

THE KING'S UNIVERSITY
Financial Statements
Year Ended March 31, 2023

THE KING'S UNIVERSITY
Index to Financial Statements
Year Ended March 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 18



KINGSTON
ROSS
PASNAK^{LLP}

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

August 28, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University

Opinion

We have audited the financial statements of The King's University (the University), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets, operations and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2023, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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

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

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

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

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

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Kingston Ross Pasnak LLP
Chartered Professional Accountants

THE KING'S UNIVERSITY
Statement of Financial Position
March 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 640,717	\$ 2,175,601
Accounts receivable (Note 3)	140,297	82,027
Goods and Services Tax receivable	19,398	33,560
Inventory	35,232	39,637
Prepaid expenses and deposits	471,082	940,465
Short term investments (Note 4)	6,419,181	8,742,876
	7,725,907	12,014,166
INVESTMENTS (Note 4)	13,494,221	10,438,034
PROPERTY AND EQUIPMENT (Note 5)	19,125,597	18,045,279
	\$ 40,345,725	\$ 40,497,479
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 1,616,887	\$ 2,086,276
Source deductions payable	526,995	375,762
Deferred revenue (Note 7)	2,114,546	2,147,396
Deferred contributions (Note 8)	9,106,781	9,694,772
Commercial mortgage (Note 9)	12,310,234	12,310,234
	25,675,443	26,614,440
Commercial mortgage due thereafter (Note 9)	-	500,460
	25,675,443	27,114,900
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	7,286,621	4,939,356
	32,962,064	32,054,256
CONTINGENT LIABILITY (Note 11)		
NET ASSETS		
Endowments (Note 12)	4,762,786	4,760,298
Internally restricted (Note 14)	282,459	282,459
Accumulated operating surplus	2,338,416	3,400,466
	7,383,661	8,443,223
	\$ 40,345,725	\$ 40,497,479

ON BEHALF OF THE BOARD

Signed - "Stephanie Boldt"
Treasurer

Signed - "Gerald Jansen"
Director

THE KING'S UNIVERSITY
Statement of Changes in Net Assets
Year Ended March 31, 2023

	Endowments	Internally Restricted	Accumulated Operating Surplus	2023	2022
NET ASSETS - BEGINNING OF YEAR <i>(Note 2)</i>	\$ 4,760,298	\$ 282,459	\$ 3,400,466	\$ 8,443,223	\$ 7,058,972
(Deficiency) excess of revenue over expenditure	-	-	(1,062,050)	(1,062,050)	1,307,608
Endowment contributions <i>(Note 12)</i>	178,768	-	-	178,768	469,572
Transfer for:					
Foundations net assets to deferred contributions	-	-	-	-	(392,929)
Funds to deferred capital contributions <i>(Note 21)</i>	(176,280)	-	-	(176,280)	-
NET ASSETS - END OF YEAR	\$ 4,762,786	\$ 282,459	\$ 2,338,416	\$ 7,383,661	\$ 8,443,223

THE KING'S UNIVERSITY
Statement of Operations
Year Ended March 31, 2023

	Budget (Note 18)	Total 2023	Total 2022
REVENUES			
Tuition fees	\$ 11,161,728	\$ 10,850,026	\$ 10,973,875
Government grants (Note 10)	5,031,861	5,171,073	5,075,736
Donations (Note 10)	2,098,698	2,212,489	2,061,039
Residence and other sales (Note 15)	1,855,417	1,601,230	1,314,114
Research grants	448,780	615,951	458,964
Investment income (Note 16)	50,000	205,657	249,238
Other income	330,302	139,812	138,108
Canadian Emergency Wage Subsidy	-	-	1,705,232
	20,976,786	20,796,238	21,976,306
EXPENSES			
Salaries and benefits (Note 19)	13,439,581	13,608,826	13,213,004
Operating supplies and services	2,175,338	2,552,095	2,265,266
Amortization	2,054,237	1,581,107	1,671,181
Scholarships and awards	1,093,500	1,063,760	1,022,813
Maintenance and equipment rent	507,875	613,861	517,544
Utilities	467,480	585,504	477,168
Travel, hospitality and conferences (Note 13)	417,387	572,162	345,847
Cost of goods sold	544,295	566,832	521,500
Interest on debenture payable	396,432	396,435	410,323
Insurance and taxes	187,245	198,177	160,463
Professional fees	50,000	108,918	48,421
Loss on foreign exchange	-	11,701	8,704
Interest on line of credit	-	-	264
(Gain) loss on disposal of equipment	-	(1,090)	6,200
	21,333,370	21,858,288	20,668,698
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ (356,584)	\$ (1,062,050)	\$ 1,307,608

THE KING'S UNIVERSITY
Statement of Cash Flow
Year Ended March 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 10,718,489	\$ 11,081,695
Cash received from government	5,857,459	7,340,628
Cash received from donors	1,204,642	-
Cash received from sale of goods and services	1,637,601	1,557,376
Cash received from other sources	135,112	133,908
Cash paid to employees for salaries and benefits	(13,666,609)	(13,222,983)
Cash paid to suppliers for materials and services	(6,045,189)	(5,146,600)
Cash paid to creditors for interest	(396,435)	(410,588)
Cash flow from (used by) operating activities	(554,930)	1,333,436
INVESTING ACTIVITIES		
Cash received from income on investments	219,375	22,877
Cash applied to purchase of property and equipment	(2,514,420)	(1,168,860)
Cash invested in investments	(1,019,100)	(3,233,915)
Cash flow used by investing activities	(3,314,145)	(4,379,898)
FINANCING ACTIVITIES		
Cash received restricted for capital purposes	2,626,025	2,568,682
Cash received from endowments	178,768	469,572
Cash paid for long term debt repayments	(500,460)	(989,306)
Cash flow from financing activities	2,304,333	2,048,948
DECREASE IN CASH	(1,564,742)	(997,514)
CASH - BEGINNING OF YEAR	2,353,461	3,350,975
CASH - END OF YEAR	\$ 788,719	\$ 2,353,461
CASH CONSISTS OF:		
Cash	\$ 640,717	\$ 2,175,601
Cash included in short term investments (Note 4)	148,002	177,860
	\$ 788,719	\$ 2,353,461

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Change in accounting policy

During the year, the University changed its accounting policy for the presentation and disclosure of amounts invested in net assets, specifically those invested into property and equipment. As a result, Statement of Changes in Net Assets show an adjusted opening balance of accumulated surplus which encompasses the previous balance of amounts invested in property and equipment. The change has been applied retrospectively and comparatives have been updated accordingly.

Changes in accounting estimates

During the year, the University completed a change in its accounting estimate. The University increased the estimated useful life of its buildings and site improvements from 40 years to 50 years. The change arose from an internal assessment conducted by management. The change in the accounting estimate will be applied prospectively. As a result, the impact to the accounting estimate reduced the amortization expense by \$189,967 during the year.

Cash

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

Inventory

Inventory of merchandise held for resale is recorded at the lower of purchased cost and net realizable value, with cost being determined on an average cost basis. Total inventory expensed to cost of goods sold in the year is \$83,630 (2022- \$119,109).

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.

(continues)

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

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

Property and equipment

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

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

	<u>Years</u>
Buildings and site improvements	10 - 50
Furniture and equipment	5 - 20
Library materials	5 - 10

Property and equipment is not amortized until available for use.

Endowments

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

(continues)

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

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

Revenue recognition

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions restricted for purposes other than endowments or the acquisition of property and equipment (including research grants) are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable.

Contributions restricted for the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of property and equipment that will not be amortized are recognized as direct increases to net assets in the period in which they are expended.

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

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

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

Government grants and subsidies are recognized as revenue in the year to which they relate, and in accordance with criteria set out in the respective agreements.

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

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.

(continues)

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

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

Measurement uncertainty

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

Financial instruments

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

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

3. ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable	\$ 402,688	\$ 283,036
Allowance for doubtful accounts	(262,391)	(201,009)
	\$ 140,297	\$ 82,027
Bad debt expense, included in tuition fees	\$ 58,064	\$ 31,589

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

4. INVESTMENTS

	2023	2022
Short term investments		
Corporate notes	\$ 6,271,179	\$ 8,565,016
Cash	148,002	177,860
	\$ 6,419,181	\$ 8,742,876
Long term investments		
Equity funds - Canada	\$ 6,977,217	\$ 6,892,811
Corporate notes	5,725,356	2,758,104
Equity funds - Emerging markets	256,610	272,476
Equity funds - Overseas	224,126	212,116
Deposit agreement	223,919	217,812
Cash surrender value of life insurance policies	86,993	84,715
	\$ 13,494,221	\$ 10,438,034
	\$ 19,913,402	\$ 19,180,910

Investments include corporate notes that mature at various dates from April 17, 2023 to September 16, 2027. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University's fixed income investments bear interest at rates of 0.75% to 5.00% (2022 - 0.40% to 3.78%). The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

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

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Buildings and site improvements	\$ 32,851,543	\$ 19,740,383	\$ 13,111,160	\$ 13,585,506
Furniture and equipment	13,145,753	9,498,247	3,647,506	2,074,700
Land	1,852,592	-	1,852,592	1,852,592
Library materials	4,053,388	3,539,049	514,339	532,481
	\$ 51,903,276	\$ 32,777,679	\$ 19,125,597	\$ 18,045,279

Included within building and site improvements is construction on the building which amounts to \$1,501,894 as at March 31, 2023 (2022 - \$839,602) and has not been amortized during the year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Vacation payable	\$ 661,338	\$ 710,970
Accounts payable	536,454	990,887
Accrued liabilities	337,354	208,866
Other	62,450	71,447
Wages payable	19,291	104,106
	\$ 1,616,887	\$ 2,086,276

Refer to note 11 for additional contingent liabilities recorded within accounts payable and accrued liabilities.

7. DEFERRED REVENUE

	2023	2022
Tuition deposits	\$ 1,944,799	\$ 2,033,215
Athletics contribution	78,909	50,516
Meal plan deposits	43,294	50,955
Deferred education grants	11,289	11,289
Other deferred revenue	36,255	1,421
	\$ 2,114,546	\$ 2,147,396

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

8. DEFERRED CONTRIBUTIONS

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

	2023	2022
Beginning balance, related to operating fund	\$ 6,887,258	\$ 5,978,656
<u>Add:</u>		
Restricted donations	1,064,676	2,361,736
Restricted government grants	215,473	165,000
Restricted research grants	563,947	453,738
	1,844,096	2,980,474
<u>Less:</u>		
Donations recognized as revenue	(1,709,872)	(1,622,343)
Government grants recognized as revenue	(513,447)	(401,969)
Research grants recognized as revenue	(178,571)	(47,560)
	(2,401,890)	(2,071,872)
Ending balance, related to operating fund	6,329,464	6,887,258
Beginning balance, related to investment income	2,807,514	2,417,194
<u>Add:</u>		
Changes in unrealized gains	1,774,718	1,466,656
Dividend and interest income earned	260,446	490,608
Amounts transferred to investments	(32,994)	(84,625)
	2,002,170	1,872,639
<u>Less:</u>		
Amount recognized as investment income in the period	(1,960,923)	(1,202,869)
Amount added directly to endowments	(71,444)	(279,450)
	(2,032,367)	(1,482,319)
Ending balance, related to investment income	2,777,317	2,807,514
	\$ 9,106,781	\$ 9,694,772

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

9. COMMERCIAL MORTGAGE

The commercial mortgage with Christian Credit Union bears interest at bank prime plus 0.55%; is payable on demand, but until demand, in monthly blended payments of principal and interest in the amount of \$74,741 per month. The mortgage is set to renew on January 22, 2026; and is secured by a General Security Agreement covering all present and after acquired personal property and a continuing collateral mortgage for corporations in the amount of \$17,300,000 against specific properties of the University. As of March 31, 2023, the effective interest rate was 7.25% (2022 - 3.25%).

As at year end, the University was in violation of one of its financial covenants. As a result, the full balance is shown as a current liability.

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of contributed property and equipment, and property and equipment purchased with restricted contributions. The changes in the deferred capital contributions balance are as follows:

	2023	2022
Balance, beginning of year	\$ 4,939,357	\$ 2,648,626
Capital contributions from donors	2,540,699	2,485,418
Capital contributions from government	-	10,559
Amounts amortized to revenue, included in government grants, donations and research grants	(193,435)	(205,247)
Balance, end of period	\$ 7,286,621	\$ 4,939,356

Amounts amortized to revenue, and included in government grants and donations are \$25,286 (2022 - \$25,286) and \$168,148 (2022 - \$179,961) respectively.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

11. CONTINGENT LIABILITY

There are two ongoing wrongful dismissal civil actions that were filed against the University in the year by employees who no longer work for the University. As of March 31, 2023, Management and their legal counsel are of the opinion that it is not possible to determine the likelihood and amount of claim for one of these matters. With respect to the second matter, Management is of the opinion that it is not possible to determine the outcome, but according to their legal counsel, the maximum liability to the University is expected to be less than \$20,000. As it is not possible to predict the final outcomes of any of the civil actions, no accruals have been recorded in the financial statements.

12. ENDOWMENTS

	2023	2022
Balance, beginning of period	\$ 4,760,298	\$ 4,290,726
Total contributions and earnings on restricted donations	178,768	469,572
Adjustment of endowed funds to deferred capital contributions	(176,280)	-
Balance, end of period	\$ 4,762,786	\$ 4,760,298

Balance consists of the following:

Designated for scholarships, bursaries or awards in:

Commerce	\$ 977,079	\$ 951,568
Various disciplines	793,268	722,775
Christian ministry or service	530,012	510,980
Education	425,383	423,146
Music	398,390	394,899
Arts	334,615	327,320
Natural Sciences	283,229	283,229
Political Science, History, Economics	214,378	205,378
Environmental Sciences	161,581	161,581
Social Sciences	148,725	139,256
Centre for Excellence in the Sciences	100,000	276,280
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	102,776	102,296
Other	74,954	74,953
Micah Centre	110,842	79,083
	\$ 4,762,786	\$ 4,760,298

The increase in endowments relates to \$107,324 (2022 - \$306,968) for new endowment donations, \$71,444 (2022 - \$97,657) for CPI indexing, and \$nil (2022 - \$64,947) for non-cash donations of investments.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

13. RELATED PARTIES TRANSACTIONS

During the fiscal year, the University expensed \$10,595 (2022 - \$7,538) on board travels and meetings cost.

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

14. 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.

15. RESIDENCE AND OTHER SALES

	2023	2022
Residence	\$ 689,121	\$ 597,810
Food services	443,120	282,440
Other	282,447	168,618
Bookstore	110,276	141,687
Conference services	76,266	123,559
	\$ 1,601,230	\$ 1,314,114

16. INVESTMENT INCOME

	2023	2022
Changes in unrealized (losses) gains	\$ 1,774,718	\$ 1,466,656
Dividend and interest income earned in the period	260,446	490,608
Interest income earned on general bank account	676	11,639
Amounts added directly to endowments	(71,444)	(279,450)
Amounts (deferred) recognized	(1,758,739)	(1,440,215)
	\$ 205,657	\$ 249,238

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

17. BANK INDEBTEDNESS

The available line of credit with Christian Credit Union bears interest at bank prime plus 0.88%, payable monthly, has an authorized limit of \$3,500,000 and is secured by the same terms as the mortgage payable (Note 9). At March 31, 2023 and 2022, the line of credit was not drawn upon and the effective interest rate was 7.58% (2022 - 3.58%).

18. BUDGET

The 2023 fiscal year budget was approved by the Board of Governors in March 2022. The budgeted amounts have been provided for information purposes only and are unaudited.

19. PENSION PLAN

The pension expense (recorded in salary and benefits) in these financial statements represents the University's annual contributions expense of \$771,938 for the year ended March 31, 2023 (2022 - \$745,974).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was performed as of August 31, 2021 and signed by consulting actuary Mercer.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than August 31, 2023, or as the date of an earlier amendment to the plan.

The major assumption changes in the actuarial estimate issued in August 2022 include increasing the discount rate from 5.40% to 5.65%, and increasing the discount rate for actuarial basis for benefits assumed to be settled through a lump sum from 2.81% to 3.30%.

As of August 31, 2022, the Plan reported a deficit of approximately \$88 million in a fund with net assets available for benefits of approximately \$431 million and pension obligations of \$524 million.

THE KING'S UNIVERSITY
Notes to Financial Statements
Year Ended March 31, 2023

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, 2023. Unless otherwise noted, the University's risk exposure has not changed from the prior year.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The University is exposed to this risk mainly in respect of its receipt of funds from its students, donors and other related sources, callable debt, contributions to the pension plan, and accounts payable and accrued liabilities. Shortfalls are met with the use of the available credit facilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The University is mainly exposed to market risk through its exposure to potential fluctuations in investment values.

Currency risk

Currency risk is the risk to the University's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University is exposed to foreign currency exchange risk on cash of \$32,762 USD (2022 - \$7,933 USD). These amounts are of short duration, which minimizes the University's exposure to foreign currency fluctuations.

Interest rate risk

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

21. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Including, correction to a classification of funding that was presented as an endowment instead of deferred capital contribution.