

THE KING'S UNIVERSITY
Consolidated Financial Statements
Year Ended March 31, 2017

THE KING'S UNIVERSITY
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Year Ended March 31, 2017

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June 9, 2017

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, 2017 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, 2017 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 Paskup LLP
Chartered Professional Accountants

THE KING'S UNIVERSITY
Consolidated Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 173,240	\$ 919,287
Accounts receivable (Note 3)	166,133	147,488
Bookstore inventory	204,291	266,844
Prepaid expenses and deposits	277,753	273,644
Short term investments (Note 4)	1,016,341	856,609
Goods and Services Tax receivable	8,349	18,117
	1,846,107	2,481,989
INVESTMENTS (Note 4)	7,547,801	6,198,146
PROPERTY AND EQUIPMENT (Note 5)	20,129,465	20,684,751
	\$ 29,523,373	\$ 29,364,886
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 6)	\$ 180,000	\$ -
Accounts payable and accrued liabilities	885,207	1,088,418
Government remittances payable (Note 7)	241,305	233,982
Deferred revenue	1,538,326	1,473,859
Deferred contributions (Note 8)	5,302,733	4,119,894
Mortgage payable (Note 9)	10,733,658	11,119,974
Debenture payable (Note 10)	2,511,786	2,568,929
Current portion of long term debt (Note 11)	972,760	1,277,381
	22,365,775	21,882,437
LONG TERM DEBT (Note 11)	2,028,968	2,011,747
DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	2,815,193	3,045,707
	27,209,936	26,939,891
NET ASSETS		
Investment in property and equipment	1,386,303	980,218
Endowments (Note 13)	2,790,660	2,589,630
Internally restricted (Note 14)	282,459	282,459
Accumulated operating deficit	(2,145,985)	(1,427,312)
	2,313,437	2,424,995
	\$ 29,523,373	\$ 29,364,886

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE KING'S UNIVERSITY
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2017

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 980,218	\$ 2,589,630	\$ 282,459	\$ (1,427,312)	\$ 2,424,995	\$ 2,513,276
Deficiency of revenue over expenditures	-	-	-	(312,588)	(312,588)	(191,238)
Endowment contributions	-	201,030	-	-	201,030	102,957
Transfer for:						
Acquisition of internally funded property and equipment	1,047,872	-	-	(1,047,872)	-	-
Amortization of internally funded property and equipment	(1,348,121)	-	-	1,348,121	-	-
Net book value of property and equipment disposals	(24,524)	-	-	24,524	-	-
Change in mortgage, debenture and long term debt payable	730,858	-	-	(730,858)	-	-
NET ASSETS - END OF YEAR	\$ 1,386,303	\$ 2,790,660	\$ 282,459	\$ (2,145,985)	\$ 2,313,437	\$ 2,424,995

THE KING'S UNIVERSITY
Consolidated Statement of Operations
Year Ended March 31, 2017

	Budget (Note 17)	2017	2016
REVENUE			
Tuition fees	\$ 8,047,287	\$ 8,227,727	\$ 7,771,554
Government grants	4,835,293	4,879,276	4,703,656
Donations	3,597,016	2,689,798	2,980,527
Residence and other sales (Note 15)	2,571,500	2,524,718	2,580,528
Research grants	181,363	360,792	336,099
Other income	82,500	215,679	158,699
Investment income (Note 16)	121,000	209,268	54,777
	19,435,959	19,107,258	18,585,840
EXPENSES			
Salaries and benefits	11,902,159	11,798,704	11,407,825
Operating supplies and services	2,136,691	2,191,376	2,113,089
Amortization	1,590,458	1,625,663	1,606,233
Cost of goods sold	961,000	915,848	962,632
Scholarships and awards	604,000	698,562	536,721
Travel, hospitality and conferences	680,625	659,322	582,756
Utilities	476,675	495,506	499,029
Maintenance and equipment rent	491,551	453,535	496,856
Interest on mortgage payable	250,000	197,680	212,231
Insurance and taxes	117,600	128,306	116,755
Interest on debenture payable	101,000	93,901	99,962
Interest on long term debt	73,000	71,670	82,161
Professional fees	49,200	56,518	56,226
Loss on disposal of property and equipment	-	21,564	2,172
Interest on line of credit	2,000	11,691	2,430
	19,435,959	19,419,846	18,777,078
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ -	\$ (312,588)	\$ (191,238)

THE KING'S UNIVERSITY
Consolidated Statement of Cash Flow
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 8,300,179	\$ 7,924,640
Cash received from government	5,082,695	4,837,683
Cash received from donors	3,150,070	3,438,754
Cash received from sale of goods and services	2,504,262	2,637,613
Cash received from other sources	172,958	134,069
Cash paid to employees for salaries and benefits	(11,835,037)	(11,338,501)
Cash paid to suppliers for materials and services	(5,692,642)	(5,355,132)
Cash paid to creditors for interest	(177,262)	(184,553)
Cash flow from operating activities	1,505,223	2,094,573
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	47,029	22,683
Cash received from income on investments	205,269	145,973
Cash received on disposal of property and equipment	2,961	3,747
Cash applied to purchase of property and equipment	(1,094,901)	(1,284,339)
Cash invested in investments	(881,272)	(848,019)
Cash flow used by investing activities	(1,720,914)	(1,959,955)
FINANCING ACTIVITIES		
Cash received from line of credit	180,000	-
Cash received from long term debt proceeds	244,101	306,765
Cash received from endowments	132,742	91,969
Cash paid for long term debt repayments	(1,172,638)	(596,325)
Cash flow used by financing activities	(615,795)	(197,591)
DECREASE IN CASH	(831,486)	(62,973)
CASH - BEGINNING OF YEAR	1,022,991	1,085,964
CASH - END OF YEAR	\$ 191,505	\$ 1,022,991
CASH CONSISTS OF:		
Cash	\$ 173,240	\$ 919,287
Cash included in short term investments	18,265	103,704
	\$ 191,505	\$ 1,022,991

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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 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, 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.

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.

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

(continues)

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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

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 \$264,264 (2016 - \$305,444).

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.

(*continues*)

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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

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 determinable.

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 collectability 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

	2017	2016
Allowance for doubtful accounts	\$ 117,468	\$ 107,197
Bad debt expense, included in Tuition fees	\$ 7,149	\$ 13,779

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

4. INVESTMENTS

	2017	2016
Short term investments		
Corporate notes	\$ 764,552	\$ 607,400
Mutual funds	233,524	145,505
Cash	18,265	103,704
	\$ 1,016,341	\$ 856,609
Long term investments		
Equity funds - Canada	2,822,486	2,356,910
Corporate notes	2,214,330	1,679,411
Equity funds - U.S.	1,508,825	366,278
Equity linked notes - Canada	392,601	656,967
Deposit agreement	295,103	287,009
Equity funds - Overseas	193,419	172,018
Cash surrender value of life insurance policies	65,964	62,179
Equity funds - Emerging markets	55,073	45,007
Equity linked notes - U.S.	-	572,367
	7,547,801	6,198,146
	\$ 8,564,142	\$ 7,054,755

Investments include corporate notes that mature at various dates to October 22, 2021. 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 1.35% 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 (2016 - 50% invested in equity and 50% invested in fixed income).

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Buildings and site improvements	\$ 29,398,272	\$ 13,408,132	\$ 15,990,140	\$ 16,390,465
Land	1,852,592	-	1,852,592	1,852,592
Furniture and equipment	8,864,404	7,198,725	1,665,679	1,795,969
Library materials	3,554,912	2,933,858	621,054	645,725
	\$ 43,670,180	\$ 23,540,715	\$ 20,129,465	\$ 20,684,751

6. 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, 2017, \$180,000 was drawn upon (2016 - \$nil) and the effective interest rate was 3.20%.

7. GOVERNMENT REMITTANCES PAYABLE

	2017	2016
Payroll taxes	\$ 241,490	\$ 233,016
Income taxes	(185)	966
	\$ 241,305	\$ 233,982

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

8. 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:

	2017	2016
Beginning balance, related to operating funding	\$ 3,546,067	\$ 2,875,086
Add:		
Restricted donations	1,512,609	1,484,851
Restricted government grants	10,000	4,500
Restricted research grants	197,643	112,658
	1,720,252	1,602,009
Less:		
Donations recognized as revenue	(757,903)	(696,548)
Research grants recognized as revenue	(156,096)	(124,941)
Amounts transferred to deferred capital contributions	(47,029)	(22,682)
Government grants recognized as revenue	(148,750)	(86,857)
Amounts transferred to endowments	(50,000)	-
	(1,159,778)	(931,028)
Ending balance, related to operating fund	\$ 4,106,541	\$ 3,546,067
Beginning balance, related to investment income	\$ 573,827	\$ 755,018
Add:		
Changes in unrealized gains (losses)	690,534	(265,156)
Dividend and interest income earned	205,269	145,971
	895,803	(119,185)
Less:		
Amount recognized as investment income in the period	(209,268)	(54,777)
Amount added directly to endowments	(64,170)	(7,229)
	(273,438)	(62,006)
Ending balance, related to investment income	\$ 1,196,192	\$ 573,827
	\$ 5,302,733	\$ 4,119,894

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

9. 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 trusteeed by Concentra Trust and managed by Concentra Bank. 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, 2017, the rate was 1.85% (2016 - 1.85%). Interest is compounded quarterly and reinvested in the mortgage until the full advance has been paid. All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the legal right of planholders to demand repayment, the mortgage payable has been classified as a current liability. The minimum required repayments are made once annually, and are based on federal regulations and requested additional repayments.

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

	2017
2018	\$ 375,400
2019	317,700
2020	306,000
2021	321,300
2022	329,800
Subsequent years	9,083,458
	\$ 10,733,658

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

10. 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 \$514,286.

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 2018 fiscal year.

Facility 2 requires annual principal repayments of \$114,285 over the next four years with a final principal payment of \$57,146 in the fifth year.

The debenture is due on demand. At March 31, 2017, the effective interest rate was 3.70% (2016 - 3.70%). The University is required to maintain a debt service coverage ratio of at least 1.5:1.

Minimum repayments are as follows:

2018	\$	349,285
2019		349,285
2020		349,285
2021		349,285
2022		292,146
Thereafter		822,500
		<u>\$ 2,511,786</u>

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

11. LONG TERM DEBT	2017	2016
Various notes payable, unsecured, at variable interest rates from 0% to 3.10%, are repayable at various maturity dates through to March 29, 2022.	\$ 3,001,728	\$ 3,289,128
Amounts payable within one year	(972,760)	(1,277,381)
	\$ 2,028,968	\$ 2,011,747

Principal repayment terms are approximately as follows:

2018	\$ 972,760
2019	987,764
2020	572,250
2021	207,817
2022	261,137
	<u>\$ 3,001,728</u>

12. 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:

	2017	2016
Balance, beginning of period	\$ 3,045,707	\$ 3,348,474
Capital contributions from donors	47,029	22,683
Amounts amortized to revenue, included in government grants, donations and research grants	(277,543)	(325,450)
Balance, end of period	\$ 2,815,193	\$ 3,045,707

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

13. ENDOWMENTS

	2017	2016
Balance, beginning of period	\$ 2,589,630	\$ 2,486,673
New contributions and earnings on restricted donations	201,030	102,957
Balance, end of period	\$ 2,790,660	\$ 2,589,630

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 403,954	\$ 380,162
Music	341,033	333,983
Education	301,325	239,689
Christian ministry or service	274,404	259,054
Commerce	258,813	243,255
Arts	255,196	243,546
Natural Sciences	207,416	176,073
Political Science, History, Economics	167,647	163,397
Environmental Studies	134,657	118,207
Social Sciences	125,208	122,008
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	96,157	96,157
Other	65,806	55,055
Micah Centre	51,490	51,490
	\$ 2,790,660	\$ 2,589,630

14. 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.

15. RESIDENCE AND OTHER SALES

	2017	2016
Residence	\$ 936,672	\$ 820,423
Food services	673,055	724,088
Conference services	457,482	446,370
Bookstore	370,131	404,044
Other	87,378	121,836
Leder Consulting Services	-	63,767
	\$ 2,524,718	\$ 2,580,528

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

16. INVESTMENT INCOME

	2017	2016
Dividend and interest income earned in the period	\$ 205,269	\$ 145,973
Changes in unrealized gains (losses)	690,534	(265,156)
Amounts added directly to endowments	(64,170)	(7,229)
Amounts (deferred) recognized	(622,365)	181,189
	\$ 209,268	\$ 54,777

17. BUDGET

The budget was approved by the Board of Governors on April 2, 2016. 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 \$677,891 for the year ended March 31, 2017 (2016 - \$661,080).

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, 2015. In 2016, the Plan reported a deficit of approximately \$25 million in a fund with net assets available for benefits of approximately \$319 million and pension obligations of \$344 million.

The calculation of the estimated present value of vested benefits under the Plan at August 31, 2016 and 2015 was made by consulting enrolled actuaries Mercer Human Resource Consulting.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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, 2017. 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, 2017

	Budget (Note 17)	2017	2016
REVENUE			
Tuition fees	\$ 8,047,287	\$ 8,227,727	\$ 7,771,554
Government grants	4,835,293	4,879,276	4,703,656
Donations	3,597,016	2,689,798	2,980,527
Residence and other sales (Note 15)	2,571,500	2,524,718	2,580,528
Research grants	181,363	360,792	336,099
Other income	82,500	215,679	158,699
Investment income (Note 16)	121,000	209,268	54,777
	19,435,959	19,107,258	18,585,840
EXPENDITURES			
Instruction	6,983,571	6,809,574	6,588,114
Student services	3,013,600	3,312,425	3,115,050
Ancillary services	2,453,815	2,421,618	2,415,744
Physical plant	1,562,708	1,505,691	1,482,056
Institutional advancement	1,535,848	1,456,730	1,373,677
Academic support and library	1,460,706	1,410,386	905,259
Institutional support	925,503	953,270	1,326,515
Computing services	844,162	836,337	868,749
Interest on long term and other liabilities	426,000	374,878	396,519
Research	230,046	338,937	305,395
	19,435,959	19,419,846	18,777,078
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ -	\$ (312,588)	\$ (191,238)