

**THE KING'S UNIVERSITY**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2019**

**THE KING'S UNIVERSITY**  
**Index to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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	Page
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Changes in Net Assets	3
Consolidated Statement of Operations	4
Consolidated Statement of Cash Flow	5
Notes to Consolidated Financial Statements	6 - 17
Consolidated Statement of Operations by Function ( <i>Schedule 1</i> )	18



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July 19, 2019  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

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To the Members of The King's University

### **Opinion**

We have audited the financial statements of The King's University (the University), which comprise the consolidated statement of financial position as at March 31, 2019 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2019, 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.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  

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**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Financial Position**  
**March 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,548,609	\$ 328,317
Accounts receivable (Note 3)	367,633	423,726
Goods and Services Tax receivable	20,593	19,308
Bookstore inventory	125,811	151,216
Prepaid expenses and deposits	281,204	472,775
Short term investments (Note 4)	898,757	678,320
	<b>3,242,607</b>	<b>2,073,662</b>
INVESTMENTS (Note 4)	9,127,535	8,899,263
PROPERTY AND EQUIPMENT (Note 5)	18,942,868	19,569,420
	<b>\$ 31,313,010</b>	<b>\$ 30,542,345</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 1,378,111	\$ 1,110,783
Source deductions payable	247,648	253,982
Deferred revenue	1,883,069	1,873,389
Deferred contributions (Note 6)	7,621,829	6,972,822
Mortgage payable (Note 7)	10,343,577	10,356,727
Debenture payable (Note 8)	1,974,904	2,340,357
Current portion of long term debt (Note 9)	1,157,563	758,656
	<b>24,606,701</b>	<b>23,666,716</b>
LONG TERM DEBT (Note 9)	1,331,871	1,839,341
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	2,640,373	2,799,747
	<b>28,578,945</b>	<b>28,305,804</b>
<b>NET ASSETS</b>		
Investment in property and equipment	1,813,785	1,793,796
Endowments (Note 11)	3,592,893	3,239,217
Internally restricted (Note 12)	282,459	282,459
Accumulated operating deficit	(2,955,072)	(3,078,931)
	<b>2,734,065</b>	<b>2,236,541</b>
	<b>\$ 31,313,010</b>	<b>\$ 30,542,345</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Changes in Net Assets**  
**Year Ended March 31, 2019**

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2019	2018
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 1,793,796	\$ 3,239,217	\$ 282,459	\$ (3,078,931)	<b>\$ 2,236,541</b>	\$ 2,313,437
Excess (deficiency) of revenue over expenditures	-	-	-	143,848	<b>143,848</b>	(455,283)
Endowment contributions (Note 11)	-	353,676	-	-	<b>353,676</b>	378,387
Transfer for:						
Acquisition of internally funded property and equipment	873,670	-	-	(873,670)	-	-
Amortization of internally funded property and equipment	(1,335,442)	-	-	1,335,442	-	-
Net book value of property and equipment disposals	(5,407)	-	-	5,407	-	-
Change in mortgage, debenture and long term debt payable	487,168	-	-	(487,168)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,813,785</b>	<b>\$ 3,592,893</b>	<b>\$ 282,459</b>	<b>\$ (2,955,072)</b>	<b>\$ 2,734,065</b>	<b>\$ 2,236,541</b>

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Operations**  
**Year Ended March 31, 2019**

	Budget (Note 15)	2019	2018
<b>REVENUE</b>			
Tuition fees	\$ 9,695,400	\$ <b>9,522,225</b>	\$ 8,859,667
Government grants	4,971,028	<b>5,183,137</b>	4,986,516
Donations	2,747,390	<b>2,371,755</b>	2,494,136
Residence and other sales (Note 13)	2,593,455	<b>2,290,656</b>	2,391,522
Research grants	301,913	<b>411,321</b>	389,943
Other income	74,350	<b>380,873</b>	159,630
Investment income (Note 14)	142,150	<b>119,869</b>	108,553
	20,525,686	<b>20,279,836</b>	19,389,967
<b>EXPENSES</b>			
Salaries and benefits	12,790,417	<b>12,409,073</b>	12,256,313
Operating supplies and services	2,077,031	<b>2,258,948</b>	2,002,537
Amortization	1,615,544	<b>1,616,204</b>	1,609,304
Cost of goods sold	897,100	<b>964,727</b>	903,656
Scholarships and awards	802,950	<b>764,513</b>	950,142
Travel, hospitality and conferences	725,494	<b>664,363</b>	585,770
Utilities	508,350	<b>495,998</b>	501,699
Maintenance and equipment rent	504,500	<b>431,961</b>	457,767
Interest on mortgage payable	238,000	<b>217,660</b>	196,033
Insurance and taxes	131,400	<b>138,559</b>	131,868
Interest on debenture payable	100,000	<b>104,918</b>	99,971
Interest on long term debt	85,000	<b>62,157</b>	72,171
Professional fees	49,900	<b>61,467</b>	49,502
Interest on line of credit	-	<b>33</b>	13,008
(Gain) loss on disposal of equipment	-	<b>(54,593)</b>	15,509
	20,525,686	<b>20,135,988</b>	19,845,250
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ -	\$ <b>143,848</b>	\$ (455,283)

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Cash Flow**  
**Year Ended March 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Cash received from students for tuition and fees	\$ 9,738,618	\$ 8,985,396
Cash received from government	2,469,347	5,360,545
Cash received from donors	5,714,154	3,519,061
Cash received from sale of goods and services	2,114,827	2,345,136
Cash received from other sources	376,673	155,090
Cash paid to employees for salaries and benefits	(12,373,641)	(12,223,031)
Cash paid to suppliers for materials and services	(5,335,234)	(5,531,159)
Cash paid to creditors for interest	(167,108)	(185,151)
Cash flow from operating activities	<b>2,537,636</b>	2,425,887
<b>INVESTING ACTIVITIES</b>		
Cash received from donors restricted for property and equipment	121,389	261,268
Cash received from income on investments	196,980	230,426
Cash received on disposal of property and equipment	60,000	-
Cash applied to purchase of property and equipment	(995,059)	(1,064,768)
Cash invested in investments	(388,519)	(703,189)
Cash flow used by investing activities	<b>(1,005,209)</b>	(1,276,263)
<b>FINANCING ACTIVITIES</b>		
Cash paid from line of credit	-	(180,000)
Cash received from endowments	254,858	309,904
Cash paid for long term debt repayments	(704,828)	(1,148,123)
Cash flow used by financing activities	<b>(449,970)</b>	(1,018,219)
<b>INCREASE IN CASH</b>	<b>1,082,457</b>	131,405
CASH - BEGINNING OF YEAR	556,434	425,029
<b>CASH - END OF YEAR</b>	<b>\$ 1,638,891</b>	\$ 556,434
<b>CASH CONSISTS OF:</b>		
Cash	\$ 1,548,609	\$ 328,317
Cash included in short term investments (Note 4)	90,282	228,117
	<b>\$ 1,638,891</b>	<b>\$ 556,434</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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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

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 operated under the Business Corporations Act of Alberta and was subject to income tax, was a wholly owned subsidiary that provided consulting services on a fee for service basis and was dissolved on October 31, 2018.

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

Property and equipment is not amortized until available for use. Construction on the building amounts to \$555,018 as at March 31, 2019, and has not been amortized during the year.

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**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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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 \$326,217 (2018 - \$270,764).

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 (including research grants) 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 at fair value when a fair value can be reasonably determined and when they would otherwise have been purchased. 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.

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**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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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, therefore the pension is being accounted for as a defined contribution plan.

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, the allocation of costs to the Leder School of Business for the purpose of recognizing deferred contributions and the amortization of deferred capital contributions.

Financial instruments

All 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>2019</b>	2018
Allowance for doubtful accounts	<b>\$ 145,458</b>	\$ 125,435
Bad debt expense, included in Tuition fees	<b>\$ 20,030</b>	\$ 4,967

Included in accounts receivable is a contribution receivable of \$125,000 from Energy Efficiency Alberta, of which the project start date falls within the year-end and the grant has been received subsequent to year-end. As at March 31, 2019 no expenses have been incurred and therefore no revenue has been recognized.

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

4. INVESTMENTS

	2019	2018
<b>Short term investments</b>		
Corporate notes	\$ 808,475	\$ 450,203
Cash	90,282	228,117
	<b>\$ 898,757</b>	<b>\$ 678,320</b>
<b>Long term investments</b>		
Equity funds - Canada	2,960,488	2,128,398
Corporate notes	2,772,855	2,854,996
Equity funds - U.S.	1,709,783	2,405,743
Equity linked notes - Canada	929,107	853,341
Deposit agreement	323,800	311,999
Equity funds - Overseas	201,694	212,821
Mortgage fund	100,000	-
Cash surrender value of life insurance policies	73,699	69,738
Equity funds - Emerging markets	56,109	62,227
	<b>9,127,535</b>	<b>8,899,263</b>
	<b>\$ 10,026,292</b>	<b>\$ 9,577,583</b>

Investments include corporate notes that mature at various dates to December 28, 2023. 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 3.78%. 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, 2019 equity linked notes were 50% invested in equity and 50% invested in fixed income (2018 - 50% invested in equity and 50% invested in fixed income).

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	<b>2019 Net book value</b>	2018 Net book value
Buildings and site improvements	\$ 30,543,529	\$ 15,493,426	<b>\$ 15,050,103</b>	\$ 15,623,786
Land	1,852,592	-	<b>1,852,592</b>	1,852,592
Furniture and equipment	9,256,980	7,835,682	<b>1,421,298</b>	1,456,940
Library materials	3,768,838	3,149,963	<b>618,875</b>	636,102
	<b>\$ 45,421,939</b>	<b>\$ 26,479,071</b>	<b>\$ 18,942,868</b>	<b>\$ 19,569,420</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

6. 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:

	2019	2018
Beginning balance, related to operating funding	\$ 5,556,593	\$ 4,106,541
Add:		
Restricted donations	895,187	2,152,750
Restricted government grants	75,000	65,750
Restricted research grants	579,880	207,825
	<b>1,550,067</b>	<b>2,426,325</b>
Less:		
Donations recognized as revenue	(742,602)	(766,590)
Research grants recognized as revenue	(259,150)	(161,552)
Amounts transferred to deferred capital contributions	(1,704)	(4,790)
Government grants recognized as revenue	(63,319)	(43,341)
	<b>(1,066,775)</b>	<b>(976,273)</b>
Ending balance, related to operating fund	\$ 6,039,885	\$ 5,556,593
Beginning balance, related to investment income	\$ 1,416,229	\$ 1,196,192
Add:		
Changes in unrealized gains	122,010	151,676
Dividend and interest income earned	194,924	230,426
	<b>316,934</b>	<b>382,102</b>
Less:		
Amount recognized as investment income in the period	(117,812)	(108,553)
Amount added directly to endowments	(33,407)	(53,512)
	<b>(151,219)</b>	<b>(162,065)</b>
Ending balance, related to investment income	\$ 1,581,944	\$ 1,416,229
	<b>\$ 7,621,829</b>	<b>\$ 6,972,822</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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7. 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, 2019, the rate was 2.40% (2018 - 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:

	<b>2019</b>
2020	<b>\$ 326,200</b>
2021	<b>338,200</b>
2022	<b>354,400</b>
2023	<b>391,300</b>
2024	<b>406,900</b>
Subsequent years	<b>8,526,577</b>
	<b>\$ 10,343,577</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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8. 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 2 for \$1,697,053 and Facility 3 for \$277,851.

Facility 2 requires annual principal repayments of \$235,000. Prepayments and payouts in full are permitted at anytime without penalty or bonus.

Facility 3 requires annual principal repayments of \$130,453 over the next two years.

The debenture is due on demand. At March 31, 2019, the effective interest rate was 4.95% (2018 - 4.45%). The University is required to maintain a debt service coverage ratio of at least 1.25:1.

Minimum repayments are as follows:

2020	\$	365,453
2021		365,453
2022		251,945
2023		235,000
2024		235,000
Thereafter		<u>522,053</u>
	\$	<u>1,974,904</u>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

9. LONG TERM DEBT

	2019	2018
Various notes payable, unsecured, at variable interest rates from 0% to 3.00%, are repayable at various maturity dates through to April 26, 2023.	\$ 2,489,434	\$ 2,597,997
Amounts payable within one year	(1,157,563)	(758,656)
	<b>\$ 1,331,871</b>	<b>\$ 1,839,341</b>

Principal repayment terms are approximately as follows:

2020	\$ 1,157,563
2021	753,132
2022	258,569
2023	310,000
2024	10,170
	<u>\$ 2,489,434</u>

10. 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:

	2019	2018
Balance, beginning of period	\$ 2,799,747	\$ 2,815,193
Capital contributions from donors	57,087	21,575
Capital contributions from government	64,302	239,693
Amounts amortized to revenue, included in government grants and donations	(280,763)	(276,714)
Balance, end of period	<b>\$ 2,640,373</b>	<b>\$ 2,799,747</b>

Amounts amortized to revenue and included in government grants and donations are \$90,035 and \$190,728, respectively.

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

11. ENDOWMENTS

	2019	2018
Balance, beginning of period	\$ 3,239,217	\$ 2,790,660
New contributions and earnings on restricted donations	353,676	448,557
Balance, end of period	<b>\$ 3,592,893</b>	<b>\$ 3,239,217</b>

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 574,895	\$ 457,499
Music	351,693	347,384
Commerce	560,176	472,540
Education	283,693	277,684
Christian ministry or service	456,490	452,611
Arts	264,583	258,037
Natural Sciences	320,725	210,427
Political Science, History, Economics	186,176	178,913
Environmental Studies	137,743	136,308
Social Sciences	129,114	126,458
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	99,662	96,157
Other	68,899	66,156
Micah Centre	51,490	51,489
	<b>\$ 3,592,893</b>	<b>\$ 3,239,217</b>

The increase in endowments relates to \$254,858 for new endowment donations, \$33,407 for CPI indexing and \$65,411 for non-cash donations of investments.

12. 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.

13. RESIDENCE AND OTHER SALES

	2019	2018
Residence	\$ 882,138	\$ 915,854
Food services	580,257	631,299
Conference services	389,182	399,893
Bookstore	370,940	365,998
Other	68,139	78,478
	<b>\$ 2,290,656</b>	<b>\$ 2,391,522</b>

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

14. INVESTMENT INCOME

	2019	2018
Dividend and interest income earned in the period	\$ 194,924	\$ 230,426
Changes in unrealized gains	122,010	151,676
Interest income earned on general bank account	2,056	-
Amounts added directly to endowments	(33,407)	(53,512)
Amounts deferred	(165,714)	(220,037)
	<b>\$ 119,869</b>	<b>\$ 108,553</b>

15. BUDGET

The budget was approved by the Board of Governors on April 14, 2018. The budgeted amounts have been provided for information purposes only and are unaudited.

16. PENSION PLAN

The pension expense recorded in these financial statements represents the University's annual contributions payable of \$707,659 for the year ended March 31, 2019 (2018 - \$715,491).

An actuarial valuation of the Canadian Christian School Pension Plan (CCSPP) and Trust Fund (the Plan) was done August 31, 2017 by consulting actuary Mercer, with the next valuation due August 31, 2020. In April 2018, the trustees elected to declare the CCSPP Plan to be a Specified Ontario Multi-Employer Pension Plan because of the change in the Ontario Government in May 2018 which changed funding rules for defined benefit pension plans.

The major changes in the 2018 actuarial estimate include increasing the discount rate for terminated members electing for lump-sum distributions from 3.23% to 3.73% on the present value of accumulated plan benefits; and reducing 2017 actuarial estimates of the present value of accumulated plan benefits from 4.50% to 3.23%. These are presuming the plan will continue, but could change results if the plan were to terminate.

In 2018, the Plan reported a deficit of approximately \$11 million in a fund with net assets available for benefits of approximately \$374 million and pension obligations of \$385 million.

17. AVAILABLE LINE OF CREDIT

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 8). At March 31, 2019, \$nil was drawn upon (2018 - \$nil) and the effective interest rate was 4.45%.

**THE KING'S UNIVERSITY**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2019**

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18. 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, 2019. 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 the concentration of credit risk.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting 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.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The University is mainly exposed to market risk through its exposure to potential fluctuations in investment values.

*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 (\$28,644 CAD) and accounts payable (\$13,036 CAD) 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.

**THE KING'S UNIVERSITY**  
**Consolidated Statement of Operations by Function**  
**Year Ended March 31, 2019**

	Budget (Note 15)	2019	2018
<b>REVENUE</b>			
Tuition fees	\$ 9,695,400	\$ 9,522,225	\$ 8,859,667
Government grants	4,971,028	5,183,137	4,986,516
Donations	2,747,390	2,371,755	2,494,136
Residence and other sales (Note 13)	2,593,455	2,290,656	2,391,522
Research grants	301,913	411,321	389,943
Other income	74,350	380,873	159,630
Investment income (Note 14)	142,150	119,869	108,553
	20,525,686	20,279,836	19,389,967
<b>EXPENDITURES</b>			
Instruction	7,344,418	7,071,435	6,849,963
Student services	3,610,522	3,674,012	3,654,780
Ancillary services	2,266,398	2,433,976	2,436,832
Physical plant	1,910,092	1,818,231	1,521,317
Institutional support	1,624,662	1,536,909	1,436,375
Institutional advancement	1,489,125	1,365,365	1,421,527
Computing services	888,218	815,358	925,969
Academic support and library	720,246	688,150	910,917
Interest on long term and other liabilities	423,000	384,734	381,132
Research	249,005	347,818	306,438
	20,525,686	20,135,988	19,845,250
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ -	\$ 143,848	\$ (455,283)