

THE KING'S UNIVERSITY COLLEGE
Consolidated Financial Statements
Year Ended March 31, 2014

THE KING'S UNIVERSITY COLLEGE
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Year Ended March 31, 2014

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An independent member firm
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INTERNATIONAL

June 11, 2014
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University College

We have audited the accompanying consolidated financial statements of The King's University College, which comprise the consolidated statement of financial position as at March 31, 2014 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 College as at March 31, 2014 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 Accountants

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 1,363,108	\$ 1,273,827
Accounts receivable (Note 3)	209,461	177,728
Endowment receivable	10,000	10,000
Bookstore inventory	203,796	189,075
Prepaid expenses and deposits	365,849	203,173
Short term investments (Note 4)	273,069	712,947
	2,425,283	2,566,750
ENDOWMENT RECEIVABLE	-	10,000
INVESTMENTS (Note 4)	4,812,056	2,669,878
PROPERTY AND EQUIPMENT (Note 5)	21,133,797	20,317,498
	\$ 28,371,136	\$ 25,564,126
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,361,104	\$ 752,280
Government remittances payable (Note 6)	189,055	200,345
Deferred revenue	1,275,417	1,115,234
Deferred contributions (Note 7)	2,490,210	1,061,629
Mortgage payable (Note 8)	11,557,865	11,768,069
Debenture payable (Note 9)	2,797,500	1,997,500
Current portion of long term debt (Note 10)	1,455,279	1,475,831
	21,126,430	18,370,888
LONG TERM DEBT (Note 10)	1,529,872	1,761,529
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	3,434,846	3,377,527
	26,091,148	23,509,944
NET ASSETS		
Investment in property and equipment	687,639	276,246
Endowments (Note 12)	2,144,485	1,947,736
Internally restricted (Note 13)	282,459	282,459
Accumulated operating deficit	(834,595)	(452,259)
	2,279,988	2,054,182
	\$ 28,371,136	\$ 25,564,126

ON BEHALF OF THE BOARD

Signed - "William Diepeveen" Director

Signed - "William Lodewyk" Director

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2014

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ 276,246	\$ 1,947,736	\$ 282,459	\$ (452,259)	\$ 2,054,182	\$ 2,327,578
Excess (deficiency) of revenue over expenses	-	-	-	29,057	29,057	(301,031)
Endowment contributions	-	196,749	-	-	196,749	27,635
Transfer for:						
Acquisition of internally funded property and equipment	1,967,233	-	-	(1,967,233)	-	-
Amortization of internally funded property and equipment	(1,208,253)	-	-	1,208,253	-	-
Change in mortgage, debenture and long term debt payable	(347,587)	-	-	347,587	-	-
NET ASSETS - END OF YEAR	\$ 687,639	\$ 2,144,485	\$ 282,459	\$ (834,595)	\$ 2,279,988	\$ 2,054,182

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations
Year Ended March 31, 2014

	Budget <i>(Note 16)</i>	2014	2013
REVENUE			
Tuition fees	\$ 6,400,604	\$ 6,435,001	\$ 5,989,897
Government grants	4,592,945	4,626,471	4,883,900
Donations	2,600,000	2,437,086	2,690,143
Residence and other sales	2,144,500	2,236,074	2,264,377
Research grants	208,246	303,128	316,645
Investment income <i>(Note 15)</i>	115,100	158,795	103,386
Other income	38,000	101,306	121,901
	16,099,395	16,297,861	16,370,249
EXPENSES			
Salaries and benefits	9,791,487	9,886,163	9,983,596
Amortization	1,538,759	1,569,639	1,637,580
Operating supplies and services	1,612,787	1,565,497	1,723,233
Cost of goods sold	845,200	844,597	803,660
Travel, hospitality and conferences	424,188	526,906	517,539
Utilities	483,105	482,872	467,384
Scholarships and awards	465,000	423,484	447,115
Maintenance and equipment rent	326,220	395,622	494,462
Interest on mortgage payable	319,298	234,510	252,633
Insurance and taxes	96,700	102,994	101,885
Interest on long term debt	129,926	95,425	116,102
Interest on debenture payable	108,776	79,891	79,891
Professional fees	43,400	54,381	44,643
Loss on disposal of property and equipment	-	6,823	1,557
	16,184,846	16,268,804	16,671,280
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (85,451)	\$ 29,057	\$ (301,031)

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Cash Flow
Year Ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 6,468,276	\$ 5,968,635
Cash received from government	4,729,462	4,814,689
Cash received from donors	3,480,561	2,543,088
Cash received from sale of goods and services	2,335,541	2,282,161
Cash received from other sources	84,654	106,467
Cash paid to employees for salaries and benefits	(9,885,256)	(9,887,836)
Cash paid to suppliers for materials and services	(3,959,344)	(4,414,604)
Cash paid to creditors for interest	(175,317)	(195,996)
Cash flow from operating activities	3,078,577	1,216,604
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	428,074	96,771
Cash received from income on investments (net of fees)	88,586	116,179
Cash received on disposal of property and equipment	1,100	200
Cash applied to purchase of property and equipment	(2,393,860)	(768,521)
Cash invested in investments	(1,768,905)	244,503
Cash flow used by investing activities	(3,645,005)	(310,868)
FINANCING ACTIVITIES		
Cash received from long term debt proceeds	396,077	180,304
Cash received from endowments	116,718	24,718
Cash paid for long term debt repayments	(283,000)	(600,388)
Cash flow (used by) from financing activities	229,795	(395,366)
(DECREASE) INCREASE IN CASH FLOW	(336,633)	510,370
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,764,600	1,254,230
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,427,967	\$ 1,764,600
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 1,363,108	\$ 1,273,827
Cash and cash equivalents included in short term investments	64,859	490,773
	\$ 1,427,967	\$ 1,764,600

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

1. AUTHORITY AND PURPOSE

The King's University College (the "University College") operates under the authority of The King's College Act, Statutes of Alberta 1979, as amended. The University College is a registered charity under the Income Tax Act (Canada) and is therefore exempt from the payment of income taxes. Its mission is to provide students with a university education from a Biblical perspective and it strives to be an academic community which integrates the Christian faith with teaching, learning, research and college life, in an environment characterized by academic excellence and a personal approach to students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. Significant accounting policies observed in the preparation of the consolidated financial statements are summarized below.

Basis of Presentation

The consolidated financial statements include the accounts of The King's University College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation solicits and receives gifts and donations and provides grants and property to the University College to support and promote the educational and research activities of the University College. The Foundation is a registered charitable organization for purposes of the Income Tax Act (Canada) and, as such, is not liable for payment of income taxes.

Accordingly, the accounts of the two 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 College'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 College.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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

Revenue Recognition

The University College 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 are received. Donated materials and services that would otherwise have been purchased are recorded 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 and residence fees are recognized as revenue when the instruction and services are delivered. Government grants are recognized as revenue in the year to which they relate. Revenue received for other services and products is recognized when the services and products are provided. Deferred revenue consists of tuition, residence fees, government grants and facility rental income received in advance.

Employee Future Benefits

The University College 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 College'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 College's employees during the year, based on rates that are expected to provide benefits payable under the Plan. The University College's portion of the pension plan's deficit or surplus is not recorded by the University College.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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 and the recoverability of accounts receivable.

Financial instruments

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

3. ACCOUNTS RECEIVABLE

	2014		2013
Allowance for doubtful accounts	\$ 87,673	\$	80,533
Bad debt expense	\$ 7,140	\$	4,349

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

4. INVESTMENTS

Short term investments	2014	2013
Cash and cash equivalents	\$ 64,859	\$ 490,773
Corporate notes	208,210	222,174
	\$ 273,069	\$ 712,947
Long term investments		
Common shares	2,555,145	1,330,973
Corporate notes	1,608,641	774,928
Deposit agreement	257,763	244,384
Pooled equity funds - Overseas	167,088	132,892
Pooled equity funds - U.S.	123,015	95,053
Cash surrender value of life insurance policies	54,955	49,992
Pooled equity funds - Emerging Markets	45,449	41,656
	4,812,056	2,669,878
	\$ 5,085,125	\$ 3,382,825

Investments include government bonds and corporate notes that mature at various dates to February 5, 2018. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University College's fixed income investments bear interest at rates of 1.90% to 3.31%. The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings and site improvements	\$ 27,608,668	\$ 10,557,792	\$ 17,050,876	\$ 15,873,277
Furniture and equipment	7,640,721	6,068,522	1,572,199	1,886,793
Library materials	3,328,265	2,670,135	658,130	704,836
Land	1,852,592	-	1,852,592	1,852,592
	\$ 40,430,246	\$ 19,296,449	\$ 21,133,797	\$ 20,317,498

Included in buildings and site improvements is construction in progress of \$1,449,942 (2013 - \$2,230). As the improvements have not been completed and are not in use they have not been amortized.

6. GOVERNMENT REMITTANCES PAYABLE

	2014	2013
Payroll taxes	\$ 205,763	\$ 208,879
Workers' Compensation insurance premiums	2,114	(221)
Tourism Levy	144	263
Goods and Services Tax receivable	(18,966)	(8,576)
	\$ 189,055	\$ 200,345

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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:

	2014	2013
Beginning balance, related to operating funding	\$ 737,870	\$ 502,028
Add:		
Restricted donations	\$ 1,849,430	\$ 280,331
Restricted government grants	(4,500)	9,000
Research grants	146,294	133,340
	1,991,224	422,671
Less:		
Donations recognized as revenue	\$ (218,152)	\$ (103,796)
Research grants recognized as revenue	(127,432)	(83,033)
Amounts transferred to deferred capital contributions	(418,706)	-
Government grants recognized as revenue	(4,500)	-
	(768,790)	(186,829)
Ending balance, related to operating fund	1,960,304	737,870
Beginning balance, related to investment income	323,759	229,140
Add:		
Dividend and interest income earned	105,571	127,713
Changes in unrealized gains	336,357	82,289
	441,928	210,002
Less:		
Amount recognized as investment income in the period	(158,795)	(103,385)
Amount added directly to endowments	(76,986)	(11,998)
	(235,781)	(115,383)
Ending balance, related to investment income	529,906	323,759
	\$ 2,490,210	\$ 1,061,629

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

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 trusted 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, non-redeemable guaranteed investment certificates under \$100,000. For the quarter ended March 31, 2014 the rate was 2.00% (2013 - 2.15%) Interest is compounded quarterly and reinvested in the mortgage until the full advance has been made.

Due to the legal right of plan holders 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:

	2014
2015	260,600
2016	281,300
2017	300,200
2018	314,200
2019	347,700
Subsequent years	10,053,865
	\$ 11,557,865

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

9. DEBENTURE PAYABLE

Debenture payable to ATB Financial is secured by a General Security Agreement covering all assets of the University College and a debenture from the borrower in the amount of \$10,000,000 providing a floating charge over all undertakings of the University College 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 \$800,000.

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 College 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 7 years.

The debenture is due on demand. At March 31, 2014, the effective interest rate was 4.00%. The University College is required to maintain a debt service coverage ratio of 1.5:1. At March 31, 2014, the University College is in compliance with these requirements.

Minimum repayments are as follows:

2015	\$	114,285
2016		114,285
2017		349,285
2018		349,285
2019		349,285
Thereafter		<u>1,521,075</u>
	\$	<u>2,797,500</u>

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

10. LONG TERM DEBT

	2014	2013
Various notes payable, unsecured, at variable interest rates from 0% to 4.60% and repayment due at various dates through to December 3, 2017.	\$ 2,985,151	\$ 3,237,360
Amounts payable within one year	(1,455,279)	(1,475,831)
	\$ 1,529,872	\$ 1,761,529

Principal repayment terms are approximately as follows:

2015	\$ 1,455,279
2016	455,572
2017	476,960
2018	235,610
2019	361,730
	<u>\$ 2,985,151</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:

	2014	2013
Balance, beginning of period	\$ 3,377,527	\$ 3,770,328
Capital contributions from donors	410,411	4,521
Capital contributions from government	8,294	-
Amounts amortized to revenue	(361,386)	(397,322)
Balance, end of period	\$ 3,434,846	\$ 3,377,527

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

12. ENDOWMENTS

	2014	2013
Balance, beginning of period	\$ 1,947,736	\$ 1,920,101
Contributions restricted by donors	196,749	27,635
Balance, end of period	\$ 2,144,485	\$ 1,947,736

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Music	\$ 318,809	\$ 285,564
Christian ministry or service	234,552	196,361
Arts	230,431	216,906
Education	221,342	210,790
Commerce	168,840	164,882
Political Science, History, Economics	157,173	116,832
Natural Sciences	143,848	133,195
Various disciplines	118,686	85,929
Social Sciences	117,764	115,608
Environmental Studies	115,043	110,000
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	96,157	96,158
Other	62,796	58,396
Micah Centre	51,490	49,561
	\$ 2,144,485	\$ 1,947,736

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 10). At March 31, 2014, the effective interest rate was 3.50% and the facility was not drawn upon.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

15. INVESTMENT INCOME

	2014	2013
Dividend and interest income earned in the period	\$ 105,571	\$ 127,714
Changes in unrealized gains	336,357	82,289
Amounts added directly to endowments	(76,985)	(11,998)
Amounts deferred	(206,148)	(94,619)
	\$ 158,795	\$ 103,386

16. BUDGET

The budget was approved by the Board of Governors on March 15, 2013. The budgeted amounts have been provided for information purposes only and are unaudited.

17. PENSION PLAN

The pension expense recorded in these financial statements represents the University College's annual contributions payable of \$611,169 for the year ended March 31, 2014 (2013 - \$608,485).

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 90% funded level; as a result, actuarial valuations will be performed on a yearly basis if the Plan is below the 85% funded level. The most recent valuation was done on August 31, 2012. In 2013, the Plan reported a shortfall of approximately \$51 million in a fund with assets of approximately \$230 million.

The calculation of the estimated present value of vested benefits under the Plan at August 31, 2012 and 2011 was made by consulting enrolled actuaries Mercer Human Resource Consulting.

The Plan remains underfunded according to both the going concern test and the solvency test.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

18. FINANCIAL INSTRUMENTS

The University College is exposed to various risks through its financial instruments. The following analysis provides information about the University College's risk exposure and concentration as of March 31, 2014. Unless otherwise noted, the University College'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 College 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 College has a significant number of students and customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the University College will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the University College'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 College's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University College 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 College'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 College is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and locked in guaranteed investment certificates.

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations by Function
Year Ended March 31, 2014

	Budget (Note 16)	2014	2013
REVENUE			
Tuition fees	\$ 6,400,604	\$ 6,435,001	\$ 5,989,897
Government grants	4,592,945	4,626,471	4,883,900
Donations	2,600,000	2,437,086	2,690,143
Residence and other sales	2,144,500	2,236,074	2,264,377
Research grants	208,246	303,128	316,645
Investment income (Note 15)	115,100	158,795	103,386
Other income	38,000	101,306	121,901
	16,099,395	16,297,861	16,370,249
EXPENSES			
Instruction	5,620,833	5,660,315	5,690,186
Ancillary services	1,974,310	2,013,611	2,061,855
Student services	1,922,977	1,941,547	1,987,816
Institutional advancement	1,645,462	1,786,381	1,854,313
Physical plant	1,391,529	1,411,153	1,415,133
Institutional support	970,376	1,051,040	1,076,710
Academic support and library	905,218	865,876	910,282
Computing services	935,973	829,632	867,959
Interest on long term and other liabilities	558,000	409,260	448,578
Research	260,168	299,989	358,448
	16,184,846	16,268,804	16,671,280
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (85,451)	\$ 29,057	\$ (301,031)