

Financial Statements of

**UNIVERSITY OF KING'S
COLLEGE**

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the University of King's College (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, 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.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the 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.



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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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity's internal control.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants
Halifax, Canada
June 24, 2021

UNIVERSITY OF KING'S COLLEGE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 2,053,558	\$ 1,779,244
Accounts receivable (note 4)	718,666	300,276
Prepaid expenses	110,593	115,701
	<u>2,882,817</u>	<u>2,195,221</u>
Investments (note 5)	44,772,917	39,958,664
Capital assets (note 6)	22,414,475	18,734,352
	<u>\$ 70,070,209</u>	<u>\$ 60,888,237</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:


Accounts payable and accrued liabilities (note 7)	\$ 3,805,437	\$ 3,980,712
Deferred revenue	577,911	421,986
Current portion of long-term debt (note 8)	934,000	128,000
	<u>5,317,348</u>	<u>4,530,698</u>
Long-term debt (note 8)	10,356,926	10,853,000
Deferred capital contributions (note 9)	9,671,413	7,823,679
Net assets:		
Capital fund	13,078,578	11,247,138
Endowment fund (note 10)	32,422,893	27,376,681
Operating fund - internally restricted	10,453,839	9,445,252
Operating fund - unrestricted	(11,230,788)	(10,388,211)
	<u>44,724,522</u>	<u>37,680,860</u>

Commitments and contingent liability (note 13)

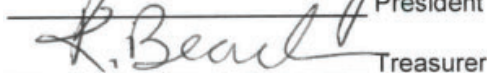
	<u>\$ 70,070,209</u>	<u>\$ 60,888,237</u>
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See accompanying notes to financial statements.

Approved on behalf of the Board:



President



Treasurer

UNIVERSITY OF KING'S COLLEGE

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Capital Fund	Externally Restricted	Operating Fund		2021 Total	2020 Total
			Internally Restricted	Unrestricted		
Revenue:						
Provincial government grants (note 14)	\$ -	\$ -	\$ -	\$ 9,677,700	\$ 9,677,700	\$ 8,270,000
Student academic fees	-	-	-	7,636,679	7,636,679	7,466,839
Student residence fees	-	-	-	574,843	574,843	1,786,272
Student ancillary fees	-	-	-	693,538	693,538	1,012,768
Investment income (note 11)	-	84,950	-	1,798,241	1,883,191	2,025,402
Sale of goods and services	-	100,877	-	90,085	190,962	724,138
Gifts (note 3)	-	163,823	-	520,568	684,391	731,950
Other government grants	-	9,564	-	218,499	228,063	161,456
Amortization of deferred capital contributions	371,999	-	-	-	371,999	336,995
	371,999	359,214	-	21,210,153	21,941,366	22,515,820
Expenses:						
Academic	-	34,185	-	6,574,582	6,608,767	6,387,299
Allotment to Dalhousie University (note 12)	-	-	-	3,865,584	3,865,584	3,943,371
Facility operations including conference services	-	-	-	2,101,876	2,101,876	2,032,303
Residence and other student services	-	-	-	521,102	521,102	507,117
Scholarships, awards and bursaries	-	54,519	-	1,658,457	1,712,976	1,685,333
Utilities, taxes and insurance	-	-	-	477,050	477,050	471,395
Amortization of capital assets	989,895	-	-	-	989,895	933,577
Advancement	-	51,565	-	766,928	818,493	1,019,309
Athletics	-	7,615	-	283,396	291,011	598,053
Bursar's office	-	-	-	576,267	576,267	604,567
Divinity, chapel and music	-	123,415	-	283,315	406,730	489,442
Equity office	-	-	-	19,474	19,474	-
General college administration and other	-	-	-	384,648	384,648	443,073
Library	-	-	-	351,319	351,319	361,010
President's office	-	4,500	-	392,919	397,419	457,129
Registrar's office and recruitment	-	-	-	1,013,419	1,013,419	891,965
Sexualized Violence Awareness, Prevention & Response Office	-	-	-	87,838	87,838	52,352
Vice President's office	-	-	-	237,105	237,105	165,854
Investment management fees	-	29,851	-	220,341	250,192	209,040
Interest and service charges	-	-	-	343,338	343,338	402,244
	989,895	305,650	-	20,158,958	21,454,503	21,654,433
Excess of revenue over expenses before adjustments	(617,896)	53,564	-	1,051,195	486,863	861,387
Increase (decrease) in fair value of non-endowment investments	-	-	1,567,663	-	1,567,663	(1,165,046)
Excess (deficiency) of revenue over expenses	\$ (617,896)	\$ 53,564	\$ 1,567,663	\$ 1,051,195	\$ 2,054,526	\$ (303,659)

See accompanying notes to financial statements.

UNIVERSITY OF KING'S COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Capital Fund	Endowment Fund	Externally Restricted	Operating Fund		2021 Total	2020 Total
				Internally Restricted	Unrestricted		
Balance, beginning of year	\$ 11,247,138	\$ 27,376,681	\$ -	\$ 9,445,252	\$ (10,388,211)	\$ 37,680,860	\$ 40,721,343
Excess (deficiency) of revenues over expenses	(617,896)	-	53,564	1,567,663	1,051,195	2,054,526	(303,689)
Endowment contributions (note 3)	-	67,895	-	-	-	67,895	618,521
Income net of transfers	-	51,664	-	(57,076)	-	(5,412)	130,994
Fair value adjustment of investments	-	4,926,653	-	-	-	4,926,653	(3,486,309)
Investment in capital assets	2,450,251	-	-	-	(2,450,251)	-	-
Transfer	(915)	-	(53,564)	(502,000)	556,479	-	-
Balance, end of year	\$ 13,078,578	\$ 32,422,893	\$ -	\$ 10,453,839	\$ (11,230,788)	\$ 44,724,522	\$ 37,680,860

See accompanying notes to financial statements.

UNIVERSITY OF KING'S COLLEGE

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 2,054,526	\$ (303,689)
Items not affecting cash:		
Amortization of capital assets	989,895	933,577
Amortization of deferred capital contributions	(371,999)	(336,965)
(Increase) decrease in fair value of non-endowment investments	(1,567,663)	1,165,046
Loss (gain) on disposal of capital assets	915	(4,380)
Loss (gain) on disposal of investments	62,245	(303,568)
(Increase) decrease in non-cash working capital	(432,632)	375,568
	735,287	1,525,589
Investing activities:		
Proceeds on disposal of investments	3,727,743	468,000
Purchase of investments	(2,109,925)	(1,969,757)
Proceeds from disposal of capital assets	-	8,000
Purchase of capital assets	(4,670,933)	(629,156)
	(3,053,115)	(2,122,913)
Financing activities:		
Contributions relating to endowments deferred during the year	67,895	618,521
Endowment (revenue) expenditure of capital for specified purposes	(5,412)	130,994
Contributions related to capital assets deferred during the year	2,220,681	550,474
Expenditures related to restricted gifts previously deferred	(948)	-
Proceeds from bridge financing loan	524,655	-
Principal payments on long-term debt	(214,729)	(567,000)
	2,592,142	732,989
Net increase in cash	274,314	135,665
Cash, beginning of year	1,779,244	1,643,579
Cash, end of year	\$ 2,053,558	\$ 1,779,244

See accompanying notes to financial statements.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements

Year ended March 31, 2021

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* which sets out generally accepted accounting principles for not-for-profit organizations in Canada ("GAAP") and includes the significant accounting policies summarized below:

(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 with financial institutions.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

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
Energy efficiency hardware	15 years
Library books	10 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 for 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.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

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 would be recognized in the period in which the underlying hedged transaction is recognized. In the event the designated hedged 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.

(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) Collections:

The University Library contains a rare books collection made up of printed books, and medieval and renaissance manuscripts which was accumulated through donation between 1872 and 1985. In fiscal 2000, the University adopted *Section 4441 Collections held by not-for-profit organizations*, however, since the fair value was not assessed at the time of donation, the Collection is recorded at a nominal cost.

(i) Investments:

Investments reported at fair value consist of equity instruments that are quoted in an active market, as well as any investments in debt or equity securities that the University designated to be measured at fair value. Such designation must be made when the investment is initially recognized. This designation is irrevocable. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred. The University holds investments in a pooled balanced fund, equities, and pooled alternative funds ("alternatives") and records these at fair value. The change in fair value year-over-year is reflected in the Statement of Operations for restricted investments and an adjustment to endowed investments in the Statement of Changes in Net Assets.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

The value of private investments ("alternatives"), which comprise private externally managed co-mingled funds with underlying investments in commercial mortgages, real estate assets and infrastructure assets, are determined based on the valuations provided by the external investment managers of the fund. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

(j) 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 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, 2021 but not yet received was \$1,084,500.

During the year \$752,286 (2020 - \$1,350,471) was reported as follows:

	2021	2020
Statement of operations:		
Revenue: Gifts	\$ 684,391	\$ 731,950
Statement of changes in net assets:		
Endowment contributions	67,895	618,521
Total gifts	\$ 752,286	\$ 1,350,471

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Accounts receivable:

	2021	2020
Dalhousie University	\$ 432,775	\$ -
Harmonized sales taxes	56,573	54,574
Nova Scotia Bursary	74,324	58,772
Other receivables	154,994	186,750
Total accounts receivable	\$ 718,666	\$ 300,276

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

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 asset mix guidelines developed and monitored by the Investment Committee of the Board of Governors. At March 31, 2021 the composition of underlying assets was as follows: Canadian equities 27% (2020 – 24%), foreign equities 36% (2020 – 29%), fixed income 20% (2020 – 32%), cash 1% (2020 – 2%), alternative investments 16% (2020 – 13%). Included in investments is \$32,422,893 (2020 - \$27,376,681) related to the endowment fund and \$10,453,839 (2020 - \$9,445,252) related to internally restricted operating funds. The remaining is investments of the operating fund.

6. Capital assets:

	2021		2020	
	Cost	Accumulated Amortization	Net Book value	Net Book value
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Buildings	31,195,688	11,093,378	20,102,310	16,326,758
Computers and electronic equipment	629,890	505,097	124,793	66,594
Energy efficiency hardware	1,387,263	306,181	1,081,082	1,173,566
Furniture and equipment	3,508,178	2,801,376	706,802	743,370
Library books	1,920,423	1,720,935	199,488	224,064
	\$38,841,442	\$16,426,967	\$22,414,475	\$18,734,352

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$426 (2020 – \$1,667) which includes amounts payable for HST.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Long-term debt:

	2021	2020
Fixed term, unsecured bankers' acceptances, bearing interest at 3.09%, payable in monthly instalments of approximately \$29,100, including interest, due January, 2033	\$3,753,000	\$ 3,773,000
Fixed term, unsecured bankers' acceptances, bearing interest at 3.23%, payable in monthly instalments of approximately \$8,200, including interest, due November, 2035	1,220,000	1,251,000
Fixed term, unsecured bankers' acceptances, bearing interest at 2.63%, payable in monthly instalments of approximately \$9,200, including interest, due April, 2036	1,564,000	1,604,000
Fixed term, unsecured bankers' acceptances, bearing interest at 3.64%, payable in quarterly instalments of approximately \$27,700, including interest, due November, 2037	1,835,000	1,873,000
Fixed term, unsecured bankers' acceptances, bearing interest at 3.25%, interest only payable quarterly to November 2019, then quarterly instalments of approximately \$132,000, including interest, due November, 2024	2,480,000	2,480,000
Non revolving term facility, bearing interest at prime less 0.25%, interest only payable monthly until November 2025, then repayable in full	438,926	-
	11,290,926	10,981,000
Current portion of long-term debt	934,000	128,000
	\$ 10,356,926	\$10,853,000

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

2022	934,000
2023	987,000
2024	1,020,000
2025	1,053,000
2026	1,387,926

The University uses interest rate swaps to manage interest rate risk. The interest rates stated above are the effective rates on the swap agreements related to the underlying debt.

The University has an operating line of credit of \$1,500,000 to assist with operations. Interest is payable at the bank's prime lending rate less 0.25%.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Deferred capital contributions:

	2021	2020
Balance, beginning of year	\$ 7,823,679	\$ 7,610,170
Contributions received during the year	2,219,733	550,474
Amounts recognized as revenue in the year	(371,999)	(336,965)
	\$ 9,671,413	\$ 7,823,679

10. 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.

11. Investment income:

During the year the University earned \$1,877,980 (2020 - \$2,156,597) of investment income, consisting of \$1,940,225 (2020 - \$1,853,029) of interest and dividends and \$62,245 of net realized losses (2020 - \$303,568 of net realized gains) on disposal of investments. An amount of (\$5,212) of accumulated earnings was retained in the endowment fund (2020 - \$131,195) for total investment income of \$1,883,191 (2020 - \$2,025,402).

12. 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.

The following balances are included in the financial statements at year-end:

	2021	2020
Accounts receivable	\$ 432,775	\$ -
Accounts payable and accrued liabilities	752,101	1,588,488

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Commitments and contingent liability:

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 of December 31, 2020, CURIE had total assets of \$185,696,619 (2020 - \$170,940,779) and an accumulated surplus of \$99,448,896 (2020 - \$90,185,361) of which the University’s pro-rata share is approximately 0.12% 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.

14. 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 while long-term debt is exposed to interest rate risk.

The University has formal policies and procedures that establish target asset mix for investments. The University’s investment policies also require diversification of investments within categories and set limits on exposure to individual investments and credit quality. Further, the University uses interest rate swaps to hedge interest rate risk on long-term debt.

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was classified as a global pandemic, which resulted in governments enacting emergency measures to combat the spread of the virus. In March 2020, the University vacated residences and moved to an online learning platform for the remainder of the 2019/20 academic year. Further, the University implemented procedures including employee education, increased sanitization, as well as employees working remotely when possible. After the prior year end, it was determined that classes would be held online for the 2020/21 Academic year and the University moved quickly to reconfigure the curriculum and pedagogy for online delivery. The University also reduced the capacity of residence for the 2020/21 Academic year to abide by Public Health restrictions.

During the year, the University continued to work from home whenever possible, and the safety committee and senior administration continually evaluated and adapted to the risks that arose during the pandemic. In February 2021, recognizing that universities have faced unexpected financial challenges related to the pandemic, the Province of Nova Scotia provided a one-time grant of \$1,324,700 to the University. This is included in the Provincial government grants line on the Statement of Operations. Of the total grant monies received, \$1,077,025 was used for costs related to adapting to the pandemic, including expenditures related to the transition to online delivery of education, for safety/campus preparedness, for marketing and for other expenditures. These amounts are recorded as current year expenditures in the Statement of Operations.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial instruments and risk management activities (continued):

The duration of the outbreak and economic impacts are still uncertain and may continue to impact the University's operations, value of investments and cash flows in the 2022 fiscal year. Having a year of experience with the pandemic reduces the level of risk around financial instruments, however the University continues to actively monitor and manage the situation.

(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 at March 31, 2021, the interest rate swap contracts have a fair value of \$357,593 less (2020 - \$1,024,735 less) than the recorded value.

At March 31, 2021, interest rate swaps outstanding have a notional value of \$10,852,000 (2020 - \$10,981,000) 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 securing long-term fixed interest rates in the range of 1.98% to 2.74% (2020 – 1.98% to 2.74%).

(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 market risk of the University has decreased over the prior year as the negative effect of the COVID-19 pandemic was less than expected. The University manages this risk through controls to monitor and limit concentration levels.

UNIVERSITY OF KING'S COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial instruments and risk management activities (continued):

(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 credit risk of the University has decreased over the prior year as the negative effect of the COVID-19 pandemic was less than expected. 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.

(d) Liquidity risk:

Liquidity risk is the risk that the University will not be able to meet a demand for cash or fund its obligations as they come due. The liquidity risk of the University has decreased over the prior year as the negative effect of the COVID-19 pandemic was less than expected. The University meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

15. 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.

16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation of the current year.