

THE KING'S UNIVERSITY
Financial Statements
Year Ended March 31, 2022

THE KING'S UNIVERSITY
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Year Ended March 31, 2022

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August 29, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University

Opinion

We have audited the financial statements of The King's University (the Organization), which comprise the statement of financial position as at March 31, 2022, and the statements of changes in net assets, operations and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and the results of its operations and 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 Financial Statements* section of our report. We are independent of the Organization in accordance with 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.



Kingston Ross Pasnak LLP
Chartered Professional Accountants

THE KING'S UNIVERSITY
Statement of Financial Position
March 31, 2022

	2022	2021 <i>Consolidated</i>
ASSETS		
CURRENT		
Cash	\$ 2,175,601	\$ 2,731,501
Accounts receivable (Note 3)	82,027	327,769
Goods and Services Tax receivable	33,560	20,524
Bookstore inventory	39,637	35,234
Prepaid expenses and deposits	940,465	413,521
Short term investments (Note 4)	8,742,876	4,321,632
	12,014,166	7,850,181
INVESTMENTS (Note 4)	10,438,034	9,251,403
PROPERTY AND EQUIPMENT (Note 5)	18,045,279	18,553,801
	\$ 40,497,479	\$ 35,655,385
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 2,086,276	\$ 1,200,056
Source deductions payable	375,762	506,702
Deferred revenue	2,147,396	2,042,117
Deferred contributions (Note 7)	9,723,817	8,398,911
Commercial mortgage due in one year (Note 8)	500,460	511,466
	14,833,711	12,659,252
Commercial mortgage due thereafter (Note 8)	12,310,234	13,288,534
	27,143,945	25,947,786
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	4,910,311	2,648,627
	32,054,256	28,596,413
NET ASSETS		
Investment in property and equipment	324,275	2,385,151
Endowments (Note 10)	4,760,298	4,290,726
Internally restricted (Note 11)	282,459	282,459
Accumulated operating surplus	3,076,191	100,636
	8,443,223	7,058,972
	\$ 40,497,479	\$ 35,655,385

ON BEHALF OF THE BOARD

Signed - "Stephanie Bolt"
Treasurer

Signed - "Gerald Jansen"
Director

THE KING'S UNIVERSITY
Statement of Changes in Net Assets
Year Ended March 31, 2022

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Surplus	2022	2021 <i>Consolidated</i>
NET ASSETS - BEGINNING OF YEAR	\$ 2,385,151	\$ 4,290,726	\$ 282,459	\$ 100,636	\$ 7,058,972	\$ 3,094,758
Excess of revenue over expenditure	-	-	-	1,307,608	1,307,608	3,425,536
Endowment contributions <i>(Note 10)</i>	-	469,572	-	-	469,572	538,678
Foundations net assets to deferred contributions <i>(Note 10)</i>	-	-	-	(392,929)	(392,929)	-
Transfer for:						
Acquisition of internally funded property and equipment	1,168,860	-	-	(1,168,860)	-	-
Amortization of internally funded property and equipment	(1,465,933)	-	-	1,465,933	-	-
Net book value of property and equipment disposals	(6,200)	-	-	6,200	-	-
Change in mortgage, debenture and long term debt payable	(1,757,603)	-	-	1,757,603	-	-
NET ASSETS - END OF YEAR	\$ 324,275	\$ 4,760,298	\$ 282,459	\$ 3,076,191	\$ 8,443,223	\$ 7,058,972

THE KING'S UNIVERSITY
Statement of Operations
Year Ended March 31, 2022

	Budget (Note 15)	2022	2021 <i>Consolidated</i>
REVENUES			
Tuition fees (Note 3)	\$ 10,712,535	\$ 10,973,875	\$ 10,462,964
Government grants (Note 9)	5,033,825	5,075,736	5,162,985
Donations (Note 9)	2,150,143	2,061,039	2,485,003
Canadian Emergency Wage Subsidy (Note 3)	-	1,705,232	2,480,082
Residence and other sales (Note 12)	1,957,944	1,314,114	816,519
Research grants	406,295	458,964	463,220
Investment income (Note 13)	83,864	249,238	225,596
Other income	196,302	138,108	96,725
	20,540,908	21,976,306	22,193,094
EXPENSES			
Salaries and benefits	12,889,799	13,213,004	12,587,621
Operating supplies and services	2,251,722	2,273,970	1,955,034
Amortization	1,821,965	1,671,181	1,662,650
Scholarships and awards	1,066,900	1,022,813	915,203
Cost of goods sold	704,988	521,500	182,762
Maintenance and equipment rent	520,485	517,544	366,748
Utilities	467,380	477,168	458,425
Interest on debenture payable	430,000	410,323	92,330
Travel, hospitality and conferences	549,090	345,847	98,513
Insurance and taxes	166,898	160,463	138,066
Professional fees	55,000	48,421	74,274
Loss on disposal of equipment	-	6,200	1,810
Interest on line of credit	-	264	16
Interest on long term debt	-	-	87,560
Interest on mortgage payable	-	-	146,546
	20,924,227	20,668,698	18,767,558
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (383,319)	\$ 1,307,608	\$ 3,425,536

THE KING'S UNIVERSITY
Statement of Cash Flow
Year Ended March 31, 2022

	2022	2021 <i>Consolidated</i>
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 11,081,695	\$ 10,753,481
Cash received from government	7,340,628	8,136,519
Cash received from donors	2,705,966	2,613,560
Cash received from sale of goods and services	1,557,376	607,437
Cash received from other sources	133,908	93,925
Cash paid to employees for salaries and benefits	(13,222,983)	(12,299,121)
Cash paid to suppliers for materials and services	(5,146,600)	(4,253,046)
Cash paid to creditors for interest	(410,588)	(179,907)
Cash flow from operating activities	4,039,402	5,472,848
INVESTING ACTIVITIES		
Cash received restricted for capital purposes	83,264	-
Cash received from income on investments	84,786	765,792
Cash received on disposal of property and equipment	-	2,000
Cash applied to purchase of property and equipment	1,168,860	(926,771)
Cash invested in investments	(5,571,635)	(2,319,546)
Cash flow used by investing activities	(4,234,725)	(2,478,525)
FINANCING ACTIVITIES		
Cash paid for line of credit	-	(650,000)
Cash received from endowments	187,115	382,359
Cash paid for long term debt repayments	(989,306)	(13,490,769)
Cash received for commercial mortgage	-	13,800,000
Cash used by (flow from) financing activities	(802,191)	41,590
(DECREASE) INCREASE IN CASH	(997,514)	3,035,913
CASH - BEGINNING OF YEAR	3,350,975	315,062
CASH - END OF YEAR	\$ 2,353,461	\$ 3,350,975
CASH CONSISTS OF:		
Cash	\$ 2,175,601	\$ 2,731,501
Cash included in short term investments (Note 4)	177,860	619,474
	\$ 2,353,461	\$ 3,350,975

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

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 King's University is a registered charitable organization for purposes of the Income Tax Act (Canada) and, as such, is not liable for the payment of income taxes.

Dissolution

On June 30, 2021, the Kings University Foundation ("Foundation") was dissolved and the remaining balances were combined into the University. The Foundation was administered by a Board of Directors and its principal purpose was to receive gifts and donations and to provide grants and property to the University.

The subsequent merger of the Foundation and University allowed the combined Organization to streamline its process in order to continue to support and promote the educational and research activities of the University.

The following amounts were combined into the statement of financial position as at June 30 ,2021:

Cash	\$	128,903
Prepaid expenses and deposits		104,346
Investments		990,674
Accounts payable and accrued liabilities		(8,602)
Deferred contributions		(78,308)
Endowments		(672,792)
Accumulated operating surplus		(444,221)
Internally restricted net assets		(20,000)

Comparative figures have been previously presented on consolidated basis, which included balances of the University and the Foundation. As a result, the comparative figures are unchanged for presentation purposes.

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.

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THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

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

Property and equipment

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

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

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

Property and equipment is not amortized until available for use. Construction on the building amounts to \$839,602 as at March 31, 2021 (2021 - \$769,057) and has not been amortized during the year.

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 \$119,109 (2021 - \$171,062).

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THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

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

Revenue recognition

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions restricted for purposes other than endowments or the acquisition of property and equipment (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.

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.

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THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

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

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment, the 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 Organization subsequently measures its financial instruments at amortized cost.

3. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	\$ 283,036	\$ 500,213
Allowance for doubtful accounts	(201,009)	(172,444)
	\$ 82,027	\$ 327,769
Bad debt (recovery) expense, included in tuition fees	\$ 31,589	\$ (14,928)

Included within accounts receivable is \$nil of Canada Emergency Wage Subsidy (2021 - \$132,287). During the year, the University received \$nil in Temporary Wage Subsidy (2021 - \$25,000) and \$1,705,232 of Canada Emergency Wage Subsidy (2021 - \$2,480,082), included in government grants.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

4. INVESTMENTS

	2022	2021
Short term investments		
Corporate notes	\$ 8,565,016	\$ 3,702,158
Cash	177,860	619,474
	\$ 8,742,876	\$ 4,321,632
Long term investments		
Equity funds - Canada	\$ 6,892,811	\$ 3,801,945
Corporate notes	2,758,104	2,770,689
Equity funds - Emerging markets	272,476	342,233
Deposit agreement	217,812	354,127
Equity funds - Overseas	212,116	222,912
Cash surrender value of life insurance policies	84,715	80,972
Equity funds - U.S.	-	653,532
Equity linked notes - Canada	-	1,024,993
	\$ 10,438,034	\$ 9,251,403
	\$ 19,180,910	\$ 13,573,035

Investments include corporate notes that mature at various dates to January 29, 2027. 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 0.40% to 3.78% (2021 - 0.55% 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.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Buildings and site improvements	\$ 32,416,606	\$ 18,831,100	\$ 13,585,506	\$ 14,498,071
Furniture and equipment	11,073,923	8,999,223	2,074,700	1,649,454
Land	1,852,592	-	1,852,592	1,852,592
Library materials	3,995,461	3,462,980	532,481	553,684
	\$ 49,338,582	\$ 31,293,303	\$ 18,045,279	\$ 18,553,801

6. CONTINGENT LIABILITY

As a facet of operations, the University may, from time to time, have to deal with issues of a legal nature surrounding employees who no longer work for the University. During the year, a unique and specific circumstance, felt to be without merit by the University, may result in additional costs of \$117,000 (included in accounts payable and accrued liabilities).

As at year end, University does not expect an exposure to losses in excess of this balance.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

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:

	2022	2021
Beginning balance, related to operating fund	\$ 5,978,656	\$ 5,588,089
<u>Add:</u>		
Restricted donations	2,361,736	919,379
Restricted government grants	165,000	165,000
Restricted research grants	453,738	449,024
	2,980,474	1,533,403
<u>Less:</u>		
Donations recognized as revenue	(1,523,298)	(574,796)
Government grants recognized as revenue	(401,969)	(164,316)
Research grants recognized as revenue	(47,560)	(343,724)
Amounts transferred to endowments	-	(60,000)
	(1,972,827)	(1,142,836)
Ending balance, related to operating fund	6,986,303	5,978,656
Beginning balance, related to investment income	2,417,194	1,075,270
<u>Add:</u>		
Changes in unrealized gains	1,466,656	842,787
Dividend and interest income earned	490,608	745,155
Amounts transferred to investments	(84,625)	-
	1,872,639	1,587,942
<u>Less:</u>		
Amount recognized as investment income in the period	(1,202,869)	(87,613)
Amount added directly to endowments	(279,450)	(155,344)
	(1,482,319)	(242,957)
Ending balance, related to investment income	2,807,514	2,420,255
	\$ 9,793,817	\$ 8,398,911

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

8. COMMERCIAL MORTGAGE

The commercial mortgage with Christian Credit Union bears interest at bank prime plus 0.55%; is payable on demand, but until demand, in monthly blended payments of principal and interest in the amount of \$74,741 per month; and is secured by a General Security Agreement covering all present and after acquired personal property and a continuing collateral mortgage for corporations in the amount of \$17,300,000 against specific properties of the University. As of March 31, 2022, the effective interest rate was 3.25% (2021 - 2.45%).

	2022
2023	\$ 500,460
2024	515,432
2025	532,926
Subsequent years	11,261,876
	\$ 12,810,694

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:

	2022	2021
Balance, beginning of year	\$ 2,648,627	\$ 2,883,519
Capital contributions from donors	2,456,372	-
Capital contributions from government	10,559	-
Amounts amortized to revenue, included in government grants, donations and research grants	(205,247)	(234,892)
Balance, end of period	\$ 4,910,311	\$ 2,648,627

Amounts amortized to revenue, and included in government grants and donations are \$25,286 (2021 - \$47,655) and \$179,961 (2021 - \$187,237) respectively.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

10. ENDOWMENTS

	2022	2021
Balance, beginning of period	\$ 4,290,726	\$ 3,752,048
Net contributions and earnings on restricted donations	469,572	538,678
Balance, end of period	\$ 4,760,298	\$ 4,290,726

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Commerce	\$ 951,568	\$ 726,865
Various disciplines	722,775	637,585
Christian ministry or service	510,980	489,051
Education	423,146	409,950
Music	394,899	387,489
Arts	327,320	317,468
Natural Sciences	283,229	277,841
Political Science, History, Economics	205,378	199,947
Environmental Sciences	161,581	154,017
Social Sciences	139,256	132,878
Centre for Excellence in the Sciences	276,280	210,748
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	102,296	101,341
Other	74,953	71,954
Micah Centre	79,083	66,038
	\$ 4,760,298	\$ 4,290,726

The increase in endowments relates to \$306,968 for new endowment donations, \$97,657 for CPI indexing, and \$64,947 for non-cash donations of investments.

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

	2022	2021
Residence	\$ 597,810	\$ 467,985
Food services	282,440	8,062
Other	168,618	46,568
Bookstore	141,687	212,381
Conference services	123,559	81,523
	\$ 1,314,114	\$ 816,519

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2022

13. INVESTMENT INCOME

	2022	2021
Amounts (deferred) recognized	\$ (1,440,215)	\$ (1,207,532)
Dividend and interest income earned in the period	490,608	745,155
Interest income earned on general bank account	11,639	530
Amounts added directly to endowments	(279,450)	(155,344)
Changes in unrealized (losses) gains	1,466,656	842,787
	\$ 249,238	\$ 225,596

14. BANK INDEBTEDNESS

The line of credit with Christian Credit Union bears interest at bank prime plus 0.88%, payable monthly, has an authorized limit of \$3,500,000 and is secured by the same terms as the mortgage payable (Note 8). At March 31, 2022, \$nil was drawn upon (2021 – \$nil), and the effective interest rate was 3.58% (2021 - 2.45%).

15. BUDGET

The 2022 fiscal year budget was approved by the Board of Governors in March 2021. 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 \$745,974 for the year ended March 31, 2022 (2021 - \$692,226).

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

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 5.65% to 5.40%, and increasing the discount rate for actuarial basis for benefits assumed to be settled through a lump sum from 2.76% to 2.81%.

As of August 31, 2021, the Plan reported a surplus of approximately \$73 million in a fund with net assets available for benefits of approximately \$520 million and pension obligations of \$502 million.

17. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2022. Unless otherwise noted, the Organization'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 Organization 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 Organization 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 Organization is mainly exposed to market risk through its exposure to potential fluctuations in investment values.

Currency risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on cash of \$7,933USD (2021 - \$12,320USD). 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 Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.