated in the budget. Additional designated research funding meant higher costs related to our research activities.

We recognize that continued operating deficits are not sustainable for the long term future of the University and we are undertaking measures to improve ongoing monitoring. New budget software (BudgetPak) is being implemented to allow budget managers throughout the institution to monitor expenses more closely at a department and program level. The University is also planning to acquire software to improve the process of issuing purchase orders and tracking purchase commitments made

through the accounting system. Current financial reports only reflect expenses once the goods or services have been received and invoiced. Our hope is that adding commitment information will give a more accurate and up-to-date picture on budget room used (spent and committed) as the year progresses.

## **Internationalization**

The King's University continued its memberships in the Council of Christian Colleges & Universities (CCCCU), Christian Higher Education Canada (CHEC), and the International Association for the Promotion of Christian Higher Education (IAPCHE).

In the past year we laid the groundwork for a memorandum of understanding with Handong Global University in South Korea.

Under our MOU with Christelijke Hogeschool Ede, two students from the Netherlands joined our student body for part of the 2015-16 year. Six King's students studied in the Netherlands for a portion of the year.

Through other off-campus opportunities our students also studied in the United States, Israel and England.

King's has again offered our Field Course in International Development, in which we took up our longstanding participation in community development projects in Honduras. This course was offered for the 21st time in the 2015-16 academic year.



## **Information Technology**

The King's University's robust information technology infrastructure is managed and supported by the Information Technology Services department (ITS). Their ongoing management of redundant virtual servers continues to provide a reliable and scalable environment.

During this past year, implementation of a Human Resource Management System (HRMS) continued with further integration with other King's systems providing for automated on- and off-boarding of employees. Budgeting software that interacts with our existing accounting software and provides the budget managers and the executive leadership with the tools to manage their budgets more effectively, was acquired for implementation in the coming year.

The University's use of Microsoft SharePoint continued to be expanded to include the development of process workflows to assist in interdepartmental processes.

Training sessions were held for SharePoint, the Time and Attendance portion of HRMS, and on revisions to our expense reporting system.

As every year, our ongoing refresh of computer lab and administrative computing equipment took place as a part of our annual capital expenditures.

## **Capital Plan**

As an institution within the Independent Academic Institution (IAI) sector, the University is not eligible for funding via the Infrastructure Maintenance Grant. All capital projects undertaken are therefore funded via internal funds generated by operations or through external sources from our support community, partners and sponsors.

The major capital expenditures in 2015-16 for building and information technology infrastructure renewal and maintenance were as summarized in Table 9.

**Table 9: Summary of Capital Expenditures – Actual vs. Budget**

<b>Capital Expenditure</b>	<b>2015-16 Actual</b>	<b>2015-16 Budget</b>	<b>Variance</b>
Residence Air Conditioning	\$161,870	\$170,000	
Boiler replacements	21,865	21,000	
Gymnasium re-roofing	105,993	130,000	
Science Wing re-roofing	111,508	-	
Electrical distribution panel	85,576	-	
<b>Building systems</b>	<b>486,812</b>	<b>321,000</b>	<b>(165,812)</b>
Computer equipment renewal	98,459	103,000	
Servers	21,612	20,000	
Sound system upgrades	35,243	34,000	
Security surveillance upgrades	15,988	9,000	
ID card printers	10,614	12,000	
Online registration programming	12,485	-	
HRMS new system implementation	59,468	-	
Budget Pak new system implementation	30,702	-	
<b>Information technology</b>	<b>284,571</b>	<b>178,000</b>	<b>(106,571)</b>
<b>Equipment and furniture (various)</b>	<b>136,310</b>	<b>153,500</b>	<b>17,190</b>
<b>Library</b>	<b>127,497</b>	<b>143,000</b>	<b>15,503</b>
<b>Building improvements</b>	<b>56,171</b>	<b>104,000</b>	<b>47,829</b>
<b>Land improvements</b>	<b>52,317</b>	<b>50,000</b>	<b>(2,317)</b>
<b>New signage (rebranding)</b>	<b>39,392</b>	<b>-</b>	<b>(39,392)</b>
<b>Campus Master Plan – design costs</b>	<b>101,270</b>	<b>101,270</b>	<b>-</b>
	<b>\$1,284,340</b>	<b>\$1,050,770</b>	<b>\$(233,570)</b>

During 2015-16, several projects contributed to the capital budget being overspent. Building maintenance projects for replacement of the Science Wing roof and the electrical distribution panel had to be advanced due to significantly deteriorated conditions. Other projects to enhance efficiencies related to student registrations, human resources and financial planning were implemented for operational reasons. No major building expansion or renovation occurred during the year.

In 2016-17 the University is spending \$350,000 total on replacement of the air conditioning unit on the main campus building and upgrades to 40-year old elevators. This represents about a third of the annual capital budget. Aging facilities continue to require ongoing capital expenditures in order to remain functional.

In light of the University's aging facilities, the development of a Campus Master Plan continues as part of the implementation of the *Shared Vision 2020* strategic plan. This project is absolutely essential to provide us with an overview of what is possible on the current property and with the current facilities on 50<sup>th</sup> Street. As part of the plan, we will obtain informed cost estimates on high-priority renovations and expansion plans. The latter will become important input for the decision whether the University should remain on the current site, or move to a different site in Edmonton. The funding for the development of the Campus Master Plan is provided by The King's University Foundation.

## Appendix

**THE KING'S UNIVERSITY**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**THE KING'S UNIVERSITY**  
**Index to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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June 17, 2016

## **INDEPENDENT AUDITOR'S REPORT**

Edmonton, Alberta

To the Members of The King's University

We have audited the accompanying consolidated financial statements of The King's University, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The King's University as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Financial Position**  
**March 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 919,287	\$ 1,066,145
Accounts receivable (Note 3)	147,488	176,723
Bookstore inventory	266,844	175,768
Prepaid expenses and deposits	273,644	301,491
Short term investments (Note 4)	856,609	569,687
Goods and Services Tax receivable	18,117	7,703
	<b>2,481,989</b>	<b>2,297,517</b>
INVESTMENTS (Note 4)	6,198,146	5,700,559
PROPERTY AND EQUIPMENT (Note 5)	20,684,751	21,012,565
	<b>\$ 29,364,886</b>	<b>\$ 29,010,641</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 1,088,418	\$ 979,445
Government remittances payable (Note 6)	233,982	230,922
Deferred revenue	1,473,859	1,253,062
Deferred contributions (Note 7)	4,119,894	3,630,104
Mortgage payable (Note 8)	11,119,974	11,315,686
Debenture payable (Note 9)	2,568,929	2,683,214
Current portion of long term debt (Note 10)	1,277,381	892,014
	<b>21,882,437</b>	<b>20,984,447</b>
LONG TERM DEBT (Note 10)	2,011,747	2,164,444
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	3,045,707	3,348,474
	<b>26,939,891</b>	<b>26,497,365</b>
<b>NET ASSETS</b>		
Investment in property and equipment	980,218	927,935
Endowments (Note 12)	2,589,630	2,486,673
Internally restricted (Note 13)	282,459	282,459
Accumulated operating deficit	(1,427,312)	(1,183,791)
	<b>2,424,995</b>	<b>2,513,276</b>
	<b>\$ 29,364,886</b>	<b>\$ 29,010,641</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
Director



**THE KING'S UNIVERSITY**  
**Consolidated Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 927,935</b>	<b>\$ 2,486,673</b>	<b>\$ 282,459</b>	<b>\$ (1,183,791)</b>	<b>\$ 2,513,276</b>	<b>\$ 2,279,988</b>
Deficiency of revenue over expenditures	-	-	-	(191,238)	(191,238)	(108,900)
Endowment contributions	-	102,957	-	-	102,957	342,188
Transfer for:						
Acquisition of internally funded property and equipment	1,261,656	-	-	(1,261,656)	-	-
Amortization of internally funded property and equipment	(1,280,784)	-	-	1,280,784	-	-
Net book value of property and equipment disposals	(5,918)	-	-	5,918	-	-
Change in mortgage, debenture and long term debt payable	77,329	-	-	(77,329)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 980,218</b>	<b>\$ 2,589,630</b>	<b>\$ 282,459</b>	<b>\$ (1,427,312)</b>	<b>\$ 2,424,995</b>	<b>\$ 2,513,276</b>

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Operations**  
**Year Ended March 31, 2016**

	Budget (Note 17)	2016	2015
<b>REVENUE</b>			
Tuition fees	\$ 7,183,511	\$ 7,771,554	\$ 6,936,814
Government grants	4,551,356	4,703,656	4,610,157
Donations	3,394,822	2,980,527	3,321,326
Residence and other sales (Note 15)	2,468,500	2,580,528	2,402,039
Research grants	189,891	336,099	391,759
Other income	54,500	158,699	108,347
Investment income (Note 16)	118,000	54,777	130,629
	17,960,580	18,585,840	17,901,071
<b>EXPENSES</b>			
Salaries and benefits	11,284,704	11,407,825	10,904,279
Operating supplies and services	1,615,524	2,113,089	1,917,397
Amortization	1,608,340	1,606,233	1,656,320
Cost of goods sold	878,000	962,632	960,642
Travel, hospitality and conferences	495,447	582,756	551,588
Scholarships and awards	572,000	536,721	467,197
Utilities	463,635	499,029	451,514
Maintenance and equipment rent	428,100	496,856	517,119
Interest on mortgage payable	261,130	212,231	228,882
Insurance and taxes	109,900	116,755	112,602
Interest on debenture payable	112,000	99,962	112,336
Interest on long term debt	83,000	82,161	86,349
Professional fees	48,800	56,226	47,229
Interest on line of credit	-	2,430	4,067
Loss (gain) on disposal of property and equipment	-	2,172	(7,550)
	17,960,580	18,777,078	18,009,971
<b>DEFICIENCY OF</b>			
<b>REVENUE OVER EXPENDITURES</b>	\$ -	\$ (191,238)	\$ (108,900)

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Cash Flow**  
**Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Cash received from students for tuition and fees	\$ 7,924,640	\$ 6,949,119
Cash received from government	4,837,683	5,068,394
Cash received from donors	3,438,754	3,806,313
Cash received from sale of goods and services	2,637,613	2,436,173
Cash received from other sources	134,069	91,732
Cash paid to employees for salaries and benefits	(11,338,501)	(10,808,717)
Cash paid to suppliers for materials and services	(5,355,132)	(5,377,740)
Cash paid to creditors for interest	(184,553)	(202,755)
Cash flow from operating activities	2,094,573	1,962,519
<b>INVESTING ACTIVITIES</b>		
Cash received from donors restricted for property and equipment	22,683	182,434
Cash received from income on investments	145,973	144,067
Cash received on disposal of property and equipment	3,747	8,500
Cash applied to purchase of property and equipment	(1,284,339)	(1,536,037)
Cash invested in investments	(768,820)	(811,599)
Cash flow used by investing activities	(1,880,756)	(2,012,635)
<b>FINANCING ACTIVITIES</b>		
Cash received from long term debt proceeds	306,765	289,386
Cash received from endowments	91,969	278,458
Cash paid for long term debt repayments	(596,325)	(793,425)
Cash flow used by financing activities	(197,591)	(225,581)
<b>INCREASE (DECREASE) IN CASH</b>	<b>16,226</b>	<b>(275,697)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,152,270</b>	<b>1,427,967</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,168,496</b>	<b>\$ 1,152,270</b>
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>		
Cash	\$ 919,287	\$ 1,066,145
Cash and cash equivalents included in short term investments	249,209	86,125
	<b>\$ 1,168,496</b>	<b>\$ 1,152,270</b>

# THE KING'S UNIVERSITY

## Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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### 1. AUTHORITY AND PURPOSE

The King's University (the "University"), formerly The King's University College, operates under the authority of The King's College Act, Statutes of Alberta 1979, as amended. Its mission is to provide university education that inspires and equips learners to bring renewal and reconciliation to all walks of life as followers of Jesus Christ, the Servant King.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements include the accounts of The King's University College Foundation (the "Foundation") and Leder School of Business Consulting Services Ltd. ("Leder Consulting"). The Foundation, which operates under the Companies Act of Alberta, solicits and receives gifts and donations and provides grants and property to the University to support and promote the educational and research activities of the University. The King's University and the Foundation are registered charitable organizations for purposes of the Income Tax Act (Canada) and, as such, are not liable for the payment of income taxes. Leder Consulting, which operates under the Business Corporations Act of Alberta, was incorporated during the year and is a wholly owned subsidiary that provides consulting services on a fee for service basis. Leder Consulting is a company subject to income taxes.

The accounts of the three organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on consolidation.

#### Cash and Cash Equivalents

Cash consists of cash and cash equivalents. Cash equivalents are investments in money market funds and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

#### Investments

The University's investments are recorded at fair value and consist of money market, fixed income, and equity based instruments. The investment portfolio is managed by a third party investment manager and is subject to an investment policy set by the Board of Governors. The main objective of the investment policy is the growth and preservation of capital. The fixed income investments which consist of federal, provincial and corporate bonds are capable of prompt liquidation. The equity based investments are widely held and diversified and are traded on a regular basis on the recommendation of the investment manager and approval of the University.

(continues)

# THE KING'S UNIVERSITY

## Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### Property and Equipment

Purchased property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution.

Property and equipment are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	<u>Years</u>
Buildings and site improvements	10 - 40
Furniture and equipment	5 - 20
Library materials	5 - 10

#### Endowments

Endowments represent externally restricted contributions of which the principal is to be held intact. Investment earnings on endowments are included in deferred contributions and must be used in accordance with the conditions imposed by the donor's terms of reference. Investment earnings to be added to endowment principal are recorded as direct increases in net assets.

#### Inventory

Inventory of merchandise held for resale is recorded at the lower of purchased cost and net realizable value, with cost being determined on an average cost basis. Total inventory expensed to cost of goods sold in the year is \$305,444 (2015 - \$303,781).

(*continues*)

## THE KING'S UNIVERSITY

### Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

##### Revenue Recognition

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions restricted for purposes other than endowments or the acquisition of property and equipment are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable. Contributions restricted for the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of property and equipment that will not be amortized are recognized as direct increases to net assets in the period in which they are expended.

Donated materials and services are recognized as revenue when they would otherwise have been purchased at fair value when fair value can be reasonably determined. Pledges are recognized when collection is reasonably assured.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on investments are either included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Investment earnings on internally designated funds are recognized as revenue when received or receivable. Other unrestricted investment income is recognized as revenue when earned.

Tuition fees are recognized as revenue when the instruction is delivered and the tuition fees have been received or are considered receivable. Residence, food, conference, bookstore, other and consulting service sales are recognized as revenue when the product or service has been provided and the agreed upon amount is received or considered receivable.

Government grants are recognized as revenue in the year to which they relate.

Deferred revenue consists of tuition, residence fees, government grants and facility rental income received in advance.

##### Employee Future Benefits

The University participates with other employers in the Canadian Christian School Pension Plan and Trust Fund (the "Plan"). The Plan is a contributory, defined benefit pension plan that provides pensions for the University's eligible employees based on their years of service and earnings.

Pension cost is disclosed as a part of salaries and benefits and is comprised of the amount of employer contributions required for the University's employees during the year, based on rates that are expected to provide benefits payable under the Plan. The University's portion of the pension plan's deficit or surplus is not recorded by the University as this portion is not readily available.

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**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment, the collectibility of accounts receivable and the allocation of costs to the Leder School of Business, for the purpose of recognizing deferred contributions.

Financial Instruments

Financial instruments are initially measured at fair value, and, unless otherwise noted, the University subsequently measures its financial instruments at amortized cost.

**3. ACCOUNTS RECEIVABLE**

	<b>2016</b>	<b>2015</b>
Allowance for doubtful accounts	<b>\$ 107,197</b>	<b>\$ 89,421</b>
Bad debt expense (recovery), included in Tuition fees	<b>\$ 13,779</b>	<b>\$ (1,748)</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**4. INVESTMENTS**

	<b>2016</b>	<b>2015</b>
<b>Short term investments</b>		
Corporate notes	\$ 607,400	\$ 483,562
Cash and cash equivalents	249,209	86,125
	<b>\$ 856,609</b>	<b>\$ 569,687</b>
<b>Long term investments</b>		
Equity funds - Canada	2,356,910	1,950,594
Corporate notes	1,679,411	1,753,520
Equity linked notes - Canada	656,967	661,407
Equity linked notes - U.S.	572,367	603,094
Equity funds - U.S.	366,278	164,727
Deposit agreement	287,009	272,209
Equity funds - Overseas	172,018	186,337
Cash surrender value of life insurance policies	62,179	58,472
Equity funds - Emerging Markets	45,007	50,199
	<b>6,198,146</b>	<b>5,700,559</b>
	<b>\$ 7,054,755</b>	<b>\$ 6,270,246</b>

Investments include government bonds and corporate notes that mature at various dates to October 22, 2022. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University's fixed income investments bear interest at rates of 1.85% to 2.60%. The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

A portion of the investments are held in equity linked notes. Equity linked notes provide investments in a notional portfolio of shares selected using a quantitative model with the ability to allocate to fixed income investments based on the trend of the S&P/TSX Composite Index for Canada and S&P 500 Index for US. The goal of this strategy is to be exposed to the shares selected by the model when the trend is positive for the equity markets and to reduce or eliminate equity exposure as the trend for the equity markets becomes negative. At March 31, equity linked notes were 50% invested in equity and 50% invested in fixed income (2015 - 50% invested in equity and 50% invested in fixed income).



**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Buildings and site improvements	\$ 28,772,801	\$ 12,382,336	\$ 16,390,465	\$ 16,604,214
Land	1,852,592	-	1,852,592	1,852,592
Furniture and equipment	8,829,219	7,033,250	1,795,969	1,908,034
Library materials	3,578,306	2,932,581	645,725	647,725
	<b>\$ 43,032,918</b>	<b>\$ 22,348,167</b>	<b>\$ 20,684,751</b>	<b>\$ 21,012,565</b>

**6. GOVERNMENT REMITTANCES PAYABLE**

	2016	2015
Payroll taxes	\$ 233,016	\$ 230,922
Income taxes	966	-
	<b>\$ 233,982</b>	<b>\$ 230,922</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**7. DEFERRED CONTRIBUTIONS**

Deferred contributions represent restricted investment income and unspent resources externally restricted for research grants, scholarships and designated donations. Changes in the deferred contributions balance are as follows:

	2016	2015
Beginning balance, related to operating funding	\$ 2,875,086	\$ 1,960,304
Add:		
Restricted donations	1,484,851	1,425,804
Restricted government grants	4,500	215,766
Restricted research grants	112,658	236,785
	1,602,009	1,878,355
Less:		
Donations recognized as revenue	(696,548)	(644,419)
Research grants recognized as revenue	(124,941)	(188,180)
Amounts transferred to deferred capital contributions	(22,682)	(116,707)
Government grants recognized as revenue	(86,857)	(14,267)
	(931,028)	(963,573)
Ending balance, related to operating fund	\$ 3,546,067	\$ 2,875,086
Beginning balance, related to investment income	\$ 755,018	\$ 529,906
Add:		
Changes in unrealized (losses) gains	(265,156)	242,771
Dividend and interest income earned	145,971	172,885
	(119,185)	415,656
Less:		
Amount recognized as investment income in the period	(54,777)	(130,629)
Amount added directly to endowments	(7,229)	(59,915)
	(62,006)	(190,544)
Ending balance, related to investment income	\$ 573,827	\$ 755,018
	\$ 4,119,894	\$ 3,630,104

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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**8. MORTGAGE PAYABLE**

The mortgage payable to The King's Group Registered Retirement Savings Plan (King's RRSP) is secured by a second mortgage against the land and buildings. The King's RRSP is trustee by Concentra Trust. Funds may be advanced to a maximum of \$15 million bearing interest at a variable rate set quarterly at least equivalent to Bank of Montreal rate for one year on non-redeemable guaranteed investment certificates under \$100,000. For the quarter ended March 31, 2016, the rate was 1.85% (2015 - 2.00%). Interest is compounded quarterly and reinvested in the mortgage until the full advance has been paid.

Due to the legal right of planholders to demand repayment, the mortgage payable has been classified as a current liability.

Scheduled minimum repayments in each of the next five years are approximately as follows:

	2016
2017	\$ 337,300
2018	366,200
2019	363,900
2020	385,600
2021	417,600
Subsequent years	9,249,374
	<b>\$ 11,119,974</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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**9. DEBENTURE PAYABLE**

Debenture payable to ATB Financial is secured by a General Security Agreement covering all assets of the University and a debenture agreement in the amount of \$10,000,000 providing a floating charge over all undertakings of the University and a fixed charge on specified lands. Interest at bank prime plus 1.00% is payable monthly.

There are two loan facilities outstanding: Facility 1 for \$1,997,500 and Facility 2 for \$685,714.

Facility 1 requires annual principal repayments of \$235,000. Prepayments and payouts in full are permitted at anytime without penalty or bonus. During the year, no principal repayment was made due to the University having prepaid required principal repayments during previous years. The next required principal repayment is due in the 2017 fiscal year.

Facility 2 requires annual principal repayments of \$114,285 over the next 5 years.

The debenture is due on demand. At March 31, 2016, the effective interest rate was 3.70% (2015 - 3.85%). The University is required to maintain a debt service coverage ratio of 1.5:1.

Minimum repayments are as follows:

2017	\$ 231,786
2018	349,285
2019	349,285
2020	349,285
2021	349,285
Thereafter	<u>940,003</u>
	<u>\$ 2,568,929</u>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**10. LONG TERM DEBT**

	<b>2016</b>	<b>2015</b>
Various notes payable, unsecured, at variable interest rates from 0% to 3.25%, are repayable at various maturity dates through to February 17, 2021.	<b>\$ 3,289,128</b>	<b>\$ 3,056,458</b>
Amounts payable within one year	<b>(1,277,381)</b>	<b>(892,014)</b>
	<b>\$ 2,011,747</b>	<b>\$ 2,164,444</b>

Principal repayment terms are approximately as follows:

2017	\$ 1,277,381
2018	634,896
2019	526,394
2020	645,821
2021	204,636
	<u>\$ 3,289,128</u>

**11. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the net book value of contributed property and equipment, and property and equipment purchased with restricted contributions. The changes in the deferred capital contributions balance are as follows:

	<b>2016</b>	<b>2015</b>
Balance, beginning of period	<b>\$ 3,348,474</b>	<b>\$ 3,434,846</b>
Capital contributions from donors	<b>22,683</b>	<b>268,967</b>
Capital contributions from government	<b>-</b>	<b>15,086</b>
Amounts amortized to revenue	<b>(325,450)</b>	<b>(370,425)</b>
Balance, end of period	<b>\$ 3,045,707</b>	<b>\$ 3,348,474</b>

**THE KING'S UNIVERSITY****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****12. ENDOWMENTS**

	2016	2015
Balance, beginning of period	\$ 2,486,673	\$ 2,144,485
Contributions restricted by donors	102,957	342,188
Balance, end of period	\$ 2,589,630	\$ 2,486,673

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 380,162	\$ 356,766
Music	333,983	332,535
Christian ministry or service	259,054	256,800
Arts	243,546	240,060
Commerce	243,255	177,050
Education	239,689	237,066
Natural Sciences	176,073	175,280
Political Science, History, Economics	163,397	163,160
Social Sciences	122,008	120,800
Environmental Studies	118,207	118,099
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	96,157	96,157
Other	55,055	53,856
Micah Centre	51,490	51,490
	\$ 2,589,630	\$ 2,486,673

**13. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets represent funds designated by the Board of Governors. The principal is to be held intact and investment earnings on the principal are to be used for scholarships, bursaries and awards.

**14. BANK INDEBTEDNESS**

The line of credit with ATB Financial bears interest at bank prime plus 0.50%, payable monthly, has an authorized limit of \$2,000,000 and is secured by the same terms as the debenture payable (Note 9). At March 31, 2016, the effective interest rate was 3.20% and the facility was not drawn upon.

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**15. RESIDENCE AND OTHER SALES**

	<b>2016</b>	<b>2015</b>
Residence	\$ 820,423	\$ 766,336
Food services	724,088	705,885
Conference services	446,370	429,932
Bookstore	404,044	378,998
Other	121,836	120,888
Leder Consulting Services	63,767	-
	<b>\$ 2,580,528</b>	<b>\$ 2,402,039</b>

**16. INVESTMENT INCOME**

	<b>2016</b>	<b>2015</b>
Dividend and interest income earned in the period	\$ 145,973	\$ 172,885
Changes in unrealized (losses) gains	(265,156)	242,771
Amounts added directly to endowments	(7,229)	(59,915)
Amounts deferred	181,189	(225,112)
	<b>\$ 54,777</b>	<b>\$ 130,629</b>

**17. BUDGET**

The budget was approved by the Board of Governors on March 14, 2015. The budgeted amounts have been provided for information purposes only and are unaudited.

**18. PENSION PLAN**

The pension expense recorded in these financial statements represents the University's annual contributions payable of \$661,080 for the year ended March 31, 2016 (2015 - \$647,840).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was to be prepared on a tri-annual basis. However, during the 2011 fiscal year, the Plan dropped below the 85% funded level; as a result, actuarial valuations will be performed on a yearly basis when the Plan is below the 85% funded level. The most recent valuation was done on August 31, 2014. In 2015, the Plan reported a deficit of approximately \$22 million in a fund with net assets available for benefits of approximately \$298 million and pension obligations of \$320 million.

The calculation of the estimated present value of vested benefits under the Plan at August 31, 2015 and 2014 was made by consulting enrolled actuaries Mercer Human Resource Consulting.

## **THE KING'S UNIVERSITY**

### **Notes to Consolidated Financial Statements**

**Year Ended March 31, 2016**

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#### **19. FINANCIAL INSTRUMENTS**

The University is exposed to various risks through its financial instruments. The following analysis provides information about the University's risk exposure and concentration as of March 31, 2016. Unless otherwise noted, the University's risk exposure has not changed from the prior year.

##### **Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The University is exposed to credit risk from students and customers, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. The University has a significant number of students and customers which minimizes concentration of credit risk.

##### **Liquidity risk**

Liquidity risk is the risk that the University will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the University's cash requirements, and additional requirements are met with the use of the available credit facilities.

##### **Currency risk**

Currency risk is the risk to the University's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. These amounts are of a short duration, which minimizes the University's exposure to foreign currency fluctuations.

##### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The University is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and locked in guaranteed investment certificates.

#### **20. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.



**THE KING'S UNIVERSITY**  
**Consolidated Statement of Operations by Function**  
**Year Ended March 31, 2016**

	Budget (Note 17)	2016	2015
<b>REVENUE</b>			
Tuition fees	\$ 7,183,511	\$ 7,771,554	\$ 6,936,814
Government grants	4,551,356	4,703,656	4,610,157
Donations	3,394,822	2,980,527	3,321,326
Residence and other sales (Note 15)	2,468,500	2,580,528	2,402,039
Research grants	189,892	336,099	391,759
Other income	54,500	158,699	108,347
Investment income (Note 16)	118,000	54,777	130,629
	17,960,581	18,585,840	17,901,071
<b>EXPENDITURES</b>			
Instruction	6,555,176	6,588,114	6,343,894
Student services	2,765,386	3,115,050	2,805,911
Ancillary services	2,171,895	2,415,744	2,319,352
Physical plant	1,576,894	1,482,056	1,502,397
Institutional advancement	1,297,478	1,373,677	1,341,205
Institutional support	1,197,928	1,326,515	981,534
Academic support and library	884,934	905,259	1,037,121
Computing services	827,787	868,749	861,652
Interest on long term and other liabilities	456,130	396,519	431,589
Research	226,973	305,395	385,316
	17,960,581	18,777,078	18,009,971
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	\$ -	\$ (191,238)	\$ (108,900)

