

Financial Statements of

**UNIVERSITY OF KING'S  
COLLEGE**

Year ended March 31, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of King's College

We have audited the accompanying financial statements of the University of King's College, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the University of King's College as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants  
June 22, 2017  
Halifax, Canada

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# UNIVERSITY OF KING'S COLLEGE

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

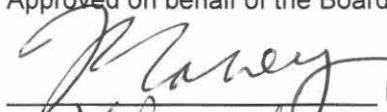
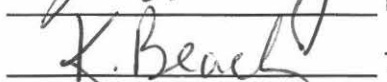
	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 807,345
Accounts receivable (note 4)	125,783	118,286
Prepaid expenses	147,213	186,020
	<u>272,996</u>	<u>1,111,651</u>
Investments (note 5)	42,510,055	39,823,890
Capital assets (note 6)	18,587,372	15,833,197
	<u>\$ 61,370,423</u>	<u>\$ 56,768,738</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Bank indebtedness (note 7)	\$ 642,289	\$ 419,000
Accounts payable and accrued liabilities (note 8)	4,150,828	3,138,701
Deferred revenue	730,011	835,672
Current portion of long-term debt (note 9)	355,000	268,000
	<u>5,878,128</u>	<u>4,661,373</u>
Long-term debt (note 9)	7,361,000	5,882,000
Deferred contributions (note 10)	7,927,869	7,660,135
Employee future benefits (note 16)	-	3,264,302
Net assets:		
Capital fund	11,020,499	8,534,015
Endowment fund (note 11)	38,100,609	35,235,381
Operating fund - internally restricted	2,576,422	2,548,878
Operating fund - unrestricted	(11,494,104)	(11,017,346)
	<u>40,203,426</u>	<u>35,300,928</u>
Contingency (note 14)		
Liquidity risk (note 15 (d))		
	<u>\$ 61,370,423</u>	<u>\$ 56,768,738</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 President  
 Treasurer

# UNIVERSITY OF KING'S COLLEGE

## Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	Capital Fund	Externally Restricted	Operating Fund		2017 Total	2016 Total
			Internally Restricted	Unrestricted		
Revenue:						
Provincial government grant	\$ -	\$ -	\$ -	\$ 5,870,120	\$ 5,870,120	\$ 5,812,000
Student academic fees	-	-	-	7,003,503	7,003,503	7,388,514
Student residence fees	-	-	-	2,036,023	2,036,023	2,349,722
Student ancillary fees	-	-	-	1,015,860	1,015,860	1,123,124
Investment income (note 12)	-	146,682	-	1,885,866	2,032,548	2,010,721
Sale of goods and services	-	107,176	-	486,868	594,044	571,497
Gifts (note 3)	-	66,926	-	365,009	431,935	413,439
Other government grants	-	153,007	-	92,196	245,203	186,881
Amortization of deferred capital contributions	309,037	-	-	-	309,037	312,902
	309,037	473,791	-	18,755,445	19,538,273	20,168,800
Expenses:						
Academic	-	225,048	-	5,588,199	5,813,247	5,702,577
Allotment to Dalhousie University (note 13)	-	-	-	4,130,372	4,130,372	4,392,858
Facility operations including conference services	-	-	-	1,864,737	1,864,737	1,907,723
Residence and other student services	-	450	-	1,043,023	1,043,473	1,233,197
Scholarships, awards and bursaries	-	38,161	-	1,176,656	1,214,817	1,211,490
Utilities, taxes and insurance	-	-	-	583,573	583,573	653,355
Amortization of capital assets	825,479	-	-	-	825,479	814,101
Advancement	-	-	-	845,963	845,963	602,618
Athletics	-	1,175	-	554,216	555,391	558,687
Bursar's office	-	-	-	546,507	546,507	597,864
Divinity, chapel and music	-	174,287	-	378,988	553,275	495,380
General college administration and other	-	-	-	445,716	445,716	495,801
Library	-	8,974	-	396,315	405,289	380,243
President's office	-	5,215	-	680,590	685,805	558,220
Registrar's office and recruitment	-	-	-	780,227	780,227	712,533
Employee future benefits (note 16)	-	-	-	-	-	(182,929)
Investment management fees	-	21,281	-	156,913	178,194	169,465
Interest and service charges	-	-	-	288,473	288,473	224,916
	825,479	474,591	-	19,460,469	20,760,539	20,528,099
Deficiency of revenue over expenses before adjustments	(516,442)	(800)	-	(705,024)	(1,222,266)	(359,299)
Increase (decrease) in fair value of non-endowment investments			51,743		51,743	(26,017)
Excess (deficiency) of revenue over expenses	\$ (516,442)	\$ (800)	\$ 51,743	\$ (705,024)	\$ (1,170,523)	\$ (385,316)

See accompanying notes to financial statements.

# UNIVERSITY OF KING'S COLLEGE

## Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Capital Fund	Endowment Fund	Externally Restricted	Operating Fund		2017 Total	2016 Total
				Internally Restricted	Unrestricted		
Balance, beginning of year	\$ 8,534,015	\$ 35,235,381	\$ -	\$ 2,548,878	\$ (11,017,346)	\$ 35,300,928	\$ 41,275,862
Excess (deficiency) of revenues over expenses	(516,442)	-	(800)	51,743	(705,024)	(1,170,523)	(385,316)
Endowment contributions (note 3)	-	202,220	-	-	-	202,220	79,057
Capitalization of investment income	-	-	-	23,601	-	23,601	25,303
Income net of transfers	-	1,703,432	-	167,212	-	1,870,644	1,268,026
Fair value adjustment of investments	-	959,576	-	-	-	959,576	(4,051,398)
Investment in capital assets	3,002,926	-	-	-	(3,002,926)	-	-
Employee future benefit re-measurement (note 16)	-	-	-	-	3,016,980	3,016,980	(2,910,606)
Transfer	-	-	800	(215,012)	214,212	-	-
Balance, end of year	\$ 11,020,499	\$ 38,100,609	\$ -	\$ 2,576,422	\$ (11,494,104)	\$ 40,203,426	\$ 35,300,928

See accompanying notes to financial statements.

# UNIVERSITY OF KING'S COLLEGE

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used for):		
Operating activities:		
Excess of expenses over revenue	\$(1,170,523)	\$ (385,316)
Pension transfer expenses funded from operations (note 16)	(247,320)	-
Items not affecting cash:		
Amortization of capital assets	825,479	814,101
Amortization of deferred contributions	(309,037)	(312,902)
(Increase) decrease in fair value of non-endowment investments	(51,743)	26,017
Loss on disposal of capital assets	-	1,556
Increase in non-cash working capital	937,776	846,898
Increase in employee future benefits	-	(459,665)
	(15,368)	530,689
Investing activities:		
Increase in investments	(1,674,848)	(1,560,423)
Purchase of capital assets	(3,579,654)	(1,088,213)
	(5,254,502)	(2,648,636)
Financing activities:		
Endowment income capitalized	23,601	25,303
Contributions relating to endowments deferred during the year	202,220	79,057
Endowment expenditure of capital for specified purposes	1,870,644	1,268,026
Contributions related to capital assets deferred during the year	576,771	284,309
Proceeds from long-term debt	1,900,000	1,500,000
Principal payments on long-term debt	(334,000)	(224,000)
	4,239,236	2,932,695
Net (decrease) increase in cash	(1,030,634)	814,748
Cash (bank indebtedness), beginning of year	388,345	(426,403)
(Bank indebtedness) cash, end of year	\$ (642,289)	\$ 388,345

Cash is defined as cash less bank indebtedness.

See accompanying notes to financial statements.

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements

Year ended March 31, 2017

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## 1. Purpose of the organization:

University of King's College (the "University"), founded in 1789, was granted a Royal Charter in 1802 by King George III and continues to operate under the authority of the statutes of Nova Scotia.

The University is a registered charity and therefore exempt from the payment of income tax under section 149 of the Income Tax Act.

## 2. Significant accounting policies:

Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*.

(a) Fund accounting:

The University maintains its accounts in accordance with the fund accounting method in order to ensure observance of restrictions, if any, placed on the resources made available to it. Resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The University has classified accounts with similar characteristics into major funds as follows:

- i) The Operating Fund accounts for the University's program delivery, service and administrative activities. The fund is further divided into the Unrestricted Operating Fund and the Internally Restricted Operating Fund.

The Unrestricted Operating Fund accounts for the University's primary function of instruction, including academic, support services, administrative services, facilities management and other operating activities. It also accounts for ancillary operations that provide goods and services to the University community, which are supplementary to the functions of instruction, research and service.

The Internally Restricted Operating Fund accounts for money internally designated for specific projects and/or purposes.

- ii) The Capital Fund accounts for the acquisition of and major renovations or improvements to capital assets.
- iii) The Endowment Fund accounts for resources received with the stipulation that the original contribution not be spent. The fund also consists of a portion of the investment income earned on these funds that is required by donors and the Board of Governors to be added to the fund to offset the eroding effect of inflation.
- iv) The Externally Restricted Fund accounts for money externally designated for specific projects and/or purposes.

(b) Cash:

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.



# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 2. Significant accounting policies (continued):

### (c) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which are as follows:

Asset	Rate
Buildings	40 years
Computers and electronic equipment	3 - 5 years
Furniture and equipment	5 - 25 years
Library books	10 years
Vehicles and equipment	3 years

Capital assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### (d) Employee benefit plans:

The employees of the University participate in the Public Service Superannuation Plan ("PSSP"), a contributor pension plan administered by Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on the length of service and earnings. The University is not obligated for any unfunded liability, nor is the University entitled to any surplus that may arise in the PSSP. Employer contributions are recognized as an expense in the period.

### (e) Derivatives:

The University enters into interest rate swaps with a chartered bank to reduce interest rate exposure associated with the impact of fluctuating interest rates on its long-term debt. The swaps have the effect of converting the floating rate of interest on the debt to a fixed rate. It is the University's policy not to use derivative financial instruments for trading or speculative purposes.

The University designates its interest rate swaps as cash flow hedges of specifically identified debt instruments. The swap agreements are effective hedges, both at maturity and over the term of the agreements, since the term to maturity, the notional principal amount and the interest rate of the swap agreements all match the terms of the debt instrument being hedged. The swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The payments are recorded as an adjustment of the interest expense on the hedged debt instrument.

In the event that the interest rate swap agreement is terminated or ceases to be effective in part or in whole prior to maturity, any associated realized or unrealized gain or loss is recognized in the period in which the underlying hedged transaction is recognized. In the event the designated hedge debt instrument is extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss is recognized in income.



# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (f) Revenue recognition:

The University receives grants and donations from a number of different sources to cover operating, research and capital expenditures. The operating portion of the grants is recorded as revenue in the period to which it relates. The capital portion of grants is recorded as a deferred contribution and is amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The University follows the deferral method of accounting for contributions, which includes

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions and the proportion of income earned on externally restricted endowments which is recapitalized are recognized as a direct increase in endowment net assets.

Revenue from student academic fees, student residence fees, athletic, application and course fees and sales of goods and services are recognized when the services are provided or the goods are sold.

### (g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in these financial statements.

### (h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 2. Significant accounting policies (continued):

### (i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the actuarial assumptions used to measure employee future benefits and the useful life of capital assets. Actual results could differ from those estimates.

## 3. Gifts:

Contributions received, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized and are reported as gifts in the statement of operations.

Endowment contributions received are recognized as a direct increase in endowment net assets and are reported as gifts on the statement of changes in net assets.

Pledges of donations to be received in future years are not recorded in the financial statements. The total amount pledged in the year ended March 31, 2017 but not yet received was \$481,871.

During the year \$634,155 (2016 - \$492,496) was reported as follows:

	2017	2016
Statement of operations:		
Revenue: Gifts	\$ 431,935	\$ 413,439
Statement of changes in net assets:		
Endowment contributions	202,220	79,057
Total gifts	\$ 634,155	\$ 492,496

## 4. Accounts receivable:

	2017	2016
Harmonized sales taxes	\$ 44,176	\$ 36,251
Other receivables	81,607	82,035
Total accounts receivable	\$ 125,783	\$ 118,286

Students have the option of paying their fees at either King's or Dalhousie University.

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 5. Investments:

Investments are comprised of units in pooled funds and are stated at fair value. Fair value is defined as the unit values supplied by the pooled fund administrator, which represents the University's proportionate share of underlying net assets at fair value. The fund managers operate within an asset mix guideline developed and monitored by the Investment Committee of the Board of Governors. At March 31, 2017 the composition of underlying assets was as follows: Canadian equities 36% (2016 – 37%), foreign equities 31% (2016 – 29%), bonds 28% (2016 – 30%), cash 5% (2016 – 4%). Included in investments is \$38,100,609 (2016 - \$35,235,381) related to the endowment fund.

## 6. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net Book value	Net book value
Land	\$ 200,000	\$ –	\$ 200,000	\$ 200,000
Buildings	25,477,039	8,448,333	17,028,706	14,206,863
Computers and electronic equipment	604,293	484,260	120,033	107,981
Furniture and equipment	3,369,275	2,394,598	974,677	1,036,160
Library books	1,765,172	1,501,216	263,956	275,441
Vehicles and equipment	30,384	30,384	-	6,752
	\$ 31,446,163	\$12,858,791	\$18,587,372	\$15,833,197

## 7. Bank indebtedness:

The University has an operating line of credit of \$1,000,000 to assist with operations. Interest is payable at the bank's prime lending rate.

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,773 (2016 – \$1,600) which includes amounts payable for HST.

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 9. Long-term debt:

	2017	2016
Fixed term, unsecured bankers' acceptances, bearing interest at the BA discount rate plus 0.35%, payable in monthly instalments of \$29,500, including interest, due January, 2033	\$4,455,000	\$ 4,668,000
Fixed term, unsecured bankers' acceptances, bearing interest at the BA discount rate plus 0.65%, payable in monthly instalments of \$8,000, including interest, due November, 2035	1,427,000	1,482,000
Fixed term, unsecured bankers' acceptances, bearing interest at the BA discount rate plus 0.65%, payable in monthly instalments of \$10,000, including interest, due April, 2036	1,834,000	-
	7,716,000	6,150,000
Current portion of long-term debt	355,000	268,000
	\$ 7,361,000	\$ 5,882,000

Principal due within each of the next five years is approximately as follows:

2018	355,000
2019	363,000
2020	373,000
2021	386,000
2022	399,000

## 10. Deferred contributions:

	2017	2016
Balance, beginning of year	\$ 7,660,135	\$ 7,688,728
Contributions received during the year	576,771	284,309
Amounts recognized as revenue in the year	(309,037)	(312,902)
	\$ 7,927,869	\$ 7,660,135

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 11. Endowment fund:

Endowment principal consists of restricted donations to the University, the original investment of which is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donor. The University's income protection policy stipulates that, over time, the economic value of the endowment must be protected by limiting the amount of income that may be expended and reinvesting unexpended income. Application of this policy increases the endowment principal over time with some of the investment income set aside annually through the capitalization of investment income.

## 12. Investment income:

During the year the University earned \$4,027,021 (2016 - \$3,304,058) of investment income, consisting of \$5,856,704 (2016 - \$3,239,556) of interest and dividends and \$(1,829,683) of net capital loss (2016 - \$64,502 net capital gains) realized on disposal of investments. An amount of \$1,970,871 of accumulated earnings in the endowment fund was retained in the endowment fund (2016 - \$1,268,034) for total investment income of \$2,056,150 (2016 - \$2,036,024) reported as follows:

	2017	2016
Statement of operations:		
Investment income	\$ 2,032,549	\$ 2,010,721
Statement of changes in net assets:		
Internally restricted fund	23,601	25,303
Total	\$ 2,056,150	\$ 2,036,024

## 13. Allotment to Dalhousie University under operating agreement:

As in prior years, the University of King's College has made payments to Dalhousie University under a signed operating agreement. The purpose of this agreement is to define fiscal transfers between Dalhousie University and the University of King's College with respect to instructional costs within the Joint College of Arts and Science. As per the terms of the Financial Transfer Agreement, it is understood that this payment compensates Dalhousie for providing all indirect services for which King's students are eligible on the same basis as for Dalhousie students.

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 14. Commitments and contingent liabilities:

Subsequent to March 31, 2017, King's entered into capital construction commitments of approximately \$1.9 million (2016 - \$525,000).

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE") self-insurance program. Accordingly, the University is subject to risk for a proportionate share of insurance losses experienced by CURIE members. Each CURIE member is required to participate for a minimum of five years. This long-term period creates an environment for CURIE where financial risk can be spread over time as well as among subscribers.

As at December 31, 2016, CURIE had total assets of \$163,462,658 (2015 - \$154,750,127) and an accumulated surplus of \$84,907,854 (2015 - \$69,679,075) of which the University's pro-rata share is approximately 0.13% on an ongoing basis.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

## 15. Financial instruments and risk management activities:

Risk management relates to the understanding and active management of risks associated with all areas of the University's activities and the associated operating environment. Investments are primarily exposed to interest rate, market, credit and liquidity risks. The University has formal policies and procedures that establish target asset mix. The University's policies also require diversification of investments within categories, and set limits on exposure to individual investments and credit quality.

### (a) Interest rate risk:

The University is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The University is exposed to interest rate risk on long-term debt, which it manages through the use of interest rate swap agreements.

Interest rate swaps allow the University to raise long-term borrowing at floating rates and effectively swap them into fixed rates that are lower than those available to the University if fixed rate borrowings were made directly. Under the interest rate swaps, the University agrees with the counterparty to exchange, at specific intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount.

Although the University has no intention of settling these instruments as at March 31, 2017, the interest rate swap contracts have a fair value of \$275,049 less (2016 - \$477,736 less) than the recorded value.

At March 31, 2017, interest rate swaps outstanding have a notional value of \$7,716,000 (2016 - \$6,150,000) and are designated as hedges for accounting purposes, which results in interest expense related to the long-term debt to be recorded in the financial statements at the hedged rates rather than at the contractual interest rates. The interest rate swap contracts result in the University having a long-term interest rate of 2.53% (2016 - 2.70%).

# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 15. Financial instruments and risk management activities (continued):

### (b) Market Risk:

The risks associated with the pooled funds are the risks associated with the securities in which the pooled funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The University manages this risk through controls to monitor and limit concentration levels. There has been no change to the risk exposure from 2016.

### (c) Credit Risk:

The University is exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for the University. The University mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings assigned by a well-recognized credit agency, and by limiting exposure to individual investments. There has been no change to the risk exposures since 2016.

### (d) Liquidity Risk:

The University's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017 the University had current liabilities of \$5,878,128 (2016 - \$4,661,373) and current assets of \$272,996 (2016 - \$1,111,651). In the first two months of fiscal 2018 the University received its 2018 provincial operating grant which approximates \$5.9 million. In addition, as at March 31, 2017 the University had approximately \$2.6 million in its investment account which is available to fund operations (operating fund - internally restricted).

Should the University not achieve planned financial results, it may not be able to borrow funds to finance ongoing operations.

## 16. Employee future benefits:

On May 11, 2015, the Government of Nova Scotia passed the University Pension Transfer Act ("the Act"). Under the Act, Universities in the Province of Nova Scotia are able to facilitate the transfer of pension plans to the Public Service Superannuation Plan ("PSSP"), subject to entering into a transfer agreement. Upon entering into such agreements, assets and liabilities of a university pension plan are in whole, or in part, transferred to the PSSP.

With Board of Governors approval on July 1, 2016 the University transitioned its pension plans to the PSSP. Prior to this, the University had both a defined benefit pension plan along with a defined contribution plan covering substantially all of its employees. University employees now participate in the PSSP, a contributory multi-employer defined benefit pension plan administered by Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings.



# UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 16. Employee future benefits (continued):

The transition was accounted for as a settlement as the University transferred the assets and the pension obligation to the PSSP. In accordance with the Act and transfer agreement, the University will have no further obligations or liabilities in respect of its former pension plan and is only responsible to make payments to the PSSP as an employer. The resulting gain on the settlement, net of expenses of \$338,940 has been recorded directly on the Statement of Changes in Net Assets in the operating fund as re-measurements and other adjustments in the amount of \$3,016,980.

At the date of transition, based on actuarial methodology and assumptions of the PSSP, the University's plan had assets available to transfer of \$26,503,500, actuarial liabilities of \$26,985,100, and residual deficiency of \$481,600 which has been paid subsequent to year end.

Employer pension costs of \$469,405 are included in these financial statements which represent the cost of employer contributions for current service of the participating employees from July 1, 2016 to March 31, 2017.

## 17. Collections:

Permanent collections include that portion of library assets considered to have permanent value, such as museum specimens, archival materials, rare books and works of art. The collections include some 25,000 volumes of rare books including medieval and renaissance manuscripts, incunabula (fifteenth-century printed books) and thousands of sixteenth-, seventeenth- and especially eighteenth-century volumes, the University archives, which contain the official records of the University as well as documents from the early history of the Anglican Church in Canada, and manuscripts of literary figures associated with King's and the Weldon Collection of Loyalist China, brought to Nova Scotia and New Brunswick by the early settlers, and notably eighteenth-century Chinese Export porcelain. These collections, all of which have been donated, have not been recorded as assets.

## 18. Comparative figures:

Certain 2016 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.