



The King's University

Annual Report

2017/18

For fiscal year ended 31 March 2018
Submitted 30 October 2018

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Accountability Statement

The King's University's Annual Report for the year ended March 31, 2018 was prepared under the Board of Governor's direction in accordance with ministerial guidelines. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this report.

A handwritten signature in black ink, appearing to read "Harry Kits".

Harry Kits, Chair
Board of Governors,
The King's University

Management's Responsibility for Reporting

The King's University's management is responsible for the preparation, accuracy, objectivity, and integrity of the information contained in the Annual Report, including the financial statements, performance results and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information and to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized and executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained and assets are properly accounted for and safeguarded.

The Finance Committee of the Board of Governors provides oversight in the development of the consolidated financial statements and the accompanying management discussion and analysis. Kingston Ross Pasnak performs an annual independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Annual Report has been approved by the Board of Governors and is prepared in accordance with Ministerial guidelines.

Signature



Harry Kits, Chair
Board of Governors

Signature



Melanie Humphreys, President
The King's University

President's Message

The King's University is unique in the post-secondary landscape of Alberta. From its founding, The King's University (TKU) has maintained a strong emphasis on excellence in both teaching and research. National student satisfaction surveys place student satisfaction with the quality of instruction and engagement from TKU faculty at the top of provincial and national rankings. We believe that students are best served by faculty who are not only experts in their fields and contributing to the advancement of knowledge but are dedicated to engaging students in that pursuit as well. The dedication of faculty to both teaching and research has been nationally recognized with two 3M Teaching Awards and four Tier II Canada Research Chair allocations.

Our enrollment continues to grow incrementally. A study conducted last year confirmed our need to grow enrollment and we do have capacity in a number of programs to grow without impacting the high quality of academic instruction and mentoring which students receive at TKU. We are expanding our program offerings in a couple key areas that have market demand.

- We are adding a public policy and administration minor within our Bachelor degrees. Many TKU graduates are engaged in the public service and there is currently no undergraduate public policy and administration program in Alberta.
- We will be adding to our strength in the sciences through the planned addition of a kinesiology degree.
- We have clarified pathways for teachable majors in the areas of mathematics and physical education.

A significant proportion of the institutional budget continues to go towards making a TKU education affordable for students through bursaries and scholarships. The funding provided by the Ministry of Advanced Education contributes significantly to our ability to provide post-secondary education to students regardless of their financial circumstances. Advocacy over the upcoming year will continue to focus on tuition equity for TKU students, and our ability as an institution to borrow for capital projects at the same rate as the public institutions. Although eligible for some federal grants, TKU does not receive any capital funding from the province to date.

TKU accepts all students who qualify academically and we are deeply committed to serving all students who attend our university. It is said that good jobs begin with a good education. When I engage with our students and alumni, I am hopeful for our future. Our graduates have what it takes to succeed in a changing economy. I am incredibly proud of how TKU equips and inspires the next generation for the challenges that face our world.



Melanie Humphreys, PhD
President, The King's University

Public Interest Disclosure (Whistleblower Protection) Act

The Alberta Public Interest Disclosure (Whistleblower Protection) Act (PIDA) came into force on June 1, 2013. PIDA facilitates the disclosure and investigation of wrongdoing in the public sector and protects public employees from reprisals for making a disclosure. While not technically part of the public sector, The King's University is one of the twenty-six publically funded post-secondary institutions in Alberta.

The King's University (the "University") is committed to the highest standard of legal, fiscal, and ethical behaviour. The University provides a positive, supportive environment whereby employees can seek advice and make a disclosure of wrongdoing without fear of reprisal. A commitment to preserving the confidentiality of employees and all records or information is of primary importance to the University.

About The King's University

The King's University is one of five independent academic institutions that are part of Campus Alberta. As an independent academic institution it operates within the framework of the 2007 Government's Roles and Mandates Policy Framework for Alberta's Publicly Funded Advanced Education system. With respect to independent academic institutions this Policy Framework states the following:

Independent Academic Institutions will provide primarily liberal arts, science, and education baccalaureate programs. They may offer graduate programming in niche areas where demand warrants, and in areas that do not duplicate existing graduate program offerings. Applied research and scholarly research activity may be conducted as a basis to enhance the instructional mandate of these institutions within degree program disciplines.

Established by Private Act¹, The King's University has the authority to provide instruction and research in the liberal and fine arts, the humanities, theology, the physical, natural and social sciences, professional studies, and any other fields of study the Board of Governors may determine. The University has the authority to confer Baccalaureate, masters and doctoral degrees and awards, diplomas, certificates of merit and proficiency in other areas of learning.

The Mission of The King's University is to provide university education that inspires and equips learners to bring renewal and reconciliation to every walk of life as followers of Jesus Christ, the Servant-King.

The King's University's Vision is to be widely known as a Christian university serving to build a more humane, just and sustainable world.

As a Christian undergraduate university, The King's University offers the following undergraduate programs:

<i>Degree</i>	<i>Duration</i>	<i>Number of Disciplines</i>
Bachelor of Arts	3 year	10
Bachelor of Arts	4-year	6
Bachelor of Science	3-year	2
Bachelor of Science	4-year	4
Bachelor of Commerce	4-year	1
Bachelor of Music	4-year	1
Bachelor of Education (after degree)	2-year	1 – Elementary and Secondary Education

¹ The King's University College Amendment Act, 2015 (assented to December 11, 2015)

With respect to Governance, The King's University has a bi-cameral model of university governance. As a non-profit corporation The King's University is controlled by a Board of Governors annually elected from among and by the supporters of the University. The Executive Committee of the Board of Governors meets four times a year and acts on behalf of the Board of Governors, as necessary between the three Board of Governors meetings per year. The University's Senate, composed of board members, external academics, faculty, staff, and students oversees the academic and co-curricular programming and it advises the Board of Governors on these matters.

Operational Overview

The King's University's 2017 Comprehensive Institutional Plan had some well-defined goals as to what should be accomplished in the 2017/18 academic year. This annual report shows that some of these goals were reached beyond expectation while others, due to unforeseen circumstances, did not fully materialize.

The 2017/18 academic year was a year of incremental enrolment growth. Student enrolment increased by 4.9% (based on FLE). In the 2017/18 academic year, we observed a decrease in the frosh retention rate from 75.7% in 2016/17 to 68.4.74%. The overall retention rate decreased marginally, from 79.4% in 2016/17 to 76.2% in 2017/18.

The total number of applications in the 2017/18 academic year was 718, up from 650 in 2016/17. In 2017/18 the number of new admissions as a percentage of the number of applications was 87.05%, as compared to 87.5% in 2016/17. The actual number of new students attending the university was 334 in 2017/18 (46.5% of applications). Actual number of new students in 2015/16 was 304 (46.5% of applications).

On the new academic program development front The King's University is responding to student interest in a Kinesiology degree program. A proposal for a Bachelor of Kinesiology program has been developed. A proposal for an interdisciplinary Bachelor of Science degree has also been developed. In the latter a student can take select to take two concentrations. One of the concentrations that can be selected is in Kinesiology. Both proposals will be submitted for approval later this fall.

The King's University faculty continues to be actively engaged in scholarship. Research sabbaticals are routinely granted and scholarly expectations are part of the annual evaluation process. Faculty members are encouraged to apply for research grants. Upon receiving a major research grant a faculty member can apply for a reduction in teaching responsibilities in order to devote more time to research. The involvement of undergraduate students in faculty research projects is steadily increasing. The University was successful in its resubmission of a revised nomination for filling the Tier II Canada Research Chair position it had been awarded. The focus of the Canada Research Chair is on the Continental Philosophy of Religion. The University has been awarded two additional Canada Research Chairs. The nominations of these two Special Tier II Canada Research Chairs were submitted in October 2018.

The University continues to operate in a very constrained fiscal environment. Although very grateful for the increase in enrollment in 2017/18, reaching the anticipated private donation revenue budget amount has proven to become a significant challenge. In the 2017/18 budget year we were able to keep expenditures within the budget parameters. However, the decline in donation revenue resulted in an operational deficit of \$455,283.

Goals, Priority Initiatives, Expected Outcomes and Performance Measures

The King's University's 2016-2019 Comprehensive Institutional Plan identified the following goals to pursue over three years:

1. Serve community
2. Strengthen teaching and research
3. Equip student success
4. Empower people
5. Advance sustainability

Each of these five goals has several priority initiatives that are reported on below.

GOAL: Serve Community

Priority Initiative: Cultivate relationships and collaboration with the aboriginal peoples of Alberta.

Faculty members in the Faculty of Education, together with those from the Education Faculty of Concordia University of Edmonton and of University of Alberta Faculté Saint-Jean, participated in a workshop on Indigenous Pedagogy. This workshop was led by Chaw-win-is, indigenous resurgence coordinator at the University of Victoria.

Collaboration between Northern Lakes College and The King's University

Two years ago The King's University was approached by Northern Lakes College in Slave Lake to explore collaboration for the delivery of The King University's B.Ed. degree to students who have completed the two-year university studies program at Northern Lakes College. Most of these students are from Northern Alberta indigenous communities that are served by Northern Lakes College, and that take their program on-line.

In response to this request, The King's University education faculty and administration in collaboration with the administration at Northern Lakes College developed a detailed proposal that would meet this request.

The proposal envisioned the following collaboration. In order for the students to enter the B.Ed. degree program, The King's University will offer a third-year completion program, leading to a King's B.A. degree. Graduates of that program can enter the B.Ed. program. Both the third-year completion component and the B.Ed. program will be delivered on-line, using the Northern Lakes College course delivery infrastructure. Although the bulk of the program delivery will be on-line, at the start of each academic term, King's faculty will spend several days on the Northern Lakes College main campus in Slave Lake in order to have face-to-face sessions with the students. The proposed program will be a 3-year cohort model.

Despite initial enthusiasm by both the Minister of Advanced Education and the Deputy Minister, suggesting that this proposed program would qualify for funding under the current Government's Strategic Initiatives, The King's University and Northern Lakes College were informed this past summer that no funding would be available for this initiative.

The King's University has two indigenous student leadership positions for encouraging a unique, safe and welcoming environment for all indigenous students and staff. Information and resources for indigenous students were added to The King's University website.

Priority Initiative: Pursue partnerships and collaboration with national and international Christian higher education institutions.

The King's University has Memoranda of Understanding with the following Christian higher education institutions:

- Károli Gáspár University of the Reformed Church in Hungary (KRE), Budapest, Hungary
- LCC International University, Klaipėda, Lithuania
- Handong Global University, Pohang, South Korea
- Christelijke Hogeschool² Ede (CHE), Ede, The Netherlands
- Institute for Christian Studies (ICS), Toronto, Canada

In the 2017/18 academic year the following student exchange experiences took place:

- Five students from the Christelijke Hogeschool in Ede, the Netherlands, spent the Fall term of the 2017/18 academic year at The King's University taking a full load of courses.
- Five students from The King's University took a one-month-long intensive International Business course at the Christelijke Hogeschool in Ede, the Netherlands.
- Three students from the Károli Gáspár University in Budapest, Hungary, spent the Winter term of the 2017/18 academic year at The King's University taking a full load of courses.

² Christian University of Applied Sciences

GOAL: Strengthen teaching & research**Priority Initiative: Develop a fresh articulation of the university's foundations curriculum and its relationship to the various degree programs.**

The review of the foundations curriculum was completed in the 2017/18 academic year. The General Faculty Council adopted the final report in June 2018. An implementation taskforce has been appointed and the proposed foundations curriculum, under the new name of "common curriculum" will be implemented starting with the 2019/20 academic year. In the current year the implementation taskforce is facilitating discussions between and among the various faculty disciplines with respect to how to achieve the desired Student Learning Outcomes for the common curriculum. An easy accessible, student-friendly website outlining the objectives and course requirements of the common curriculum will be launched.

All students will be required to take courses in the common curriculum's three main sections entitled "Learning to think well", "Ideas shape our world", and "Acting to Bring Flourishing".

Priority Initiative: Launch five new academic programs that advance the university's mission and vision

The table below provides a status update of the academic programs that are currently under development.

Table 1: Status Update of Academic Program Development

<i>Proposed Degree Program</i>	<i>Stage of development or approval</i>	<i>Comments and/or anticipated start date</i>
4-year B.A. Sociology	This degree program has received approval by the Deputy Minister of Advanced Education, effective July 2017.	Program was started July 1, 2017.
4-year Bachelor of Kinesiology	The development of this program is almost completed. The new common curriculum needs to be incorporated yet. It will be submitted this Fall to the Ministry of Advanced Education for a Systems Review and review by the Campus Alberta Quality Council.	Upcoming new Faculty appointments will be in support of this new degree program.
4-year B.Sc. Interdisciplinary Sciences	This is the next program proposal to be submitted to the Ministry of Advanced Education for a Systems Review and a review by the Campus Alberta Quality Council. The aim to submit this by December 2018.	Once approved, this degree program will be particularly applicable for those students interested in the Health Sciences, Secondary Education, or in Industry and Entrepreneurship.
Minor in Public Administration	Work has begun on the development of a minor in Public Administration.	July 1, 2019.

The University is committed to quality academic programs that are critical to the well-being of the University as a whole and to that of its students. As required by the Campus Alberta Quality Council the University has launched an aggressive plan of cyclical reviews of its academic programs. Student feedback is an integral part of the review process. Table 2 summarizes the programs that have been reviewed in the 2015/16, 2016/17 and 2017/18 academic year and those that are being reviewed in the 2018/19 year. The final reports of the completed reviews have been submitted to the Campus Alberta Quality Council.

Table 2: Academic Program Review Schedule – 2015-2019

<i>Academic year</i>	<i>Program to be reviewed</i>	<i>Status</i>
2015/16	B.Ed. Elementary Education	Completed
	B.Ed. Secondary Education	Completed
	B.A. Politics, History and Economics	Completed
	B.A. English (3-yr and 4-yr)	Completed
	B.A. Social Sciences	Completed
	Foundations	Completed
2016/17	B.Sc. Chemistry (3-yr and 4-yr)	Completed
	B. Commerce	Completed
2017/18	Interdisciplinary Studies	Completed
	B.A. History (3-yr and 4 yr)	Completed
	B.Sc. Computing Science	Completed
	B.A. Psychology (3-yr and 4-yr)	Completed
2018/19	Minor in Mathematics	Started
	B.A. Political Studies	Started
	B.A., B.Mus. Music	Started
	B.Sc. Biology (3-yr and 4-yr), B.A. Biology (3-yr)	Started

Priority Initiative: Establish an interdisciplinary Centre for Christian Thought and Action. The focus of this Centre is to sustain, promote, and invite Christian philosophical and theological reflection within, upon, and across all university disciplines.

Canada Research Chair application

As a result of having a three-year running average of \$100,000 or more in federal research funding, the University was allotted a special Tier 2 Canada Research Chair. A nomination for a Canada Research Chair in Continental Philosophy of Religion was submitted to the Canada Research Chair Secretariat in October 2015. However this nomination was not successful. Resubmission of a revised and updated nomination was successful in 2017. As a result the university is assured of \$100,000 annually for a five-year period with the option to apply for renewal for a subsequent five-year period. The Canada Research Chair holder will take a major role in the development of the interdisciplinary Centre for Christian Thought and Action.

Interdisciplinary Centre for Christian Thought and Action

The interdisciplinary Centre for Christian Thought and Action is intended to build on the existing strengths of the theology and philosophy faculty, which has been greatly enhanced with the success of our resubmitted Canada Research Chair nomination.

The envisioned interdisciplinary “Thought and Action Centre” will also include the university’s existing Micah Centre. More than 10 years ago, the externally funded Micah Centre was established at The King’s University to play a unique and leading role in providing students with experiential learning opportunities to investigate how justice can come to expression in a variety of social contexts. Hundreds of students have benefited from the Micah Centre’s academic courses, internships, field tours, discovery tours, and service learning projects.

In 2016/17 significant progress was made to place the Micah Centre on a stable financial footing. The university’s advancement prepared a casebook for fundraising purposes, and at its September 2017 meeting the University’s Board of Governors approved the fundraising for this Centre. In the 2017/18 academic year a significant donation in support of the Micah Centre was received.

Research Funding

In order to maintain a quality program of scholarship, it is important to ensure that adequate external research funds are obtained. Table 3 presents the total amount of research funding obtained over the past nine years. The numbers demonstrate that the University has consistently been able to maintain a reasonable level of research funding. The decline from the 2015 amount can be attributed to the end of multi-year federal research grants. Recent success in obtaining SSHRC Insight and Insight Development grants will bring a return to higher amounts in the years to come.

In April 2018 the University was allocated two Tier II Canada Research Chairs, bringing the total number of Tier II Canada Research Chairs to three. Following an internal selection process, two faculty members will be nominated for these positions. Nominations were submitted in October 2018.

Table 3: Research Funding – 2010-2018

<i>Fiscal Year</i>	<i>Source</i>			<i>Total</i>
	<i>External Funding</i>	<i>Internal Research funds and Conference/PD</i>	<i>Net Salary Cost of Sabbaticals</i>	
	\$	\$	\$	\$
2010	274,767	56,234	10,284	341,285
2011	289,213	65,010	14,273	368,496
2012	335,733	60,160	69,875	465,768
2013	316,646	64,552	75,404	456,602
2014	303,128	53,017	52,675	408,820
2015	391,759	70,349	50,751	512,859
2016	336,099	69,485	41,195	446,779
2017	360,792	85,355	41,541	487,688
2018	452,925	62,394	38,649	553,968
<i>Total</i>	3,061,062	586,556	394,647	4,042,265

Culture of academic scholarship.

When The King's University was established as a post-secondary institution in 1979, faculty members were expected to be involved in scholarship. A deliberate institutional effort needs to be made in order to maintain this unique feature, and to involve undergraduate students in it. Table 4 below summarizes scholarly productivity for the past five years. On average the faculty produced approximately 148 scholarly publications per year. On average, 27% of these scholarly publications involved the participation by undergraduate students.

Table 4: Summary of Scholarly Contributions – 2014-2018

<i>Type of Scholarly Contribution</i>	<i>Number of contributions</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Book – Authored/Co-authored		3	1	2	1
Book – Edited/Co-edited		1	1	1	
Book Chapter	4	4	9	9	7
Article – Refereed Journal	21	14	14	32	19
Article – Non-refereed Journal	3	1	9	3	2
Creative work, publication, or performance	23	3	16	29	
Conference/Scholarly meeting presentation	60	46	68	62	54
Refereed Conference presentation	13	15	30	27	15
Other scholarly work	21	18	19	42	21
Total Scholarly Contributions	145	105	167	207	119
Undergraduate Student involvement					
Research Assistance and Authorship	18	22	41	52	39
Research Assistance only	8	4	10	11	3
Grand total	26	26	51	63	42

GOAL: Equip student success**Priority Initiative: Establish an Academic Enrichment Centre to support students with a variety of academic needs and academic preparedness.**

At its Spring 2017 meeting, the Board of Governors of the university approved in principle the proposed Academic Enrichment Centre for case development by the King's Institutional Advancement team. This team is currently conducting a campaign to raise the funds to cover the estimated \$250,000 capital cost of the centre. In the 2017/18 academic year a significant financial contribution to this project was received. Hence the envisioned Academic Enrichment Centre is destined to become a reality in the very near future.

Priority Initiative: Develop campus spaces that foster well-being, learning, and community engagement, both for residential students and commuting students.

This initiative is rooted in long term goals to substantially transform our campus, and in this spirit a new campus master plan has been developed with strategic renovations to our core student infrastructure. Some short-term work has already been accomplished. For instance, in the summer of 2017 we renovated the student lounge in our apartment building to better foster wellbeing and student engagement. We also recently renovated the university's prayer room to

create more versatile space for students of differing religious traditions. In September of 2017 the Board of Governors approved in-principle a proposal for an Academic Enrichment Centre that will substantially increase our capacity to serve students. This project will transform two classrooms and a portion of our current library into an academic learning and resource hub. Initial architectural drawings are complete and a funding proposal is being developed to be shared with potential donors over the coming months. As noted above, a substantial initial donation towards the development of an Academic Enrichment Centre has been made already. The board also approved a proposal for a new Centre of Excellence in Science that will increase lab space and provide substantial capacity for hands-on learning.

A variety of programs serve to enhance student success at The King's University. Our newest program is Academic Peer Support, which is available by drop-in or by appointment. We also offer a co-curricular course, UNIV150, which covers a variety of study skills and personal management themes aimed at helping incoming students thrive in university. Our Writing Centre offers support primarily for students struggling in introductory English courses, but since last year it has expanded to serve students across the curriculum. A number of faculties also offer academic supports to students such as ChemHelp and MathHelp sessions. The number of students requiring accommodation continues to rise annually. In 2017/18 79 students received disability support. In the same year 50 students made use of the academic success support which the university provides.

In the Fall of 2018 the University launched the offering of an Education course entitled "Educational Strategies for Learning and Life". This Fall term 3-credit course (EDUC 211) is intended to enhance the awareness of the student as a learner grounded in theories of learning. It is designed for any student interested in learning theory and practice, but is especially geared toward incoming and struggling students who require the tools necessary to persist through their university education.

GOAL: Empower people

Priority Initiative: Implement an annual Board Governance training workshop

A Board Governance training workshop is held at every Fall meeting of the Board of Governors. In this workshop the governors are introduced to the governing structure of the university (bicameral model), their responsibilities as members of the Board and as members of the Board Committee they are assigned to, and the expectations vis-a-vis promoting The King's University in the respective communities they represent. In the 2017/18 academic year the Board of Governors adopted a plan to reduce the number of board members from 28 to 16. This change will be implemented in the 2018/19 and 2019/2020 academic years.

Priority Initiative: Create an effective employee engagement process by developing a new employee orientation and onboarding program. Provide regular training and development opportunities for employees. Participate in a best workplace survey for benchmarking and investing in best practices.

As reported in the 2016/17 annual report the university's Human Resources Department has completely revamped the orientation and onboarding program for new employees. In the 2017/18 academic year this revamped orientation protocol was fully implemented. In consultation with a small committee representing the various segments of the employees regular orientation sessions for new employees are held. In addition a "buddy system" that pairs new employees with existing employees has been implemented and an intranet website with relevant information for new employees has been launched. The university also subscribes to a service that provides positive leadership and organizational resilience training. During the 2017/18 academic year a detailed handbook for sessional instructors was produced. A sessional instructor orientation session was held two weeks prior to the start of the 2018/19 academic year.

GOAL: Advance Sustainability

Priority Initiative: Develop and execute a Strategic Enrollment Strategy that increases the total undergraduate headcount to 1,000 students and 500 adult learners.

In order to achieve a greater level of sustainability the university needs to increase its total undergraduate headcount. To that end the university's Strategic Enrolment Management and marketing plan calls for 1,000 students and 500 adult learners by 2020

The table below summarizes the enrolment over the 2013-2018 period. As noted, we exceeded the projected enrolment of a headcount of 777 students for Fall 2016/17 by ending up with a full year (unduplicated head count) of 799. The 2016/17 FLE was 627.113. This is slightly below the 2015/16 629 FLE. In other words, on average in 2016/17 students were enrolled in fewer course credits as compared to 2015/16, down from 0.787 FLE/student in 2015/16 to 0.748 FLE/student in 2016/17.

In the 2017/18 academic year we exceeded our projected Fall enrollment, ending up with a full year (unduplicated head count) of 838. The FLE/student ratio in 2017/18 was 0.735.

Table 5: Enrolment 2013/2018

<i>Academic Year</i>	<i>Projected Fall Enrolment (head count)</i>	<i>Actual Enrolment (Full year)</i>	
		<i>Unduplicated Head Count</i>	<i>FLE</i>
2013/14		732	568.5
2014/15		750	573.2
2015/16		799	629
2016/17	777	838	627.113
2017/18	822	890	654.34

In order to achieve the target number of 1,000 students by 2020, the university is rewriting its strategic enrolment management strategy, with the eye on incorporating distinctive advertising and recruitment strategies for the various academic programs the university offers.

The enrolment of international students at The King's University has remained fairly stable, as can be noted from the table below. We have seen a slight increase in 2017/18. Budgetary constraints have hampered our ability to invest in a targeted international recruitment strategy that would result in an increase in international student enrolment.

Table 6: International Student Enrolment 2010/2018

<i>Academic Year</i>	<i>International Student Enrolment</i>
2010/11	43
2011/12	44
2012/13	44
2013/14	48
2014/15	52
2015/16	55
2016/17	56
2017/18	65

Priority Initiative: Develop a strategy for cultivating new financial donors including the members of the King's University Foundation.

The King's University Foundation has completed a strategic planning process which included better defining its role as a foundation supporting the university and complimenting the work of the University's Development Office. The Foundation has hired a half-time Executive Director who is tasked with doubling the membership of the foundation over the next five years and increasing the amount of funds raised three-fold in that same time period. One of the Foundation's primary roles moving forward is to serve as a catalyst for others to support the university. Through relationships, the Foundation will act as a multiplier agent, in addition to being a supportive agent.

The university's Development Office has hosted prospecting events at current donor's homes to connect and build relationships with new prospective donors. These events are intended to leverage the relationships that current donors have with people in their networks who are not connected to the university. In addition, the fundraising team has contracted with a professional prospect researcher to conduct research on parents of new students and other community members who may align well with the mission and vision of the university. Members of the Development team are using this data to connect and cultivate relationships with newly identified prospects.

Continued investment in the Alumni Relations Office is intended to maintain and build relationships with a new generation of donors. With the University's Alumni base reaching a point at which many of them are in a position to make a significant financial contribution to the University, the focus of the Alumni Relations office is starting to include a greater emphasis on fundraising.

Priority Initiative: Increase the capacity of departments and units to manage their budgets more effectively.

The implementation of BudgetPak software in August 2016 has greatly increased the capacity to create and manage the university's budget. Department managers and Deans are able to manage their budgets more effectively and track their expenditures readily. The ability to "drill down" from the financial statements to view the items that make up a particular revenue or expense amount has already proven to be useful for prudent financial management.

It must be noted that the 2017/18 deficit cannot be contributed to an overspending of the budgeted amounts, but rather a decline in income. Expenditures were as-per-budget. We were able to control spending because budget managers were able to track their departmental expenditures more readily with BudgetPak.

For the current year, a Budget Advisory Committee has been appointed. The mandate of this committee is to provide oversight to the Budget Process and to make recommendations regarding budget priorities and allocations to the Strategic Leadership team.

Priority Initiative: Establish a multi-year plan for debt reduction.

The development of a multi-year plan for debt reduction is intimately connected with the recommendations of the presidential committee on financial sustainability. Having received the final report of this committee near the end of the 2017/18 academic year, the VP Operations and Finance has been requested to propose such a plan.

Priority Initiative: Develop a Campus Master Plan that is financially viable, ecologically responsible and innovative.

In 2016/17 significant efforts were devoted to the completion of a Campus Master Plan. This plan received in-principle approval by the university's Board of Governors.

The plan envisions a staged conversion of parts of the existing structure. The key features are the addition of a Centre for the Excellence in the Sciences, renovation of part of the existing structure to create an Academic Enrichment Centre and a cafeteria space, and the addition of a classroom/library/administrative and faculty offices building.

A silent fundraising feasibility phase was launched in 2016/17. A comprehensive brochure has been compiled and institutional advancement staff members are meeting with existing and

potential donors to assess the financial feasibility of the proposed project. This silent feasibility phase has continued in the 2017/18 academic year.

Priority Initiative: Appoint a presidential committee on financial sustainability.

The Financial Sustainability Taskforce under the leadership of Dr. Melanie Humphreys (President, TKU) and Dr. David Atkinson (former president of MacEwan University) has presented its final report to the university community and to the Board of Governors. Some of the key items brought forward by the report are:

- That the current King's mission must remain at the forefront of all its activities.
- That King's sole priority is faithfulness expressed through the flourishing of its mission.
- That fiscal responsibility and stewardship of resources are key elements in the practical realization of faithfulness to King's mission.
- That King's commitment to Christian liberal arts and sciences is central to its mission, and constitutes a distinctive market offering.
- That King's financial position must improve if it is to thrive, and in this respect the status quo is not acceptable.
- That King's must introduce new program which are consistent with King's mission, meet the needs of current and future students, and enhance the University's ability to recruit students who might not otherwise choose King's.

These recommendations are being enacted by the various levels of King's leadership, some of which are reflected even in this report. Implementation of a renewed common curriculum as a fresh expression of King's mission and commitment to the liberal arts is underway. Program additions or the addition of streams within existing programs are in development. A significant revision of our strategic enrolment management plan is in progress. The work of this Taskforce has shaped significant activity at King's.

Financial and Budget Information

Table I below provides actual vs. budgeted revenues and expenses for the year 2017-2018.

Table 8: Operations 2017-2018 Actual vs Budget (\$ thousands)

	Actual	Budget	
	2017-18	2017-18	Difference
Revenue			
Tuition	\$ 8,860	\$ 8,872	\$ (12)
Government funding	4,987	4,858	129
Donations	2,494	3,179	(685)
Residence & other	3,049	3,318	(269)
Total	19,390	20,227	(837)
Expenses			
Salaries and benefits	12,256	12,588	332
Interest	513	543	30
Cost of sales	904	967	63
Other expenses	4,563	4,504	(59)
Amortization	1,609	1,625	16
Total	19,845	20,227	382
Surplus (Deficit)	\$ (455)	\$ 0	\$ (455)
FLE enrolment	654	678	(24)
Average Headcount	805	778	27

The annual audit of the consolidated financial statements by our external auditors, Kingston Ross Pasnak, was finalized in June 2018. A copy of the audited financial statements is included in Appendix A. Despite our best efforts, the 2017-18 year ended with an operating deficit of \$455,283, primarily resulting from lower than budgeted donations and decreased of residence and other revenue. Some highlights are as follows:

- Student enrolment growth was positive, with a 3% increase in average headcount, exceeding budget targets, however the FLE was slightly lower resulting slightly lower tuition revenue.
- The Alberta government's base operating grant to King's increased by 2%.
- Considerable effort has been made to grow our donor pool and attract higher levels of annual giving for operations, but the Alberta economy has presented a significant challenge in recent years.
- Expenses in 2017-18 were lower than anticipated in the budget primarily because a number of employees retired and there were some delays on new hires.

King's recognizes that operating deficits are not sustainable for the long term future of the University, and we are undertaking measures to improve ongoing monitoring. Budget software (BudgetPak) has been implemented to allow budget managers throughout the institution to monitor expenses more closely at a department and program level. The University has also acquired software to improve the process of issuing purchase orders and tracking purchase commitments made through the accounting system. Our hope is that adding commitment information will give a more accurate and up-to-date picture on budget room used (spent and committed) as the year progresses.

Internationalization

The King's University continued its memberships in the Council of Christian Colleges & Universities (CCCU), Christian Higher Education Canada (CHEC), and the International Association for the Promotion of Christian Higher Education (IAPCHE).

Twenty-eight new international students received a comprehensive pre-arrival package this year that included information regarding airport arrival, transportation, accommodations and the City of Edmonton. The International Office also hosted two orientations to accommodate the international students that arrive during the first week of classes.

The King's University, together with five other post-secondary institutions and the City of Edmonton, welcomed more than 1,000 new students through an airport welcome booth and the City Wide Welcome. This event, hosted at Shaw Conference Centre on September 15, 2018, provided a fantastic opportunity to highlight the city's diverse range of services, amenities, activities and local organizations.

The three-day celebration of Globe Awareness Week at TKU was filled with fun and interactive activities to showcase the vibrant and diverse backgrounds of our student body. The King's University has 65 international students this year representing 31 countries.

King's has again offered our Field Course in International Development, in which we took up our longstanding participation in community development projects with 8 students working in Honduras. 5 students and 2 staff participated in our longstanding partnership in global justice education through Quest Mexico: Field Course in Global Development and Justice in Mexico.

King's Micah Centre sent 3 students on international internships, to gain invaluable firsthand experience in community development and international partnerships: one in Uganda and Kenya with WorldRenew, one in Mexico with Quest Mexico, and another in Bangladesh with WorldRenew.

The Micah Centre also hosted several speakers from the international community, including Uganda, Honduras, and Cuba.

Information Technology

The King's University's robust information technology infrastructure is managed and supported by the Information Technology Services department (ITS). Their ongoing management of redundant virtual servers continues to provide a reliable and scalable environment.

A major project this year was the redevelopment of our integration with ApplyAlberta required by updates to ApplyAlberta to become standards compliant with the most recent version of PESC standards for applications and transcripts. A significant part of this was also retooling to be able to accept and import into our student information system the significantly revised Alberta Education transcripts.

Our Human Resource Management System (HRMS) continued with further integration with other King's systems, providing for automated on- and off-boarding of employees. Active Directory is the central authentication system with which on-boarding interacts. It is carefully controlled to manage our licenses to products such as PaperCut, Self Service Reset Password Management.

BudgetPak is our budget creation and reporting software that interacts with our existing accounting software and provides budget managers and executive leadership with the tools to manage their budgets more effectively. During the past year, the drill down reporting feature allowed managers access to in-year expense detail to assist them with timely budget management.

The University's expanded use of Microsoft SharePoint continues. The university has developed process workflows to assist in interdepartmental processes as well as integration with external databases and services. For instance, the scholarly activity of faculty members, which is reported through a SharePoint-based system, directly feeds into the research section of our public website. Other examples are the collection of course outlines, textbook requests of our bookstore, final exam requests, and academic regalia requests.

King's values its membership in AAHEIT and uses its services regularly. This past year licenses for Adobe DC licenses and SPSS-AMOS were among the items sourced through AAHEIT. King's also interacted with AAHEIT during its ApplyAlberta redevelopment process. AAHEIT managed the grants provided by the government for that project.

Our ongoing refresh of computer lab and administrative computing equipment took place as a part of the university's annual capital expenditures.

Capital Plan

As an Independent Academic Institution, the University is not eligible for funding via the Alberta Infrastructure Maintenance Grant. All capital projects undertaken are therefore funded via internal funds generated by operations or through external sources from our support community, partners, sponsors, and the Federal Government.

The major capital expenditures in 2017-18 were for extensive roof replacement partly, in partnership with the federal Post-Secondary Institutions Strategic Investment Fund, as summarized in Table 9.

Table 9: Summary of Capital Expenditures – Actual vs. Budget

Capital Expenditure	2017-18 Actual	2017-18 Budget	Variance
Main Building Air Conditioning	\$244,328	\$337,500	
Boiler replacements	10,927	18,000	
Building systems	255,255	355,500	100,245
Computer equipment renewal	49,912	59,000	
Computer lab replacement	72,055	74,700	
Wireless controller replacement			
Information technology	121,968	133,700	11,732
Capital Campaign Feasibility Study	104,701	128,000	23,299
Equipment and furniture (various)	100,998	116,000	15,002
Library	148,891	145,000	(3,891)
Building improvements	20,158	30,000	9,842
Land improvements	51,530	50,000	(1,530)
	\$803,500	\$958,200	\$154,700
Special projects – funded	261,268	-	(261,268)
	\$1,064,768	\$958,200	\$(106,568)

During 2017-18, the capital budget was underspent by \$155,000; no major building expansion occurred during the year.

As part of the implementation of the *Shared Vision 2020* strategic plan, the University engaged in a capital campaign feasibility study to prepare for launching a major funding drive in coming years. The funding for the development of the capital campaign feasibility study was provided by The King's University Foundation.

Appendix A: Audited Financial Statements

Please see the following pages for the audited financial statements.

THE KING'S UNIVERSITY
Consolidated Financial Statements
Year Ended March 31, 2018

THE KING'S UNIVERSITY
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Year Ended March 31, 2018

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KINGSTON
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June 8, 2018
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University

We have audited the accompanying consolidated financial statements of The King's University, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The King's University as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP

Chartered Professional Accountants

THE KING'S UNIVERSITY
Consolidated Statement of Financial Position
March 31, 2018

	2018	2017 <i>(Note 3)</i>
ASSETS		
CURRENT		
Cash	\$ 328,317	\$ 173,240
Accounts receivable <i>(Note 4)</i>	423,726	166,133
Goods and Services Tax receivable	19,308	8,349
Bookstore inventory	151,216	204,291
Prepaid expenses and deposits	472,775	277,753
Short term investments <i>(Note 5)</i>	678,320	1,016,341
	2,073,662	1,846,107
INVESTMENTS <i>(Note 5)</i>	8,899,263	7,547,801
PROPERTY AND EQUIPMENT <i>(Note 6)</i>	19,569,420	20,129,465
	\$ 30,542,345	\$ 29,523,373
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness <i>(Note 7)</i>	\$ -	\$ 180,000
Accounts payable and accrued liabilities	1,110,783	885,207
Government remittances payable <i>(Note 8)</i>	253,982	241,305
Deferred revenue	1,873,389	1,538,326
Deferred contributions <i>(Note 9)</i>	6,972,822	5,302,733
Mortgage payable <i>(Note 10)</i>	10,356,727	10,733,658
Debenture payable <i>(Note 11)</i>	2,340,357	2,511,786
Current portion of long term debt <i>(Note 12)</i>	758,656	972,760
	23,666,716	22,365,775
LONG TERM DEBT <i>(Note 12)</i>	1,839,341	2,028,968
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 13)</i>	2,799,747	2,815,193
	28,305,804	27,209,936
NET ASSETS		
Investment in property and equipment	1,793,796	1,386,303
Endowments <i>(Note 14)</i>	3,239,217	2,860,830
Internally restricted <i>(Note 15)</i>	282,459	282,459
Accumulated operating deficit	(3,078,931)	(2,216,155)
	2,236,541	2,313,437
	\$ 30,542,345	\$ 29,523,373

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE KING'S UNIVERSITY
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2018

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2018	2017 (Note 3)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	\$ 1,386,303	\$ 2,860,830	\$ 282,459	\$ (2,216,155)	\$ 2,313,437	\$ 2,424,995
Deficiency of revenue over expenditures, as restated	-	-	-	(455,283)	(455,283)	(341,970)
Endowment contributions, as restated	-	378,387	-	-	378,387	230,412
Transfer for:						
Acquisition of internally funded property and equipment	803,501	-	-	(803,501)	-	-
Amortization of internally funded property and equipment	(1,332,590)	-	-	1,332,590	-	-
Net book value of property and equipment disposals	(15,509)	-	-	15,509	-	-
Change in mortgage, debenture and long term debt payable	952,091	-	-	(952,091)	-	-
NET ASSETS - END OF YEAR	\$ 1,793,796	\$ 3,239,217	\$ 282,459	\$ (3,078,931)	\$ 2,236,541	\$ 2,313,437

THE KING'S UNIVERSITY
Consolidated Statement of Operations
Year Ended March 31, 2018

	Budget (Note 18)	2018	2017 (Note 3)
REVENUE			
Tuition fees	\$ 8,871,910	\$ 8,859,667	\$ 8,227,727
Government grants	4,858,330	4,986,516	4,956,153
Donations	3,178,780	2,494,136	2,689,798
Residence and other sales (Note 16)	2,639,850	2,391,522	2,523,718
Research grants	419,460	389,943	314,857
Other income	164,705	159,630	185,737
Investment income (Note 3, 17)	94,150	108,553	179,886
	20,227,185	19,389,967	19,077,876
EXPENSES			
Salaries and benefits	12,587,620	12,256,313	11,798,704
Operating supplies and services	2,097,671	2,002,537	2,191,376
Amortization	1,624,697	1,609,304	1,625,663
Cost of goods sold	967,000	903,656	915,848
Scholarships and awards	699,450	950,142	698,562
Travel, hospitality and conferences	661,292	585,770	659,322
Utilities	486,975	501,699	495,506
Maintenance and equipment rent	510,580	457,767	453,535
Interest on mortgage payable	248,000	196,033	197,680
Insurance and taxes	122,500	131,868	128,306
Interest on debenture payable	94,000	99,971	93,901
Interest on long term debt	78,000	72,171	71,670
Professional fees	49,400	49,502	56,518
Loss on disposal of property and equipment	-	15,509	21,564
Interest on line of credit	-	13,008	11,691
	20,227,185	19,845,250	19,419,846
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ -	\$ (455,283)	\$ (341,970)

THE KING'S UNIVERSITY
Consolidated Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017 <i>(Note 3)</i>
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 8,985,396	\$ 8,300,179
Cash received from government	5,360,545	5,082,695
Cash received from donors	3,519,061	3,150,070
Cash received from sale of goods and services	2,345,136	2,504,262
Cash received from other sources	155,090	172,958
Cash paid to employees for salaries and benefits	(12,223,031)	(11,835,037)
Cash paid to suppliers for materials and services	(5,531,159)	(5,692,642)
Cash paid to creditors for interest	(185,151)	(177,262)
Cash flow from operating activities	2,425,887	1,505,223
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	261,268	47,029
Cash received from income on investments	230,426	205,269
Cash received on disposal of property and equipment	-	2,961
Cash applied to purchase of property and equipment	(1,064,768)	(1,094,901)
Cash invested in investments	(703,189)	(647,748)
Cash flow used by investing activities	(1,276,263)	(1,487,390)
FINANCING ACTIVITIES		
Cash (paid) received from line of credit	(180,000)	180,000
Cash received from long term debt proceeds	-	244,101
Cash received from endowments	309,904	132,742
Cash paid for long term debt repayments	(1,148,123)	(1,172,638)
Cash flow used by financing activities	(1,018,219)	(615,795)
INCREASE (DECREASE) IN CASH	131,405	(597,962)
CASH - BEGINNING OF YEAR	425,029	1,022,991
CASH - END OF YEAR	\$ 556,434	\$ 425,029
CASH CONSISTS OF:		
Cash	\$ 328,317	\$ 173,240
Cash included in short term investments	228,117	251,789
	\$ 556,434	\$ 425,029

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

1. AUTHORITY AND PURPOSE

The King's University (the "University"), formerly The King's University College, operates under the authority of The King's College Act, Statutes of Alberta 1979, as amended. Its mission is to provide university education that inspires and equips learners to bring renewal and reconciliation to all walks of life as followers of Jesus Christ, the Servant King.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of The King's University Foundation (the "Foundation") and Leder School of Business Consulting Services Ltd. ("Leder Consulting"). The Foundation, which operates under the Companies Act of Alberta, solicits and receives gifts and donations and provides grants and property to the University to support and promote the educational and research activities of the University. The King's University and the Foundation are registered charitable organizations for purposes of the Income Tax Act (Canada) and, as such, are not liable for the payment of income taxes. Leder Consulting, which operates under the Business Corporations Act of Alberta, is a wholly owned subsidiary that provides consulting services on a fee for service basis. Leder Consulting is a company subject to income taxes.

The accounts of the three organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on consolidation.

Investments

The University's investments are recorded at fair value and consist of money market, fixed income, and equity based instruments. The investment portfolio is managed by a third party investment manager and is subject to an investment policy set by the Board of Governors. The main objective of the investment policy is the growth and preservation of capital. The fixed income investments which consist of federal, provincial and corporate bonds are capable of prompt liquidation. The equity based investments are widely held and diversified and are traded on a regular basis on the recommendation of the investment manager and approval of the University.

Property and Equipment

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

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

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

Property and equipment is not amortized until placed into use. Construction on the building amounts to \$409,885 as at March 31, 2018, and has not been amortized during the year.

(continues)

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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 \$270,764 (2017 - \$264,264).

Revenue Recognition

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions restricted for purposes other than endowments or the acquisition of property and equipment are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable. Contributions restricted for the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of property and equipment that will not be amortized are recognized as direct increases to net assets in the period in which they are expended.

Donated materials and services are recognized as revenue when they would otherwise have been purchased at fair value when fair value can be reasonably determined. Pledges are recognized when collection is reasonably assured.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on investments are either included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Investment earnings on internally designated funds are recognized as revenue when received or receivable. Other unrestricted investment income is recognized as revenue when earned.

Tuition fees are recognized as revenue when the instruction is delivered and the tuition fees have been received or are considered receivable. Residence, food, conference, bookstore, other and consulting service sales are recognized as revenue when the product or service has been provided and the agreed upon amount is received or considered receivable.

Government grants are recognized as revenue in the year to which they relate.

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

(*continues*)

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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

Employee Future Benefits

The University participates with other employers in the Canadian Christian School Pension Plan and Trust Fund (the "Plan"). The Plan is a contributory, defined benefit pension plan that provides pensions for the University's eligible employees based on their years of service and earnings.

Pension cost is disclosed as a part of salaries and benefits and is comprised of the amount of employer contributions required for the University's employees during the year, based on rates that are expected to provide benefits payable under the Plan. The University's portion of the pension plan's deficit or surplus is not recorded by the University as this portion is not readily determinable.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment, the collectability of accounts receivable and the allocation of costs to the Leder School of Business, for the purpose of recognizing deferred contributions.

Financial Instruments

Financial instruments are initially measured at fair value, and, unless otherwise noted, the University subsequently measures its financial instruments at amortized cost.

3. PRIOR PERIOD ADJUSTMENT

In 2018, the University discovered a difference in the interpretation of the terms of reference for an endowment. Previously, contributions to the endowment were recorded at the historical market value and earnings were pooled with other investment earnings. The University has adjusted this to record the endowment at current market value and reduce previously recognized earnings. The impact of this change is as follows:

	Previously reported	Restated	Change
Endowments, April 1, 2016	\$ 2,589,630	\$ 2,630,417	\$ 40,787
Accumulated operating deficit, April 1, 2016	(1,427,312)	(1,468,099)	40,787
2017 Investment income	209,268	179,886	(29,382)
2017 Changes in unrealized gains	690,534	661,152	(29,382)
2017 Deficiency of revenue over expenditures	(312,588)	(341,970)	(29,382)
2017 Endowment contributions	201,030	230,412	29,382
Endowments, March 31, 2017	2,790,660	2,860,830	70,170
Accumulated operating deficit, March 31, 2017	(2,145,985)	(2,216,155)	70,170

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
Allowance for doubtful accounts	\$ 125,435	\$ 117,468
Bad debt expense, included in Tuition fees	\$ 4,967	\$ 7,149

5. INVESTMENTS

	2018	2017
Short term investments		
Corporate notes	\$ 450,203	\$ 764,552
Cash	228,117	251,789
	\$ 678,320	\$ 1,016,341
Long term investments		
Equity funds - Canada	2,128,398	2,822,486
Corporate notes	2,854,996	2,214,330
Equity funds - U.S.	2,405,743	1,508,825
Equity linked notes - Canada	853,341	392,601
Deposit agreement	311,999	295,103
Equity funds - Overseas	212,821	193,419
Cash surrender value of life insurance policies	69,738	65,964
Equity funds - Emerging markets	62,227	55,073
	8,899,263	7,547,801
	\$ 9,577,583	\$ 8,564,142

Investments include corporate notes that mature at various dates to December 5, 2022. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University's fixed income investments bear interest at rates of 1.35% to 3.776%. 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, 2018 equity linked notes were 50% invested in equity and 50% invested in fixed income (2017 - 50% invested in equity and 50% invested in fixed income).

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings and site improvements	\$ 30,066,680	\$ 14,442,894	\$ 15,623,786	\$ 15,990,140
Land	1,852,592	-	1,852,592	1,852,592
Furniture and equipment	12,251,886	10,794,946	1,456,940	1,665,679
Library materials	3,681,317	3,045,215	636,102	621,054
	\$ 47,852,475	\$ 28,283,055	\$ 19,569,420	\$ 20,129,465

7. BANK INDEBTEDNESS

The line of credit with ATB Financial bears interest at bank prime plus 0.50%, payable monthly, has an authorized limit of \$2,000,000 and is secured by the same terms as the debenture payable (*Note 11*). At March 31, 2018, \$nil was drawn upon (2017 - \$180,000) and the effective interest rate was 3.95%.

8. GOVERNMENT REMITTANCES PAYABLE

	2018	2017
Payroll taxes	\$ 253,982	\$ 241,490
Income taxes	-	(185)
	\$ 253,982	\$ 241,305

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

9. 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:

	2018	2017 <i>(Note 3)</i>
Beginning balance, related to operating funding	\$ 4,106,541	\$ 3,546,067
Add:		
Restricted donations	2,152,750	1,512,609
Restricted government grants	65,750	10,000
Restricted research grants	207,825	197,643
	2,426,325	1,720,252
Less:		
Donations recognized as revenue	(766,590)	(757,903)
Research grants recognized as revenue	(161,552)	(156,096)
Amounts transferred to deferred capital contributions	(4,790)	(47,029)
Government grants recognized as revenue	(43,341)	(148,750)
Amounts transferred to endowments	-	(50,000)
	(976,273)	(1,159,778)
Ending balance, related to operating fund	\$ 5,556,593	\$ 4,106,541
Beginning balance, related to investment income	\$ 1,196,192	\$ 573,827
Add:		
Changes in unrealized gains	151,676	661,152
Dividend and interest income earned	230,426	205,269
	382,102	866,421
Less:		
Amount recognized as investment income in the period	(108,553)	(179,886)
Amount added directly to endowments	(53,512)	(64,170)
	(162,065)	(244,056)
Ending balance, related to investment income	\$ 1,416,229	\$ 1,196,192
	\$ 6,972,822	\$ 5,302,733

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

10. MORTGAGE PAYABLE

The mortgage payable to The King's Group Registered Retirement Savings Plan (King's RRSP) is secured by a second mortgage against the land and buildings. The King's RRSP is trustee by Concentra Trust and managed by Concentra Bank. Funds may be advanced to a maximum of \$15 million bearing interest at a variable rate set quarterly at least equivalent to Bank of Montreal rate for one year on non-redeemable guaranteed investment certificates under \$100,000. For the quarter ended March 31, 2018, the rate was 1.85% (2017 - 1.85%). Interest is compounded quarterly and reinvested in the mortgage until the full advance has been paid. All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

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

	2018
2019	\$ 359,000
2020	300,800
2021	305,000
2022	317,400
2023	349,600
Subsequent years	8,724,927
	\$ 10,356,727

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

11. DEBENTURE PAYABLE

Debenture payable to ATB Financial is secured by a General Security Agreement covering all assets of the University and a debenture agreement in the amount of \$10,000,000 providing a floating charge over all undertakings of the University and a fixed charge on specified lands. Interest at bank prime plus 1.00% is payable monthly.

There are two loan facilities outstanding: Facility 1 for \$1,997,500 and Facility 2 for \$342,857.

Facility 1 requires annual principal repayments of \$235,000. Prepayments and payouts in full are permitted at anytime without penalty or bonus. During the year, no principal repayment was made due to the University having prepaid required principal repayments during previous years. The next required principal repayment is due in the 2019 fiscal year.

Facility 2 requires annual principal repayments of \$114,285 over the next three years.

The debenture is due on demand. At March 31, 2018, the effective interest rate was 4.45% (2017 - 3.70%). The University is required to maintain a debt service coverage ratio of at least 1.5:1.

Minimum repayments are as follows:

2019	\$	349,285
2020		349,285
2021		349,285
2022		235,000
2023		235,000
Thereafter		<u>822,502</u>
	\$	<u>2,340,357</u>

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

12. LONG TERM DEBT	2018	2017
Various notes payable, unsecured, at variable interest rates from 0% to 3.00%, are repayable at various maturity dates through to February 3, 2023.	\$ 2,597,997	\$ 3,001,728
Amounts payable within one year	(758,656)	(972,760)
	\$ 1,839,341	\$ 2,028,968

Principal repayment terms are approximately as follows:

2019	\$ 758,656
2020	1,005,075
2021	261,162
2022	263,104
2023	310,000
	<u>\$ 2,597,997</u>

13. 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:

	2018	2017
Balance, beginning of period	\$ 2,815,193	\$ 3,045,707
Capital contributions from donors	21,575	47,029
Capital contributions from government	239,693	-
Amounts amortized to revenue, included in government grants, donations and research grants	(276,714)	(277,543)
Balance, end of period	\$ 2,799,747	\$ 2,815,193

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

14. ENDOWMENTS

	2018	2017 <i>(Note 3)</i>
Balance, beginning of period, as restated <i>(Note 3)</i>	\$ 2,790,660	\$ 2,630,417
New contributions and earnings on restricted donations	448,557	230,413
Balance, end of period	\$ 3,239,217	\$ 2,860,830

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 457,499	\$ 403,954
Music	347,384	341,033
Commerce	472,540	328,983
Education	277,684	274,404
Christian ministry or service	452,611	255,196
Arts	258,037	301,325
Natural Sciences	210,427	207,416
Political Science, History, Economics	178,913	167,647
Environmental Studies	136,308	125,208
Social Sciences	126,458	134,657
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	96,157	96,157
Other	66,156	65,806
Micah Centre	51,489	51,490
	\$ 3,239,217	\$ 2,860,830

15. 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.

16. RESIDENCE AND OTHER SALES

	2018	2017
Residence	\$ 915,854	\$ 936,672
Food services	631,299	673,055
Conference services	399,893	457,482
Bookstore	365,998	370,131
Other	78,478	86,378
	\$ 2,391,522	\$ 2,523,718

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

17. INVESTMENT INCOME

	2018	2017
Dividend and interest income earned in the period	\$ 230,426	\$ 205,269
Changes in unrealized gains, as restated (Note 3)	151,676	661,152
Amounts added directly to endowments	(53,512)	(64,170)
Amounts deferred	(220,037)	(622,365)
	\$ 108,553	\$ 179,886

18. BUDGET

The budget was approved by the Board of Governors on March 11, 2017. The budgeted amounts have been provided for information purposes only and are unaudited.

19. PENSION PLAN

The pension expense recorded in these financial statements represents the University's annual contributions payable of \$715,491 for the year ended March 31, 2018 (2017 - \$677,891).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) is prepared on a tri-annual basis; however, the Plan is below the 85% funded level; as a result, actuarial valuations will be performed on a yearly basis when the Plan is below the 85% funded level. The most recent valuation was done on August 31, 2016. In 2017, the Plan reported a deficit of approximately \$27 million in a fund with net assets available for benefits of approximately \$342 million and pension obligations of \$369 million.

The calculation of the estimated present value of vested benefits under the Plan at August 31, 2017 and 2016 was made by consulting enrolled actuary Mercer.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

20. 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, 2018. Unless otherwise noted, the University's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The University is exposed to credit risk from students and customers, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. The University has a significant number of students and customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the University's cash requirements, and additional requirements are met with the use of the available credit facilities.

Currency risk

Currency risk is the risk to the University's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. These amounts are of a short duration, which minimizes the University's exposure to foreign currency fluctuations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The University is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and locked in guaranteed investment certificates.

21. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THE KING'S UNIVERSITY
Consolidated Statement of Operations by Function
Year Ended March 31, 2018

	Budget (Note 18)	2018	2017
REVENUE			
Tuition fees	\$ 8,871,910	\$ 8,859,667	\$ 8,227,727
Government grants	4,785,867	4,986,516	4,956,153
Donations	3,178,780	2,494,136	2,689,798
Residence and other sales (Note 16)	2,639,850	2,391,522	2,523,718
Research grants	459,423	389,943	314,857
Other income	197,205	159,630	185,737
Investment income (Note 3, 17)	94,150	108,553	179,886
	20,227,185	19,389,967	19,077,876
EXPENDITURES			
Instruction	7,481,944	6,849,963	6,809,574
Student services	3,249,779	3,654,780	3,312,425
Ancillary services	2,508,463	2,436,832	2,421,618
Physical plant	1,474,462	1,521,317	1,505,691
Institutional support	1,572,463	1,436,375	953,270
Institutional advancement	1,395,639	1,421,527	1,456,730
Computing services	887,568	925,969	836,337
Academic support and library	931,702	910,917	1,410,386
Interest on long term and other liabilities	420,000	381,132	374,878
Research	305,165	306,438	338,937
	20,227,185	19,845,250	19,419,846
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ -	\$ (455,283)	\$ (341,970)