

THE KING'S UNIVERSITY
Financial Statements
Year Ended March 31, 2024

THE KING'S UNIVERSITY
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Year Ended March 31, 2024

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August 1, 2024
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 University), which comprise the statement of financial position as at March 31, 2024, 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 University as at March 31, 2024, 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 University 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 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.

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.

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

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.



Kingston Ross Pasnak LLP
Chartered Professional Accountants

THE KING'S UNIVERSITY
Statement of Financial Position
March 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 252,877	\$ 640,717
Accounts receivable (Note 3)	410,103	140,297
Goods and Services Tax receivable	28,856	19,398
Inventory	31,763	35,232
Prepaid expenses and deposits	467,738	471,082
Short term investments (Note 4)	7,455,787	6,419,181
	8,647,124	7,725,907
INVESTMENTS (Note 4)	13,997,790	13,494,221
PROPERTY AND EQUIPMENT (Note 5)	20,723,028	19,125,597
	\$ 43,367,942	\$ 40,345,725
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 1,603,395	\$ 1,616,887
Source deductions payable	1,819	526,995
Deferred revenue (Note 7)	2,627,420	2,114,546
Deferred contributions (Note 8)	9,339,014	9,106,781
Commercial mortgage (Note 9)	11,794,634	12,310,234
	25,366,282	25,675,443
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	9,768,254	7,286,621
	35,134,536	32,962,064
NET ASSETS		
Endowments (Note 11)	5,301,200	4,762,786
Internally restricted (Note 12)	282,459	282,459
Accumulated operating surplus	2,649,747	2,338,416
	8,233,406	7,383,661
	\$ 43,367,942	\$ 40,345,725

ON BEHALF OF THE BOARD

Signed - "Stephanie Boldt"
Treasurer

Signed - "Gerald Jansen"
Director

THE KING'S UNIVERSITY
Statement of Changes in Net Assets
Year Ended March 31, 2024

	Endowments	Internally Restricted	Accumulated Operating Surplus	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 4,762,786	\$ 282,459	\$ 2,338,416	\$ 7,383,661	\$ 8,443,223
Excess (deficiency) of revenues over expenses	-	-	311,331	311,331	(1,062,050)
Endowment contributions (<i>Note 11</i>)	538,414	-	-	538,414	178,768
Transfer for:					
Funds to deferred capital contributions	-	-	-	-	(176,280)
NET ASSETS - END OF YEAR	\$ 5,301,200	\$ 282,459	\$ 2,649,747	\$ 8,233,406	\$ 7,383,661

THE KING'S UNIVERSITY
Statement of Operations
Year Ended March 31, 2024

	Budget (Note 16)	2024	2023
REVENUES			
Tuition fees	\$ 11,437,641	\$ 11,853,729	\$ 10,850,026
Government grants (Note 10)	5,120,737	5,290,876	5,171,073
Donations (Note 10)	1,980,045	2,315,437	2,212,489
Residence and other sales (Note 14)	1,357,302	1,238,712	1,220,844
Research grants (Note 10)	372,705	595,901	615,951
Other income	149,718	160,291	139,812
Investment income (Note 15)	250,000	151,555	205,657
	20,668,148	21,606,501	20,415,852
EXPENSES			
Salaries and benefits (Note 17)	12,793,209	13,082,276	13,608,826
Operating supplies and services	2,221,169	2,257,402	2,392,854
Amortization	2,273,585	1,625,057	1,581,107
Scholarships and awards	1,212,827	1,126,052	1,063,760
Maintenance and equipment rent	502,710	942,516	613,861
Utilities	485,760	716,166	585,504
Travel, hospitality and conferences (Note 13)	434,097	675,106	572,162
Interest on debenture payable	381,805	384,187	396,435
Insurance and taxes	165,069	221,505	198,177
Professional fees	92,500	152,560	108,918
Cost of goods sold	101,900	107,298	345,687
Loss on foreign exchange	-	4,731	11,701
Loss (gain) on disposal of equipment	-	314	(1,090)
	20,664,631	21,295,170	21,477,902
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 3,517	\$ 311,331	\$ (1,062,050)

THE KING'S UNIVERSITY
Statement of Cash Flow
Year Ended March 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 11,872,371	\$ 10,718,489
Cash received from government	5,919,141	5,857,459
Cash received from donors	2,242,571	1,204,642
Cash received from sale of goods and services	1,348,201	1,637,601
Cash received from other sources	155,940	135,112
Cash paid to employees for salaries and benefits	(13,613,876)	(13,666,609)
Cash paid to suppliers for materials and services	(6,203,881)	(6,045,189)
Cash paid to creditors for interest	(384,187)	(396,435)
Cash flow from (used by) operating activities	1,336,280	(554,930)
INVESTING ACTIVITIES		
Cash received from income on investments	482,313	219,375
Cash applied to purchase of property and equipment	(3,221,952)	(2,514,420)
Cash invested in investments	(1,001,203)	(1,019,100)
Cash flow used by investing activities	(3,740,842)	(3,314,145)
FINANCING ACTIVITIES		
Cash received restricted for capital purposes	2,359,550	2,626,025
Cash received from endowments	183,953	178,768
Cash paid for long term debt repayments	(515,600)	(500,460)
Cash flow from financing activities	2,027,903	2,304,333
DECREASE IN CASH	(376,659)	(1,564,742)
CASH - BEGINNING OF YEAR	788,719	2,353,461
CASH - END OF YEAR	\$ 412,060	\$ 788,719
CASH CONSISTS OF:		
Cash	\$ 252,877	\$ 640,717
Cash included in short term investments (Note 4)	159,183	148,002
	\$ 412,060	\$ 788,719

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

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 financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash

Cash consist of cash on deposit plus highly liquid short term investments, less cheques issued and outstanding. As well as, cash held inside investment accounts.

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 \$61,096 (2023 - \$83,630).

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, 2024

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

Property and equipment

Property and equipment are recorded at cost or deemed 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:

	Years
Buildings and site improvements	10 - 50
Furniture and equipment	5 - 20
Library materials	5 - 10

Property and equipment is not amortized until available for use.

Endowments

Endowments represent externally restricted contributions of which the principal is to be held intact. Investment earnings on endowments are included in deferred contributions and must be used in accordance with the conditions imposed by the donor's terms of reference. Investment earnings to be added to endowment principal are recorded as direct increases in net assets.

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THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

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. Investment income from sources other than endowments is either 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, and in accordance with criteria set out in the respective agreements.

Deferred revenue consists of tuition, residence fees, government grants and facility rental income received in advance of performance being completed.

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THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

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 estimated useful lives of property and equipment, the collectability of accounts receivable, the allocation of costs for the purpose of recognizing deferred contributions, accrual of accounts payable and contingencies, and the amortization of deferred capital contributions.

Financial instruments

All arm's length financial instruments are initially measured at fair value, and, unless otherwise noted, the University subsequently measures its financial instruments at amortized cost.

The measurement basis for related party financial instruments is disclosed in Note 13.

3. ACCOUNTS RECEIVABLE

	2024	2023
Accounts receivable	\$ 544,217	\$ 402,688
Allowance for doubtful accounts	(134,114)	(262,391)
	\$ 410,103	\$ 140,297
Bad debt (recovery) expense, included in tuition fees	\$ (128,735)	\$ 58,064

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

4. INVESTMENTS

	2024	2023
Short term investments		
Corporate notes	\$ 7,296,604	\$ 6,271,179
Cash	159,183	148,002
	\$ 7,455,787	\$ 6,419,181
Long term investments		
Equity funds - Canada	\$ 9,562,954	\$ 9,608,394
Corporate notes	3,716,180	3,094,179
Equity funds - Emerging markets	271,677	256,610
Equity funds - Overseas	241,580	224,126
Deposit agreement	115,946	223,919
Cash surrender value of life insurance policies	89,453	86,993
	\$ 13,997,790	\$ 13,494,221
	\$ 21,453,577	\$ 19,913,402

Investments include corporate notes that mature at various dates from April 22, 2024 to December 13, 2033. 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 1.41% to 5.35% (2023 - 0.75% to 5.00%). 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, 2024

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Buildings and site improvements	\$ 33,186,486	\$ 20,635,380	\$ 12,551,106	\$ 13,111,160
Furniture and equipment	15,936,383	10,114,480	5,821,903	3,647,506
Land	1,852,592	-	1,852,592	1,852,592
Library materials	4,124,339	3,626,912	497,427	514,339
	\$ 55,099,800	\$ 34,376,772	\$ 20,723,028	\$ 19,125,597

Included within building and site improvements is construction on the building which amounts to \$1,001,794 as at March 31, 2024 (2023 - \$839,602) and has not been amortized during the year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Vacation payable	\$ 659,682	\$ 661,338
Accounts payable	663,890	536,454
Accrued liabilities	185,985	337,354
Other	77,226	62,450
Wages payable	16,612	19,291
	\$ 1,603,395	\$ 1,616,887

7. DEFERRED REVENUE

	2024	2023
Tuition deposits	\$ 2,219,906	\$ 1,944,799
Athletics contribution	299,136	78,909
Other deferred revenue	50,228	36,255
Meal plan deposits	46,861	43,294
Deferred education grants	11,289	11,289
	\$ 2,627,420	\$ 2,114,546

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted investment income and unspent resources externally restricted for research grants, scholarships and designated donations. Changes in the deferred contributions balance are as follows:

	2024	2023
Beginning balance, related to operating fund	\$ 6,329,464	\$ 6,887,258
<u>Add:</u>		
Restricted donations	840,416	1,064,676
Restricted government grants	291,669	215,473
Restricted research grants	543,962	563,947
Transferred from other account	13,657	-
	1,689,704	1,844,096
<u>Less:</u>		
Donations recognized as revenue	(1,127,171)	(1,709,872)
Government grants recognized as revenue	(232,298)	(513,447)
Research grants recognized as revenue	(521,869)	(178,571)
Transferred to other account	(13,657)	-
Amounts returned to grantor	(16,235)	-
	(1,911,230)	(2,401,890)
Ending balance, related to operating fund	6,107,927	6,329,464
Beginning balance, related to investment income	2,777,317	2,807,514
<u>Add:</u>		
Changes in unrealized gains	1,781,592	1,774,718
Dividend and interest income earned	486,994	260,446
	2,268,586	2,035,164
<u>Less:</u>		
Amount recognized as investment income in the period	(1,167,722)	(1,960,923)
Amount added directly to endowments	(647,105)	(71,444)
Amount transferred to investments	-	(32,994)
	(1,814,827)	(2,065,361)
Ending balance, related to investment income	3,231,076	2,777,317
	\$ 9,339,014	\$ 9,106,781

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

9. COMMERCIAL MORTGAGE

	2024	2023
<p>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. The mortgage is set to renew on January 22, 2026; 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, and certain covenants which the University was in compliance with at year-end. As of March 31, 2024, the effective interest rate was 7.75% (2023 - 7.25%).</p>		
Amounts payable within one year	\$ 11,794,634	\$ 12,310,234
	(533,616)	(12,310,234)
	\$ 11,261,018	\$ -

Principal repayment terms are approximately:

2025	\$ 533,616
2026	11,261,018
	<u>\$ 11,794,634</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:

	2024	2023
Balance, beginning of year	\$ 7,286,621	\$ 4,939,357
Capital contributions from donors	2,652,194	2,540,699
Amounts amortized to revenue, included in government grants, donations and research grants	(170,561)	(193,435)
Balance, end of period	\$ 9,768,254	\$ 7,286,621

Amounts amortized to revenue, and included in government grants and donations are \$26,592 (2023 - \$25,286) and \$143,969 (2023 - \$168,148) respectively.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

11. ENDOWMENTS

	2024	2023
Balance, beginning of period	\$ 4,762,786	\$ 4,760,298
Earnings on restricted donations	647,105	-
Cash contributions on restriction donations	183,953	178,768
Adjustment of endowed funds to deferred capital contributions	-	(176,280)
Allocated interest towards deferred capital contributions	(292,644)	-
Balance, end of period	\$ 5,301,200	\$ 4,762,786

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Commerce	\$ 1,103,931	\$ 977,079
Various disciplines	795,040	793,268
Christian ministry or service	565,510	530,012
Education	448,190	425,383
Music	414,834	398,390
Arts	346,230	334,615
Natural Sciences	292,366	283,229
Political Science, History, Economics	228,108	214,378
Environmental Sciences	161,967	161,581
Social Sciences	154,526	148,725
Centre for Excellence in the Sciences	164,092	100,000
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	102,976	102,776
Other	233,189	74,954
Micah Centre	182,687	110,842
	\$ 5,301,200	\$ 4,762,786

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.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

13. RELATED PARTY TRANSACTIONS

During the fiscal year, the University expensed \$11,644 (2023 - \$10,595) on board travels and meetings cost.

The transactions with related parties are measured at cost, which is equal to the undiscounted cash flows received, or expected to be received, not including expected interest and dividends, less any previously recognized impairment losses.

14. RESIDENCE AND OTHER SALES

	2024	2023 <i>(Note 20)</i>
Residence	\$ 721,185	\$ 689,121
Conference services	294,380	76,266
Bookstore	82,670	110,276
Other	81,506	282,447
Food services	58,971	62,734
	\$ 1,238,712	\$ 1,220,844

15. INVESTMENT INCOME

	2024	2023
Changes in unrealized gains	\$ 1,781,592	\$ 1,774,718
Dividend and interest income earned in the period	486,994	260,446
Interest income earned on general bank account	726	676
Amounts added directly to endowments	(647,105)	(71,444)
Amounts deferred	(1,470,652)	(1,758,739)
	\$ 151,555	\$ 205,657

16. BUDGET

The 2024 fiscal year budget was approved by the Board of Governors in March 2023. The budgeted amounts have been provided for information purposes only and are unaudited.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

17. PENSION PLAN

The pension expense (recorded in salary and benefits) in these financial statements represents the University's annual contributions expense of \$728,313 for the year ended March 31, 2024 (2023 - \$771,938).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was performed as of August 31, 2022 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, 2024, or as the date of an earlier amendment to the plan.

The major assumption changes in the actuarial estimate issued in August 2022 include increasing the discount rate from 5.65% to 6.85%, and increasing the discount rate for actuarial basis for benefits assumed to be settled through a lump sum from 3.30% to 4.20%.

As of August 31, 2023, the Plan reported a surplus of approximately \$33 million in a fund with net assets available for benefits of approximately \$465 million and pension obligations of \$491 million.

18. BANK INDEBTEDNESS

The available 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 9). At March 31, 2024 and 2023, the line of credit was not drawn upon and the effective interest rate was 8.08% (2023 - 7.58%).

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2024

19. FINANCIAL INSTRUMENTS

The University is exposed to various risks through its financial instruments. The following analysis provides information about the University's risk exposure and concentration as of March 31, 2024. 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 \$4,674 USD (2023 - \$32,762 USD). 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.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. This includes a reclassification of food service expenses against related food services revenues which reduced revenue by \$380,386, to better reflect the nature of the amounts.