

THE KING'S UNIVERSITY
Consolidated Financial Statements
Year Ended March 31, 2021

THE KING'S UNIVERSITY
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Year Ended March 31, 2021

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October 7, 2021
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University

Opinion

We have audited the consolidated financial statements of The King's University (the University), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of changes in net assets, operations and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at March 31, 2021, and the consolidated results of its operations and consolidated cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Consolidated Financial Statements* section of our report. We are independent of the University in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPO, 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.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related 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.

(continues)

Independent Auditor's Report to the Members of The King's University *(continued)*


Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.



Kingston Ross Pasnak LLP
Chartered Professional Accountants

THE KING'S UNIVERSITY
Consolidated Statement of Financial Position
March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 2,731,501	\$ 152,359
Accounts receivable (Note 3)	327,769	277,990
Goods and Services Tax receivable	20,524	12,787
Bookstore inventory	35,234	46,775
Prepaid expenses and deposits	413,521	291,663
Short term investments (Note 4)	4,321,632	1,159,789
	7,850,181	1,941,363
INVESTMENTS (Note 4)	9,251,403	8,678,128
PROPERTY AND EQUIPMENT (Note 5)	18,553,801	19,291,489
	\$ 35,655,385	\$ 29,910,980
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 6)	\$ -	\$ 650,000
Accounts payable and accrued liabilities	1,200,056	1,107,614
Source deductions payable	506,702	256,604
Deferred revenue	2,042,117	1,910,902
Deferred contributions (Note 7)	8,398,911	6,663,359
Mortgage payable (Note 8)	-	9,698,029
Debenture payable (Note 8)	-	1,609,230
Current portion of long term debt (Note 8)	-	1,120,115
Commercial mortgage due in one year (Note 8)	511,466	-
	12,659,252	23,015,853
Commercial mortgage due thereafter (Note 8)	13,288,534	-
	25,947,786	23,015,853
LONG TERM DEBT (Note 8)	-	916,850
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	2,648,627	2,883,519
	28,596,413	26,816,222
NET ASSETS		
Investment in property and equipment	2,385,151	3,381,139
Endowments (Note 10)	4,290,726	3,752,048
Internally Restricted (Note 11)	282,459	282,459
Accumulated Operating Deficit	100,636	(4,320,888)
	7,058,972	3,094,758
	\$ 35,655,385	\$ 29,910,980

ON BEHALF OF THE BOARD

Signed - "Stephanie Bolt" Treasurer

Signed - "Gerald Jansen" Director

THE KING'S UNIVERSITY
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2021

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2021	2020
NET ASSETS - BEGINNING OF YEAR	3,381,139	3,752,048	282,459	(4,320,888)	3,094,758	2,734,065
Excess of revenue over expenditure	-	-	-	3,425,536	3,425,536	201,538
Endowment contributions <i>(Note 10)</i>	-	538,678	-	-	538,678	159,155
Transfer for:						
Acquisition of internally funded property and equipment	926,771	-	-	(926,771)	-	-
Amortization of internally funded property and equipment	(1,427,758)	-	-	1,427,758	-	-
Net book value of property and equipment disposals	(1,810)	-	-	1,810	-	-
Change in mortgage, debenture and long term and callable debt payable	(493,191)	-	-	493,191	-	-
NET ASSETS - END OF YEAR	2,385,151	4,290,726	282,459	100,636	7,058,972	3,094,758

THE KING'S UNIVERSITY
Consolidated Statement of Operations
Year Ended March 31, 2021

	Budget (Note 14)	2021	2020
REVENUE			
Tuition fees (Note 3)	\$ 10,071,968	\$ 10,462,964	\$ 10,096,301
Government grants (Note 3)	4,987,851	5,162,985	5,254,578
Donations	2,261,926	2,485,003	2,416,447
Canadian Emergency Wage Subsidy	416,205	2,480,082	-
Residence and other sales (Note 12)	878,175	816,519	2,079,948
Research grants	455,086	463,220	579,495
Investment income (Note 13)	204,064	225,596	70,195
Other income	115,925	96,725	184,417
	19,391,200	22,193,094	20,681,381
EXPENSES			
Salaries and benefits	12,221,305	12,587,621	12,754,388
Operating supplies and services	2,087,108	1,955,034	2,127,411
Amortization	1,840,967	1,662,650	1,658,632
Scholarships and awards	908,850	915,203	936,733
Utilities	479,521	458,425	449,082
Maintenance and equipment rent	488,130	366,748	353,808
Cost of goods sold	327,090	182,762	830,843
Interest on mortgage payable	230,000	146,546	245,375
Insurance and taxes	155,400	138,066	139,937
Travel, hospitality and conferences	478,329	98,513	689,243
Interest on debenture payable	40,000	92,330	105,633
Interest on long term debt	80,000	87,560	60,269
Professional fees	54,500	74,274	122,556
Loss on disposal of equipment	-	1,810	5,910
Interest on line of credit	-	16	23
	19,391,200	18,767,558	20,479,843
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 3,425,536	\$ 201,538

THE KING'S UNIVERSITY
Consolidated Statement of Cash Flow
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 10,753,481	\$ 10,246,030
Cash received from government	8,136,519	5,686,752
Cash received from donors	2,613,560	1,839,050
Cash received from sale of goods and services	607,437	2,055,331
Cash received from other sources	93,925	180,217
Cash paid to employees for salaries and benefits	(12,299,121)	(12,698,704)
Cash paid to suppliers for materials and services	(4,253,046)	(5,889,782)
Cash paid to creditors for interest	(179,907)	(165,928)
Cash flow from operating activities	5,472,848	1,252,966
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	-	510,692
Cash received from income on investments	765,792	397,792
Cash received on disposal of property and equipment	2,000	-
Cash applied to purchase of property and equipment	(926,771)	(2,013,162)
Cash invested in investments	(2,319,546)	(553,067)
Cash flow used by investing activities	(2,478,525)	(1,657,745)
FINANCING ACTIVITIES		
Cash (paid) received from line of credit	(650,000)	650,000
Cash received from endowments	382,359	140,016
Cash paid for long term debt repayments	(13,490,769)	(1,709,066)
Cash received for commercial mortgage	13,800,000	-
Cash flow from (used by) financing activities	41,590	(919,050)
INCREASE (DECREASE) IN CASH	3,035,913	(1,323,829)
CASH - BEGINNING OF YEAR	315,062	1,638,891
CASH - END OF YEAR	\$ 3,350,975	\$ 315,062
CASH CONSISTS OF:		
Cash	\$ 2,731,501	\$ 152,359
Cash included in short term investments (Note 4)	619,474	162,703
	\$ 3,350,975	\$ 315,062

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

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"). 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. The Leder School of Business Consulting (the "Company"), which operated under the Business Corporations Act of Alberta, had been a wholly owned subsidiary that provided consulting services on a fee for service basis and was voluntarily dissolved October 31, 2018.

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. Subsequent to the year-end, The King's University Foundation was amalgamated into The King's University (Note 16).

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 \$769,057 as at March 31, 2021 (2020 - \$664,087) 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, 2021

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 \$171,062 (2020 - \$208,966).

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 and subsidies 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, 2021

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 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

	2021	2020
Accounts receivable	\$ 500,213	\$ 465,363
Allowance for doubtful accounts	(172,444)	(187,373)
	\$ 327,769	\$ 277,990
Bad debt (recovery) expense, included in tuition fees	\$ (14,928)	\$ 41,914

Included within accounts receivable is \$132,287 of Canada Emergency Wage Subsidy (2020 - \$nil). During the year, the University received \$25,000 in Temporary Wage Subsidy and \$2,480,082 of Canada Emergency Wage Subsidy included within government grants.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

4. INVESTMENTS

	2021	2020
Short term investments		
Corporate notes	\$ 3,702,158	\$ 997,086
Cash	619,474	162,703
	\$ 4,321,632	\$ 1,159,789
Long term investments		
Equity funds - Canada	\$ 3,801,945	\$ 3,360,255
Corporate notes	2,770,689	3,099,375
Equity linked notes - Canada	1,024,993	715,503
Equity funds - U.S.	653,532	873,084
Deposit agreement	354,127	338,011
Equity funds - Emerging markets	342,233	44,838
Equity funds - Overseas	222,912	169,729
Cash surrender value of life insurance policies	80,972	77,333
	\$ 9,251,403	\$ 8,678,128
	\$ 13,573,035	\$ 9,837,917

Investments include corporate notes that mature at various dates to May 1, 2025. 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 0.55% to 3.78% (2020 - 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, 2021 equity linked notes were 54% invested in equity and 46% invested in fixed income (2020 - 45% invested in equity and 55% invested in fixed income).

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Buildings and site improvements	\$ 32,241,770	\$ 17,743,699	\$ 14,498,071	\$ 15,213,542
Land	1,852,592	-	1,852,592	1,852,592
Furniture and equipment	10,213,081	8,563,627	1,649,454	1,610,718
Library materials	3,915,540	3,361,856	553,684	614,637
	\$ 48,222,983	\$ 29,669,182	\$ 18,553,801	\$ 19,291,489

6. BANK INDEBTEDNESS

During the year, the University acquired a new line of credit with Christian Credit Union authorized limit of \$3,500,000. The line of credit bears interest at bank prime plus 0.88%, is payable monthly and is secured by the same terms as the commercial mortgage in Note 8, plus a Loan and Security Agreement in the amount \$3,500,000. At March 31, 2021, the line of credit was not drawn upon, and the effective interest rate was 2.45%.

With the acquisition of the new line of credit noted above, the University no longer holds a line of credit with ATB Financial.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

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:

	2021	2020
Beginning balance, related to operating fund	\$ 5,588,089	\$ 6,039,885
Add:		
Restricted donations	919,379	729,230
Restricted government grants	165,000	189,370
Restricted research grants	449,024	679,788
	1,533,403	1,598,388
Less:		
Donations recognized as revenue	(574,796)	(964,332)
Research grants recognized as revenue	(343,724)	(430,851)
Amounts transferred to deferred capital contributions	-	(508,692)
Government grants recognized as revenue	(164,316)	(120,259)
Amounts returned to grantor	-	(917)
Amounts transferred to endowments	(60,000)	(25,133)
	(1,142,836)	(2,050,184)
Ending balance, related to operating fund	5,978,656	5,588,089
Beginning balance, related to investment income	1,075,270	1,581,941
Add:		
Dividend and interest income earned	745,155	388,512
Changes in unrealized gains (losses)	842,787	(828,270)
	1,587,942	(439,758)
Less:		
Amount recognized as investment income in the period	(87,613)	(47,772)
Amount added directly to endowments	(155,344)	(19,141)
	(242,957)	(66,913)
Ending balance, related to investment income	2,417,194	1,075,270
	\$ 8,398,911	\$ 6,663,359

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

8. COMMERCIAL MORTGAGE

The University's supporter-based financing has historically consisted of supporter loans and RRSP, RRIF, and TFSA programs.

On September 26, 2020, the King's Board of Governors approved the decision to move the institution's supporter-based financing to a traditional commercial mortgage with the Christian Credit Union. This decision was made largely because of the significant supporter loan and RRSP redemptions that have occurred in the past year, due to factors including the aging of our supporters and the difficult economic times in Alberta that were exacerbated by the COVID-19 pandemic. With the transition to a traditional bank mortgage arrangement, the University anticipates a more effective management of financial risk, as well as greater certainty of cash flow through the amortization period of the loan.

Deposits associated with the RRSP, RRIF, and TFSA programs were previously held by Concentra Trust on behalf of the University. As of March 19, 2021, these programs were closed by the University, and the portfolio balance was transferred in full to Concentra and no longer has association with the University.

The commercial mortgage acquired with Christian Credit Union bears interest at bank prime plus 0.55%, is due on demand, but until demanded, is repayable in monthly blended payments of principal and interest in the amount of \$76,554 and is secured by a Loan and Security Agreement in the amount of \$13,800,000, a General Security Agreement covering all present and after acquired personal property, a continuing Collateral Mortgage for Corporations in the amount of \$17,300,000 against specific properties of the University, assignment of all rents and leases of said properties and an Environmental Indemnity Agreement on said properties. As of March 31, 2021, the effective interest rate was 2.45%.

	2021
2022	\$ 511,466
2023	527,126
2024	542,151
2025	559,649
2026	576,671
Subsequent years	11,082,937
	\$ 13,800,000

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

9. 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:

	2021	2020
Balance, beginning of year	\$ 2,883,519	\$ 2,640,372
Capital contributions from donors	-	502,000
Capital Contributions from government	-	8,692
Amounts amortized to revenue, included in government grants, donations and research grants	(234,892)	(267,545)
Balance, end of period	\$ 2,648,627	\$ 2,883,519

Amounts amortized to revenue, and included in government grants and donations are \$47,655 (2020 - \$79,795) and \$187,237 (2020 - \$187,750), respectively.

10. ENDOWMENTS

	2021	2020
Balance, beginning of period	\$ 3,752,048	\$ 3,592,893
Net contributions and earnings on restricted donations	538,678	159,155
Balance, end of period	\$ 4,290,726	\$ 3,752,048

Balance consists of the following:

Designated for scholarships, bursaries or awards in:

Commerce	\$ 726,865	\$ 575,630
Various disciplines	637,585	621,512
Christian ministry or service	489,051	461,625
Education	409,950	393,723
Music	387,489	351,904
Arts	317,468	268,801
Natural Sciences	277,841	276,637
Political Science, History, Economics	199,947	190,225
Environmental Sciences	154,017	149,277
Social Sciences	132,878	131,954
Centre for Excellence in the Sciences	210,748	-
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	101,341	100,021
Other	71,954	71,695
Micah Centre	66,038	51,490
Total	\$ 4,290,726	\$ 3,752,048

The increase in endowments relates to \$459,940 for new endowment donations, \$14,698 for CPI indexing and \$64,040 for non-cash donations of investments.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

11. 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.

12. RESIDENCE AND OTHER SALES

	2021	2020
Residence	\$ 467,985	\$ 831,962
Bookstore	212,381	232,921
Conference services	81,523	344,222
Other	46,568	73,171
Food services	8,062	597,672
	\$ 816,519	\$ 2,079,948

13. INVESTMENT INCOME

	2021	2020
Amounts (deferred) recognized	\$ (1,207,532)	\$ 519,818
Dividend and interest income earned in the period	745,155	388,513
Interest income earned on general bank account	530	9,275
Amounts added directly to endowments	(155,344)	(19,141)
Changes in unrealized (losses) gains	842,787	(828,270)
	\$ 225,596	\$ 70,195

14. BUDGET

The initial budget for the 2021 fiscal year had originally been presented for approval on March 21, 2020, however, it was soon realized by the Finance Committee that changes resulting from COVID-19 needed to be addressed in the 2021 budget. The original budget was then amended and reapproved by the Board of Governors on September 26, 2020. The budgeted amounts have been provided for information purposes only and are unaudited.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

15. PENSION PLAN

The pension expense recorded in these financial statements represents the University's annual contributions payable of \$692,226 for the year ended March 31, 2021 (2020 - \$720,594).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was performed as of August 31, 2019 and signed on June 11, 2020 by consulting actuary Mercer.

On June 25, 2019, the Board of Directors of Christian Schools International adopted an amendment to the Plan that, effective September 1, 2019, extends the period for the calculation of final average earnings to August 31, 2020. In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than August 31, 2022, or as the date of an earlier amendment to the plan.

The major assumption changes in the actuarial estimate issued in June 2020 include reducing the discount rate from 6.05% to 5.65%; an increase in explicit expenses from \$1,425,000 to \$1,500,000 per year for non-investment expenses plus 56 bps deduction from discount rate for investment expenses; and reducing the discount rate for actuarial basis for benefits assumed to be settled through a lump sum from 3.48% to 2.76%.

As of August 31, 2019, the Plan reported a deficit of approximately \$44 million in a fund with net assets available for benefits of approximately \$397 million and pension obligations of \$689 million.

16. SUBSEQUENT EVENTS

A Board of Directors meeting was held on April 29, 2021, and the Board approved the Executive recommendation of amalgamating the The King's University Foundation into The King's University. A full members meeting was held on May 27, 2021 to hold the dissolution vote, which was carried. The Foundation will have an anticipated dissolution date of June 30, 2021.

17. COVID-19

The Coronavirus Disease 2019, or COVID-19, has spread across the globe and continues to impact worldwide economic activity. This global pandemic poses the risk that the University or its students, employees, donors, suppliers, and other partners may experience periodic interruptions to their regular business activities. While it is not possible at this time to estimate the impact that COVID-19 will have on the University's business in the coming fiscal year, the continued spread of the virus and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the University's business activities, financial condition and/or the results of its operations. The extent to which the COVID-19 outbreak will continue to impact the University's results will depend on future developments that are highly uncertain and cannot be predicted at this time.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2021

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, 2021. 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 an entity will encounter difficulty in meeting obligations associated with financial liabilities. The University is exposed to this risk mainly in respect of its receipt of funds from its students, donors and other related sources, callable debt, contributions to the pension plan, and accounts payable and accrued liabilities. Shortfalls 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 of \$12,320USD (2020 - \$20,878USD) and accounts receivable of \$nil (2020 - \$8,100) held in U.S. dollars. These amounts are of 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 the interest rates. In seeking to minimize the risks from interest rate fluctuations, the University manages exposure through its normal operating and financing activities. The University is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

THE KING'S UNIVERSITY

Consolidated Statement of Operations by Function

(Schedule 1)

Year Ended March 31, 2021

	Budget (Note 14)	2021	2020
REVENUE			
Tuition fees	\$ 10,071,968	\$ 10,462,964	\$ 10,096,301
Government grants	4,987,851	5,162,985	5,254,578
Donations	2,261,926	2,485,003	2,416,447
Canadian Emergency Wage Subsidy	416,205	2,480,082	-
Residence and other sales (Note 12)	878,175	816,519	2,079,948
Research grants	455,086	463,220	579,495
Investment income (Note 13)	204,064	225,596	70,195
Other income	115,925	96,725	184,417
	19,391,200	22,193,094	20,681,381
EXPENDITURES			
Instruction	6,913,806	6,445,345	7,040,532
Student services	3,409,224	3,227,265	3,951,851
Physical plant	2,434,857	2,307,904	2,409,929
Institutional support	1,461,944	2,038,609	1,670,736
Institutional advancement	1,336,946	1,322,256	1,394,754
Computer services	1,056,119	1,068,580	753,865
Ancillary services	1,087,659	969,336	1,692,696
Academic support and library	1,153,401	892,173	953,706
Interest on long term and other liabilities	269,000	266,746	243,610
Research	268,244	229,344	368,164
	19,391,200	18,767,558	20,479,843
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 3,425,536	\$ 201,538