

THE KING'S UNIVERSITY
Consolidated Financial Statements
Year Ended March 31, 2020

THE KING'S UNIVERSITY
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Year Ended March 31, 2020

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July 14, 2020
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The King's University (the University), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of changes in net assets, operations and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at March 31, 2020, and the consolidated results of its operations and consolidated cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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



Kingston Ross Pasnak LLP

Chartered Professional Accountants

THE KING'S UNIVERSITY
Consolidated Statement of Financial Position
March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 152,359	\$ 1,548,609
Accounts receivable (Note 3)	277,990	367,633
Goods and Services Tax receivable	12,787	20,593
Bookstore inventory	46,775	125,811
Prepaid expenses and deposits	291,663	281,204
Short term investments (Note 4)	1,159,789	898,757
	1,941,363	3,242,607
INVESTMENTS (Note 4)	8,678,128	9,127,535
PROPERTY AND EQUIPMENT (Note 5)	19,291,489	18,942,868
	\$ 29,910,980	\$ 31,313,010
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 6)	\$ 650,000	\$ -
Accounts payable and accrued liabilities	1,107,614	1,378,111
Source deductions payable	256,604	247,648
Deferred revenue	1,910,902	1,883,069
Deferred contributions (Note 7)	6,663,359	7,621,829
Mortgage payable (Note 8)	9,698,029	10,343,577
Debenture payable (Note 9)	1,609,230	1,974,904
Current portion of long term debt (Note 10)	1,120,115	1,157,563
	23,015,853	24,606,701
LONG TERM DEBT (Note 10)	916,850	1,331,871
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	2,883,519	2,640,373
	26,816,222	28,578,945
NET ASSETS		
Investment in property and equipment	3,381,139	1,813,785
Endowments (Note 12)	3,752,048	3,592,893
Internally Restricted (Note 13)	282,459	282,459
Accumulated Operating Deficit	(4,320,888)	(2,955,072)
	3,094,758	2,734,065
	\$ 29,910,980	\$ 31,313,010

ON BEHALF OF THE BOARD

Signed - "Stephanie Bolt" Treasurer _____
Signed - "Gerald Jansen" Director

THE KING'S UNIVERSITY
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2020

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2020	2019
NET ASSETS - BEGINNING OF YEAR	1,813,785	3,592,893	282,459	(2,955,072)	2,734,065	2,236,541
Excess of revenue over expenditure	-	-	-	201,538	201,538	143,848
Endowment contributions (Note 12)	-	159,155	-	-	159,155	353,676
Transfer for:						
Acquisition of internally funded property and equipment	1,502,471	-	-	(1,502,471)	-	-
Amortization of internally funded property and equipment	(1,391,086)	-	-	1,391,086	-	-
Net book value of property and equipment disposals	(7,722)	-	-	7,722	-	-
Change in mortgage, debenture and long term debt payable	1,463,691	-	-	(1,463,691)	-	-
NET ASSETS - END OF YEAR	3,381,139	3,752,048	282,459	(4,320,888)	3,094,758	2,734,065

THE KING'S UNIVERSITY
Consolidated Statement of Operations
Year Ended March 31, 2020

	Budget (Note 16)	2020	2019
REVENUE			
Tuition fees	\$ 10,501,705	\$ 10,096,301	\$ 9,522,225
Government grants	5,073,643	5,254,578	5,183,137
Donations	2,629,598	2,416,447	2,371,755
Residence and other sales (Note 14)	2,388,265	2,079,948	2,290,656
Research grants	335,086	579,495	411,321
Other income	97,796	184,417	380,873
Investment income (Note 15)	171,200	70,195	119,869
	21,197,293	20,681,381	20,279,836
EXPENSES			
Salaries and benefits	12,866,094	12,754,388	12,409,073
Operating supplies and services	2,292,918	2,127,411	2,258,948
Amortization	1,710,318	1,658,632	1,616,204
Scholarships and awards	912,450	936,733	764,513
Cost of goods sold	822,500	830,843	964,727
Travel, hospitality and conferences	773,755	689,243	664,363
Utilities	539,578	449,082	495,998
Maintenance and equipment rent	529,980	353,808	431,961
Interest on mortgage payable	285,600	245,375	217,660
Insurance and taxes	143,600	139,937	138,559
Professional fees	98,500	122,556	61,467
Interest on debenture payable	102,000	105,633	104,918
Interest on long term debt	120,000	60,269	62,157
Loss (gain) on disposal of equipment	-	5,910	(54,593)
Interest on line of credit	-	23	33
	21,197,293	20,479,843	20,135,988
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 201,538	\$ 143,848

THE KING'S UNIVERSITY
Consolidated Statement of Cash Flow
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 10,246,030	\$ 9,738,618
Cash received from government	5,686,752	5,714,154
Cash received from donors	1,839,050	2,469,347
Cash received from sale of goods and services	2,055,331	2,114,827
Cash received from other sources	180,217	376,673
Cash paid to employees for salaries and benefits	(12,698,704)	(12,373,641)
Cash paid to suppliers for materials and services	(5,889,782)	(5,335,234)
Cash paid to creditors for interest	(165,928)	(167,108)
Cash flow from operating activities	1,252,966	2,537,636
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	510,692	121,389
Cash received from income on investments	397,792	196,980
Cash received on disposal of property and equipment	-	60,000
Cash applied to purchase of property and equipment	(2,013,162)	(995,059)
Cash invested in investments	(553,067)	(388,519)
Cash flow used by investing activities	(1,657,745)	(1,005,209)
FINANCING ACTIVITIES		
Cash received from line of credit	650,000	-
Cash received from endowments	140,016	254,858
Cash paid for long term debt repayments	(1,709,066)	(704,828)
Cash flow used by financing activities	(919,050)	(449,970)
(DECREASE) INCREASE IN CASH	(1,323,829)	1,082,457
CASH - BEGINNING OF YEAR	1,638,891	556,434
CASH - END OF YEAR	\$ 315,062	\$ 1,638,891
CASH CONSISTS OF:		
Cash	\$ 152,359	\$ 1,548,609
Cash included in short term investments (Note 4)	162,703	90,282
	\$ 315,062	\$ 1,638,891

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of The King's University Foundation (the "Foundation"). The Foundation, which operates under the Companies Act of Alberta, solicits and receives gifts and donations and provides grants and property to the University to support and promote the educational and research activities of the University. The King's University and the Foundation are registered charitable organizations for purposes of the Income Tax Act (Canada) and, as such, are not liable for the payment of income taxes. The Leder School of Business Consulting (the "Company"), which operated under the Business Corporations Act of Alberta, had been a wholly owned subsidiary that provided consulting services on a fee for service basis and was voluntarily dissolved October 31, 2018.

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

Investments

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

Property and equipment

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

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

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

Property and equipment is not amortized until available for use. Construction on the building amounts to \$664,087 as at March 31, 2020 (2019 - \$555,018) and has not been amortized during the year.

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THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

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 \$208,966 (2019 - \$326,217).

Revenue recognition

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

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

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

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

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

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

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THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

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

Employee future benefits

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

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

Measurement uncertainty

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

Financial instruments

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

3. ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivable	\$ 465,363	\$ 513,091
Allowance for doubtful accounts	(187,373)	(145,458)
	\$ 277,990	\$ 367,633
Bad debt expense, included in tuition fees	\$ 41,914	\$ 20,030

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

4. INVESTMENTS

	2020	2019
Short term investments		
Corporate notes	\$ 997,086	\$ 808,475
Cash	162,703	90,282
	\$ 1,159,789	\$ 898,757
Long term investments		
Equity funds - Canada	\$ 3,360,255	\$ 2,960,488
Corporate notes	3,099,375	2,772,855
Equity funds - U.S.	873,084	1,709,783
Equity linked notes - Canada	715,503	929,107
Deposit agreement	338,011	323,800
Equity funds - Overseas	169,729	201,694
Cash surrender value of life insurance policies	77,333	73,699
Equity funds - Emerging markets	44,838	56,109
Mortgage Fund	-	100,000
	\$ 8,678,128	\$ 9,127,535
	\$ 9,837,917	\$ 10,026,292

Investments include corporate notes that mature at various dates to January 17, 2025. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University's fixed income investments bear interest at rates of 1.35% to 3.78% (2019 - 1.35% to 3.78%). The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

A portion of the investments are held in equity linked notes. Equity linked notes provide investments in a notional portfolio of shares selected using a quantitative model with the ability to allocate to fixed income investments based on the trend of the S&P/TSX Composite Index for Canada and S&P 500 Index for US. The goal of this strategy is to be exposed to the shares selected by the model when the trend is positive for the equity markets and to reduce or eliminate equity exposure as the trend for the equity markets becomes negative. At March 31, 2020 equity linked notes were 50% invested in equity and 50% invested in fixed income (2019 - 50% invested in equity and 50% invested in fixed income).

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Buildings and site improvements	\$ 31,821,756	\$ 16,608,214	\$ 15,213,542	\$ 15,050,103
Land	1,852,592	-	1,852,592	1,852,592
Furniture and equipment	9,776,311	8,165,593	1,610,718	1,421,298
Library materials	3,858,939	3,244,302	614,637	618,875
	\$ 47,309,598	\$ 28,018,109	\$ 19,291,489	\$ 18,942,868

6. BANK INDEBTEDNESS

The line of credit with ATB Financial bears interest and 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 9). At March 31, 2020, \$650,000 was drawn upon (2019 - \$nil) and the effective interest rate was 2.95%.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

7. DEFERRED CONTRIBUTIONS

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

	2020	2019
Beginning balance, related to operating fund	\$ 6,039,885	\$ 5,556,593
Add:		
Restricted donations	729,230	895,187
Restricted government grants	189,370	75,000
Restricted research grants	679,788	579,880
	1,598,388	1,550,067
Less:		
Donations recognized as revenue	(964,332)	(742,602)
Research grants recognized as revenue	(430,851)	(259,150)
Amounts transferred to deferred capital contributions	(508,692)	(1,704)
Government grants recognized as revenue	(120,259)	(63,319)
Amounts returned to grantor	(917)	-
Amounts transferred to endowments	(25,133)	-
	(2,050,184)	(1,066,775)
Ending balance, related to operating fund	5,588,089	6,039,885
Beginning balance, related to investment income	1,581,941	1,416,229
Add:		
Dividend and interest income earned	388,512	194,924
Changes in unrealized (losses) gains	(828,270)	122,010
	(439,758)	316,934
Less:		
Amount recognized as investment income in the period	(47,772)	(117,812)
Amount added directly to endowments	(19,141)	(33,407)
	(66,913)	(151,219)
Ending balance, related to investment income	1,075,270	1,581,944
	\$ 6,663,359	\$ 7,621,829

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

8. 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'd 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, 2020, the rate was 2.45% (2019 - 2.40%). 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:

	2020
2021	\$ 314,600
2022	328,200
2023	345,500
2024	355,300
2020	374,300
Subsequent years	7,980,129
	\$ 9,698,029

9. DEBENTURE PAYABLE

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

There are two loan facilities outstanding: Facility 2 for \$1,462,052 and Facility 3 for \$147,177.

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

Facility 3 requires annual principal repayments of \$130,453 over the next 2 years.

The debenture is due on demand. At March 31, 2020, the effective interest rate was 3.45% (2019 - 4.95%). The University is required to maintain a debt service coverage ratio of at least 1.25:1.

Minimum repayments are as follows:

2021	\$ 365,453
2022	251,725
2023	235,000
2024	235,000
2025	235,000
Thereafter	<u>287,052</u>
	\$ 1,609,230

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

10. LONG TERM DEBT

	2020	2019
Various notes payable, unsecured, at variable interest rates from 0% to 3.05%, are repayable at various maturity dates through to September 2, 2025.	\$ 2,036,965	\$ 2,489,434
Amounts payable within one year	(1,120,115)	(1,157,563)
	\$ 916,850	\$ 1,331,871

Principal repayment terms are approximately:

2021	\$ 1,120,115
2022	210,766
2023	535,585
2024	60,426
2025	60,000
Thereafter	<u>50,073</u>
	<u>\$ 2,036,965</u>

11. 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:

	2020	2019
Balance, beginning of year	\$ 2,640,372	\$ 2,799,747
Capital contributions from donors	502,000	57,087
Capital Contributions from government	8,692	64,302
Amounts amortized to revenue, included in government grants, donations and research grants	(267,545)	(280,763)
Balance, end of period	\$ 2,883,519	\$ 2,640,373

Amounts amortized to revenue, and included in government grants and donations are \$79,795 and \$187,750, respectively.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

12. ENDOWMENTS

	2020	2019
Balance, beginning of period	\$ 3,592,893	\$ 3,239,217
Net contributions and earnings on restricted donations	159,155	353,676
Balance, end of period	\$ 3,752,048	\$ 3,592,893

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 621,512	\$ 574,895
Commerce	575,630	560,176
Christian ministry or service	461,625	456,490
Education	393,723	283,693
Music	351,904	351,693
Natural Sciences	276,637	320,725
Arts	268,801	264,583
Political Science, History, Economics	190,225	186,176
Environmental Sciences	149,277	137,743
Social Sciences	131,954	129,114
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	100,021	99,662
Other	71,695	68,899
Micah Centre	51,490	51,490
	\$ 3,752,048	\$ 3,592,893

The increase in endowments relates to \$140,016 for new endowment donations, \$17,600 for CPI indexing and \$1,539 for non-cash donations of investments.

13. 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.

14. RESIDENCE AND OTHER SALES

	2020	2019
Residence	\$ 831,962	\$ 882,138
Food services	597,672	580,257
Conference services	344,222	389,182
Bookstore	232,921	370,940
Other	73,171	68,139
	\$ 2,079,948	\$ 2,290,656

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

15. INVESTMENT INCOME

	2020	2019
Amounts recognized (deferred)	\$ 519,818	\$ (165,714)
Dividend and interest income earned in the period	388,513	194,924
Interest income earned on general bank account	9,279	2,056
Amounts added directly to endowments	(19,141)	(33,407)
Changes in unrealized (losses) gains	(828,274)	122,010
	\$ 70,195	\$ 119,869

16. BUDGET

The budget was approved by the Board of Governors on September 27, 2019. The budgeted amounts have been provided for information purposes only and are unaudited.

17. PENSION PLAN

The pension expense recorded in these financial statements represents the University's annual contributions payable of \$720,594 for the year ended March 31, 2020 (2019 - \$707,659).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was done August 31, 2018 by consulting actuary Mercer. In April 2018, the trustees elected to declare the CCSPP Plan to be a Specified Ontario Multi-Employer Pension Plan because the Ontario government had published regulations that put in place new funding rules for defined benefit pension plans effective May 2018. Due to aforementioned election, the next actuarial valuation is required to be performed as of August 31, 2021.

The major assumption changes in the 2019 actuarial estimate include reducing the discount rate for terminated members electing lump-sum distribution to 3.48% from 3.73% on the present value of accumulated plan benefits; and increasing the 2018 actuarial estimate of the present value of accumulated plan benefits discount rate for terminating members electing a lump-sum distribution from 3.23% to 3.73%. These are presuming the plan will continue, but could change results if the plan were to terminate.

In 2019, the Plan reported a deficit of approximately \$23 million in a fund with net assets available for benefits of approximately \$397 million and pension obligations of \$420 million.

18. COVID-19

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the University or its donors, employees, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the University's operations, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the University's cash flow, financial condition, collection of accounts receivable, or results of operations. The extent to which the COVID-19 outbreak impacts the University's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

THE KING'S UNIVERSITY
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

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, 2020. 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 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, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable. 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 (\$29,620 CAD) (2019 - \$28,644 CAD) and accounts receivable (\$10,186 CAD) (2019 - \$13,036 CAD) held in U.S. dollars. These amounts are of short duration, which minimizes the University's exposure to foreign currency fluctuations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the University manages exposure through its normal operating and financing activities. The University is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

THE KING'S UNIVERSITY

Consolidated Statement of Operations by Function

(Schedule 1)

Year Ended March 31, 2020

	Budget (Note 16)	2020	2019
REVENUE			
Tuition fees	\$ 10,501,705	\$ 10,096,301	\$ 9,522,225
Government grants	5,073,643	5,254,578	5,183,137
Donations	2,629,598	2,416,447	2,371,755
Residence and other sales (Note 14)	2,388,265	2,079,948	2,290,656
Research grants	335,086	579,495	411,321
Other income	97,796	184,417	380,873
Investment income (Note 15)	171,200	70,195	119,869
	21,197,293	20,681,381	20,279,836
EXPENDITURES			
Instruction	7,181,299	7,040,532	7,071,435
Student services	3,896,264	3,951,851	3,674,012
Physical plant	2,702,100	2,409,929	1,818,231
Ancillary services	1,452,677	1,692,696	2,433,976
Institutional support	1,888,936	1,670,736	1,536,909
Institutional advancement	1,489,094	1,394,754	1,365,365
Academic support and library	969,708	953,706	688,150
Computer services	951,264	753,865	815,358
Research	232,351	368,164	347,818
Interest on long term and other liabilities	433,600	243,610	384,734
	21,197,293	20,479,843	20,135,988
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ 201,538	\$ 143,848